

# TREASURY COMMITTEE REPORT

I took over as chair of the committee on 24 August 2020 and I'm pleased to present the committee's report into the key activities undertaken during 2020/21 alongside the work it expects to be doing in 2021/22.



**Mark Bayley CBE,**  
**chair, treasury committee**  
 15 July 2021

Committee members	Formal appointment to the committee	Number of meetings attended during the year
Mark Bayley CBE <sup>1</sup>	May 2020	3/3
Silla Maizey	November 2016	3/3
Michael Harrison <sup>2</sup>	September 2020	2/2
Sharon Flood <sup>3</sup>	September 2014	1/1

1. Mark Bayley was appointed as a director on 11 May 2020 and took over as the chair on 24 August 2020
2. Michael Harrison was appointed to the committee in September 2020
3. Sharon Flood resigned as a director on 23 August 2020

## Committee attendees

The chair of the Board, chief financial officer, group controller, head of treasury, the group general counsel and company secretary attend meetings by invitation .

## Role and responsibilities of the Committee

The terms of reference (ToR) govern the structure and operation of the Treasury Committee, including its delegated responsibilities and authority level. The ToR are reviewed regularly to ensure the activities of the committee align with the needs of the organisation.

The committee's role is to:

- approve or recommend strategies and policies in relation to areas of treasury management including financing, cash and liquidity management and forecasting, regulatory requirements, investor relations, bank relationships, and treasury control and governance policies

- review proposed treasury activities including banking, cash and liquidity management and forecasting, debt management, investment management, and treasury risk management
- review the treasury function's financial reporting and internal control procedures, and
- approve specific transactions within treasury responsibility.

## Principal activities during the year

During the year, the committee received detailed updates on Network Rail's cash and liquidity position, its debt and derivative portfolio, and its intercompany financing arrangements.

The committee continued to monitor the impact on funding caused by the pandemic and the reduction in Network Rail's enhancement budget by £1bn following the Chancellor's Spending Review. The committee also reviewed opportunities for third party investment in Network Rail infrastructure.

The chair provided a summary of the committee's activities and its main discussion points and findings to the next Board meeting and made appropriate recommendations.

Some of the specific topics discussed during 2020/21 were:

### Cash and liquidity

The committee discussed the continued operation of the existing loan facility from the Department for Transport and grant agreements between Network Rail and governments, as well as the effectiveness of Network Rail's banking arrangements.

There was particular focus on the steps taken to mitigate the impact of Covid-19 on Network Rail's cash position, including the early submission of funding requests to reduce potential operational complications, and the acceleration of grant receipts to cover an expected fall in income. The committee also considered the move to support the rail industry supply chain through Covid-19 by agreeing to more favourable supplier payment terms, and the subsequent impact on working capital. Related developments in the wider industry, including Government support packages for train operators, were also reviewed closely.

### Policy, risk and reform

The committee approved a revised policy document which governs Network Rail's treasury-related activities. It reviewed the status of funding and liquidity risk as part of Network Rail's enterprise risk process. The committee discussed various areas of ongoing financial market, regulatory and rates reform which may have implications for how Network Rail manages its treasury activities.

### Open for business update

The committee considered various potential opportunities for third party investment into Network Rail's

telecommunications infrastructure and the potential for purchasing Network Rail's non-traction electricity requirements from renewable generators.

### Treasury

Further matters considered by the committee during the year included:

- 2020/21 actual and forecast cash position
- potential capital restructure of Network Rail subsidiaries
- regular summaries of treasury activities, including:
  - » actual and forecast movements in debt, derivatives and investments
  - » financing costs, and
  - » intercompany financing arrangements within the Network Rail group.

## Planned activities for 2021/22

The committee will continue to monitor the progress of the initiatives underway.

Particular focus will include:

- the potential for future structural changes to the rail industry and their likely impact on Network Rail's financing and treasury activities
- exploring alternative approaches to raising capital to fund rail infrastructure and enhancements
- assessing strategic or corporate finance opportunities that may be proposed to the Board
- monitoring cash flow and funding limits.