



Treasury committee report

Throughout 2017/18, the committee has continued to receive in-depth executive briefings from the treasury function on a range of financing, debt, risk and treasury matters.

Since reclassification, Network Rail's source of borrowing is via a Department for Transport loan facility.

As funding is limited, NR is proactively seeking third party financing of rail enhancements in CP6.

In addition, Network Rail is seeking to sell non-core railway-owned property assets that are not essential for running a safe, reliable and growing railway. Sale proceeds will be used to fund the Railway Upgrade Plan, improving and enhancing the rail network for the benefit of passengers and the UK economy as a whole.

The committee will continue to oversee these activities in the year ahead.

Sharon Flood,
Chair, treasury committee

27 June 2018

Committee members	Formal appointment to the committee	Number of meetings attended during the year
Sharon Flood*	Sep 2014	3/3
Bridget Rosewell OBE	Jul 2012	3/3
Rob Brighouse**	Jan 2016	2/2
Silla Maizey	Nov 2016	3/3

* Chair since September 2016

** stood down from the Committee in February 2018

Committee attendees

The chair of the board, chief financial officer, group treasurer, and the group general counsel and company secretary also 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 reflect its current activities and best practice. The last such review was undertaken in February 2018 and the revised ToR were approved by the Board in March 2018. The terms of reference can be found at networkrail.co.uk.

The committee's role is to:

- Review and satisfy itself as to the appropriateness of proposed treasury transactions including banking, cash management and cash forecasting, debt management, investment management and treasury risk management.
- Approve or recommend strategies and policies in relation to areas of treasury management, including liquidity management and forecasting, financing activities, bank relationships and regulatory requirements.
- Review the Treasury function's financial reporting and internal control procedures.
- Approve specific transactions in the areas of treasury responsibility.

Principal activities during the year

The committee receives detailed updates from the Treasury department at each meeting. Updates are planned 12 months ahead, although if any matter is identified by Treasury as being in need of discussion sooner, it is added to the agenda of a future meeting.

Following each meeting, the chair provides a summary of the committee's activities, the main discussion points and findings to the next Board meeting and makes appropriate recommendations.

Some of the topics discussed during 2017/18 are outlined below:

CP6 financial framework

Network Rail continued to explore options for securing sustainable funding and financing arrangements for CP6 and beyond. The committee reviewed and discussed key issues associated with the CP6 Financial Framework. Arrangements for the restructuring of existing debt and

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the mechanism by which the company would receive funding in CP6 are part of ongoing discussions with the DfT and HMT.

Third party funding and financing

The committee continued to review progress on identifying potential opportunities for attracting private finance for rail enhancements and progress on third party funding activities. A number of schemes had been identified and detailed assessments of operational feasibility and commercial viability of these schemes had commenced.

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Further matters considered by the committee during the year included:

- Review of DfT loan draw downs, use of pre-hedges, and associated maturities.
- Regular review of cash flow forecasting, including actual cash performance vs. budget, analysis of variances and reviews of the company's funding and liquidity positions in the light of DfT loan limits.
- Annual review of the adequacy and effectiveness of treasury policies and approving the annual update of the Treasury Policy Manual and Risk Register.
- Review of existing collateral arrangements and agreement of a new collateral funding facility provided by DfT.
- Considering the benefits of a number of potential strategic finance opportunities, particularly in relation to potential asset disposals, and recommending that they continue to be explored further.

Planned activities during the coming year

During the coming year, the committee will continue to monitor the progress of the initiatives already under way.

Particular areas of focus for 2018/19 will include:

- Ongoing efforts to raise cash via the disposal of non-essential railway assets, to protect the delivery of railway outputs for CP5 within the DfT loan limit.
- Exploring alternative approaches to raising capital to fund enhancements (including the digital railway) in future control periods.
- Agreeing the CP6 Financial Framework setting out NR's future capital and financing structure.
- Assessing strategic and/or corporate finance opportunities that may be proposed to the Board.
- Monitoring cash flow and loan limits management.