Treasury committee report

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I am pleased to present the treasury committee report outlining the key activities undertaken during 2025/26, together with an overview of the anticipated focus for 2026/27.

During the year, oversight, challenge and assurance continued across Network Rail's treasury and corporate finance activities, supporting the Board in ensuring the effective management of financing, liquidity, corporate finance transactions involving third-party capital, tax and insurance. This committee undertook its work amid continuing inflationary, funding constraints and preparations for the transition to Great British Railways (GBR).

Throughout the period, focus remained on maintaining financial resilience, supporting the delivery of major corporate finance activity, and ensuring that treasury governance, controls and risk management arrangements remained appropriate as the organisation progressed through Control Period 7 (CP7).

Committee attendees

In addition to the committee members, meetings were attended by invitation by the chief financial officer, group finance director, head of treasury, corporate finance, partnerships & retail director, head of insurance and, the group general counsel and company secretary.

Role and responsibilities of the committee

Responsibilities include approving and/or recommending treasury-related strategies and policies covering financing, cash and liquidity management, forecasting, treasury controls, tax strategy and insurance activities. Activities also include monitoring proposed treasury activity, reviewing reporting, and internal controls, providing assurance over insurance arrangements, and receiving updates on corporate finance activity and major transactions.

Principal activities during the year

During the year, a review of the terms of reference was undertaken to ensure alignment with evolving requirements and anticipated governance arrangements under GBR. This provided a strong foundation, ensuring the remit reflects both current responsibilities and future structural changes.

Three meetings were held throughout 2025/26, maintaining oversight of treasury and financing activities. Detailed updates were received on cash and liquidity, the debt and derivatives portfolio, the treasury risk management framework, insurance strategy, intercompany financing arrangements with Network Rail's captive insurer, and key performance indicators. Major corporate finance transactions were also monitored.

Key themes included the importance of maintaining appropriate liquidity headroom, managing financial risks within a volatile macroeconomic environment, progressing significant transactions, and ensuring governance and controls remained robust as the organisation prepared for structural change. The continued impact of sustained inflation on real-terms funding, particularly where grant income is not indexed, remained under review, alongside implications for funding, asset management and long-term resilience.

Treasury and financing

Cash and liquidity were reviewed at each meeting, with liquidity remaining robust and generally ahead of budget. Performance of Group Treasury was also monitored, including compliance with policy, delivery against KPIs, and the effectiveness of risk and control measures.

External pressures such as inflation, industrial relations risks and policy developments were considered alongside management's mitigation actions. These included the use of reserve cash in the captive as a risk buffer, adjustments to the renewals work plan, and increased maintenance activity where required. Ongoing engagement with the Department for Transport (DfT) and HM Treasury ensured alignment across stakeholders.

Oversight also extended to the derivatives portfolio and associated collateral requirements. As derivatives mature and related debt is repaid, removal of the final tranche of legacy derivatives expected to deliver operational efficiencies.

Financing arrangements and legacy debt

CP7 funding arrangements, including grant funding from the DfT and Transport Scotland and associated loan facilities, were reviewed alongside potential implications of future policy reform and structural change linked to GBR. Continued attention was given to legacy debt and derivative arrangements issued prior to the 2014 reclassification, including oversight of DfT loan facilities used to refinance this debt and the associated risks.

Options for future GBR debt financing were also explored through ongoing discussions with the DfT. While no firm conclusions were reached, emphasis was placed on the importance of establishing a sustainable long term capital structure aligned to GBR's anticipated risk profile and funding model.

Other areas of focus:

Corporate finance and business development
Updates were received on corporate finance activity involving third-party capital and major transactions, including progress across a pipeline of projects, including Project Reach. Governance, execution risk and value for money were closely monitored as was any appetite with Government for alternative funding models.

Tax and insurance
The annual tax strategy was reviewed and recommended to the Board, with no material changes identified and appropriate governance arrangements confirmed.

Insurance remained a key focus, including oversight of a single, combined insurance programme for Network Rail and DFTO train operators. This programme delivers industry-wide efficiencies, supports GBR readiness, and has already generated recurring savings of at least £8m per annum, with potential increases up to £15m as additional operators join.

Governance, policy and risk
Updates to the Treasury Policy Manual were approved, focusing on improving efficiency and removing outdated references. Delegated authority was granted to the group finance director and head of treasury to agree and publish future amendments where appropriate.

Revisions to the Treasury and Funding Enterprise Risk Record for CP7 were also agreed, ensuring that material risks relating to financing, liquidity and market exposure remain clearly identified and effectively managed.

An effectiveness review confirmed that arrangements remain well positioned to discharge responsibilities as governance continues to evolve in preparation for GBR.

Planned activities for 2026/27

In the coming year, the committee will continue to provide governance, assurance and challenge across all aspects of treasury activity, with particular focus on:

- oversight of cash, liquidity, debt and treasury risk management
- review of risks associated with CP7 funding and financing arrangements
- continued oversight of corporate finance transactions and third-party investment activity
- review of the annual tax strategy and associated governance
- continued assurance over insurance arrangements, including further development of the combined industry insurance programme
- monitoring of GBR related developments, including implications for capital structure and funding
- ongoing assessment of the committee's effectiveness as governance arrangements continue to evolve.