

Statement of Sufficiency of Resources made in accordance with Condition 9.5 of Network Rail's network licence

Date: 10 September 2021

In this statement references to:

- The 'licence holder' are to Network Rail Infrastructure Limited
- 'The Act' are to the Railways Act 1993 (as amended)
- A period of '12 months' is to the period of 12 months commencing on the date of this statement.

After making enquires, including of its Regional Businesses and System Operator, the directors of the licence holder have a reasonable expectation that the licence holder will have available to it, after taking into account in particular, but without limitation:

- any dividend or other distribution, loan repayments or other sums due which might reasonably be expected to be declared or paid by the licence holder;
- any mortgage, charge, pledge, lien or other form of security or other encumbrance; and
- any indebtedness or guarantee,

sufficient resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents, and facilities, on such terms and with all such rights, to enable the licence holder to: (a) properly and efficiently carry on the Permitted Business; and (b) comply in all respects with its obligations under the Act and under its network licence, for the period of 12 months referred to in this statement.

Signed.....



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Director, pursuant to a resolution of the Board of Directors of Network Rail Infrastructure Limited dated 9 September 2021.



Statement of Sufficiency of Resources supporting letter

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10 September 2021

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Dear John

Resources Statement made in accordance with Condition 9.5 of Network Rail Infrastructure Limited's network licence

I enclose the Resources Statement ('the Statement') required from Network Rail Infrastructure Limited (Network Rail) under Condition 9.5 of its network licence, which I have been authorised to sign following a resolution of the Board of Directors of Network Rail.

After due and careful consideration and having taken into account the view held by the Regional Businesses and the System Operator the statement confirms that, in the Board's reasonable opinion, Network Rail has adequate management resources and financial resources and facilities to enable it to carry out its activities for the period of 12 months commencing on the date of the statement. The main factors that the Board has taken into account in making this statement are as follows:

- The 2018 Periodic Review continues to provide the funding required over the current control period (April 2019 – March 2024) to enable Network Rail to plan and deliver its business activities with a reasonable degree of assurance.
- In CP6 Network Rail's budget falls under the Resource Departmental Expenditure Limit (RDEL) and Capital Departmental Expenditure Limit (CDEL) meaning there is an allowed flexibility to our CP6 budget profile.
- Treasury initiated the Comprehensive Spending Review (CSR) in July 2021 in order to set government departmental budgets for the next three years. Whilst the CSR could impact the our funding for the last two years of CP6 and the first year of CP7 we are assuming that network grant payments will continue to be made by Department for Transport (DfT) and Transport Scotland at the values to which they have committed (subject to any agreement between Network Rail and its funders to reprofile Network Rail's budget under the budget flexibility rules). More generally, the Rail Revenue Recovery Group is working with the government to address the significant industry revenue deficit brought about by Covid, this includes restoring passenger confidence in rail travel through advertising campaigns and offering more

flexible ticketing. We anticipate that this will reduce the overall industry requirement for government support in the next 12 months.

- Network Rail has a Group Portfolio Fund to be used if risks materialise. Risk funding is held at both a national and regional level and Network Rail has appropriate governance arrangements in place for managing it.
- We are satisfied that we hold sufficient risk funding for the remainder of CP6. Whilst all regions and functions have faced extra cost pressures in light of Covid, the Board specifically notes that at the start of CP6 Scotland's Railway had £329 million of unallocated risk funding which has reduced to £60 million. The reduction in available risk funding is, in part, due to the impact of Covid-19 but there have been other cost movements across the portfolio. The key impacts from Covid were in an increase in expenditure through additional staff costs, vehicle costs and compliance costs, and in addition a reduction in income mainly through property and variable track access income. Notwithstanding this, we are satisfied that Scotland will be able to operate within funding limits in the next 12 months, with some discretionary investment already being removed from the CP6 plans.
- Network Rail delivered gross efficiency of £710m in 2020/21 – this is ahead of both our own target (£647m) and ORR's target (£570m). We are well placed to deliver a total of £4bn of efficiencies during the course of CP6.
- As highlighted by ORR in its Annual Assessment 2020/21, Network Rail responded well to the Covid-19 pandemic and continued to deliver its planned efficiencies during 2020/21. The modelling we have undertaken, assessing the impact of Covid-19 responses on financial viability, shows that these can be adequately mitigated by the financial risk buffer and the ability to safely defer works, as required.
- 99.7 per cent of all our retail units at stations are now open. As passengers return to the network we also anticipate that we will see a recovery in our retail income.
- Following publication of the William-Shapps Plan for Rail, work has commenced to develop plans for a new body, Great British Railways. A small transition team has been created within Network Rail to ensure that the rest of the business remains focussed on delivering the CP6 Plan.
- Our delivery plans will continue to evolve and be refined over the control period as the outcomes of scenario risk planning and/or stakeholder requirements alter. Any changes will be made having regard to ORR's managing change policy which gives us the flexibility to make required changes.

In making the attached statement, we have assumed that the current structure and regulatory framework of the industry will remain unchanged for the 12 months following this statement and would not hinder our ability to recruit and retain the quality of people we require to manage and transform the business. We have also assumed that there are no material legislative alterations in the next 12 months that would adversely impact our financial or operational capabilities.

Yours sincerely



Jeremy Westlake
Chief Financial Officer