

TREASURY COMMITTEE REPORT

**Mark
Bayley CBE**

chair, treasury
committee

13 July 2023



Committee members	Formal appointment to the committee	Number of meetings attended during the year
Mark Bayley CBE	May 2020	3/3
Michael Harrison	September 2020	3/3
Silla Maizey OBE	November 2016	3/3

Committee attendees

The chair of the Board, chief financial officer, group finance director, head of treasury, corporate finance and business development director, the group general counsel and company secretary attend meetings by invitation.

The role and responsibilities of the committee are reviewed regularly to ensure that the activities of the committee align with the needs of the organisation.

The 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, governance and assurance
- review proposed treasury and corporate finance 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
- approve specific transactions within treasury responsibility
- review Network Rail's corporate finance activities and major corporate transactions.

Principal activities during the year

The Committee received detailed updates on Network Rail's cash and liquidity position, its debt and derivative portfolio, its intercompany financing arrangements, and major corporate finance transactions.

Corporate finance transactions

During the year, the committee noted the progress that had been made on the pipeline of projects and reflected and reviewed opportunities for third-party investment in Network Rail Infrastructure (NRIL). Factors that could threaten the viability of any of the projects were considered.

The projects included:

- renewing and upgrading telecoms infrastructure
- power purchasing agreements to support decarbonisation of the railway
- private funding/ third-party investment in Network Rail infrastructure, depots and other projects (including electric vehicle charging points at railway stations)
- proposed merger of Network Rail and London & Continental Railways (LCR) property functions to create a new railway property development company.

Tax Strategy

The committee reviewed the proposed tax strategy for 2022/23 for the Network Rail Group. The revisions

were intended to strengthen the associated governance arrangements.

Network Rail Financing arrangements

- The committee continued to monitor the impact on funding caused by industrial action and inflation and the approach to managing the financial impact of any future strike action and inflationary pressures
- the committee reviewed the grant agreement funding for Network Rail, including the Great British Railways Transition Team (GBRTT) Grant Agreement which was signed on 10 October 2022
- the committee reviewed the effectiveness of Network Rail's banking arrangements..

Other specific topics considered by the committee during 2022/23 included:

Legacy Debt

The committee reviewed the continued operation of the existing loan facility from the Department for Transport (DfT) which refinances Network Rail's external debt as set out on page 189, when it falls due for repayment.

Network Rail has in issue a number of structured legacy bonds that contain early repayment options which can be exercised every five years by the investor. The recent unforeseen and rapid rises in market rates highlighted the requirement to increase the DfT Loan Facility to provide the required funding to refinance these legacy structured bonds, should investor options be exercised in the future.

Review of Treasury Policy Manual

The committee reviewed the treasury policy manual and introduced minor changes to the document. Network Rail Group's cash and liquidity position will be defined as 'group cash', representing the aggregate total of NRIL cash and available cash at Network Rail's captive insurance company. Notification triggers were introduced to ensure that senior leaders are informed promptly when cash held by the insurance captive is applied to meet short-term liquidity requirements.

Enterprise Risk Record

The committee reviewed the newly introduced Enterprise Risk Record in relation to emerging Control Period 7 treasury matters. Activities include the negotiation of a new suite of government grants for funding rail activities, and the agreement of a replacement DfT loan facility to replace the existing facility for refinancing debt.

Planned activities for 2023/24

- Governance and assurance of all Group Treasury activities
- review of CP7 risks and agreement of CP7 financing and funding agreements
- corporate finance transactions overview (including oversight of planned merger of NR and LCR property development activities)
- development of policy, governance and assurance activities as GBRTT scope and activities are increased.