

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

Date: 23 September 2022

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 22 September 2022.



## Statement of Sufficiency of Resources supporting letter

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Office of Rail and Road  
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23 September 2022

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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 completed their Comprehensive Spending Review (CSR) in 2021. Recognising the pressure in the overall rail system, Network Rail committed to achieving additional efficiencies to reduce the funding required by government. These savings have been incorporated in the Regional and functional business planning targets and are largely expected to be delivered through workforce reform initiatives. To date, savings have been delivered through the management modernisation programme and PRP rationalisation and restructuring.
- Inflation and industrial action present risks to managing our regulatory outputs within the funding available. However, Network Rail has risk funds that can be used to mitigate these risks. Risk funding is held at both a national and regional level and Network Rail has appropriate governance arrangements in place for managing it.

- The Board specifically notes that at the start of CP6 Scotland's Railway had £329 million of unallocated risk funding which has reduced to £34 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. 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 over £1.9bn by the end of 2020/21 – marginally ahead of our Business Plan 2021 targets and significantly ahead of ORR's target (£1,745m). We are well placed to deliver a total of £4bn of efficiencies during the course of CP6 with management modernisation now largely implemented.
- The railway continues to recover after Covid. Passenger journeys have returned to around 80 per cent of pre-pandemic levels with more services being restored to the timetable. This helps support variable track income and property income as well as appetite for government to fund this public service.

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