

TREASURY COMMITTEE REPORT

This report provides an overview of the committee's activities in the past year, alongside its anticipated activities for the coming year.

The announcement in December 2013 that Network Rail would be reclassified as a public body effective September 2014 curtailed future access to Government backed debt and, from July 2014, Network Rail has only borrowed directly from the Government via a Department for Transport loan facility. Reclassification also meant Network Rail becoming subject to public sector constraints and resulted in significant restrictions on group treasury activities in the areas of funding, investment management and financial risk management.

At the same time, Network Rail is expected to raise £1.8bn to partially fund the increased costs of major projects upgrades and renewals in Control Period 5 (CP5). To address this, we started considering the disposal of assets which we could sell without affecting the day-to-day operation of a safe and reliable network, which is our fundamental objective. In addition, raising capital to fund enhancements via alternative funding sources will continue to be a key consideration for us during the coming year.

Rob Brighouse joined the committee at the end of the financial year. Sharon Flood and I look forward to working with him.



Bridget Rosewell
Chair, treasury committee
30 June 2016



Committee members

Member	Date appointed to committee	Number of meetings attended
Bridget Rosewell*	July 2012	2/2
Sharon Flood	September 2014	2/2
Rob Brighouse	January 2016	0/0

* Chair since July 2014

Previous member during the year

Richard Parry-Jones**	April 2013 – July 2015	1/1
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**Richard Parry-Jones stepped down from the board on 15 July 2015

Committee attendees

The chair of the board, chief financial officer, group treasurer, and group general counsel and company secretary also attend meetings.

Role of the committee

The committee's role is to:

- Review and satisfy itself as to the appropriateness of proposed treasury transactions including banking, cash management, 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, risk management and bank relationships
- Review the Treasury function's financial reporting and internal control procedures
- Approve specific transactions in the areas of treasury responsibility.

Following each meeting, the chair provides a summary of the committee's activities to the next board meeting and makes recommendations as appropriate.



The terms of reference of the committee can be found on our website: networkrail.co.uk

CORPORATE GOVERNANCE REPORT CONTINUED

Principal activities during the year

Matters considered by the committee during the year included:

- Review of existing debt issues, associated maturities, and cash flow forecasts
- Annual review of the adequacy and effectiveness of treasury policies and approving the annual update of the Treasury Policy Manual
- Review of the weighted average debt maturity policy with respect to its impact on CP5 financing costs
- Review of the utilisation of interest rate pre-hedges against DfT Loan Facility drawdowns to manage cash financing costs
- 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 2016/17 will include:

- Reviewing and oversight of the programme of work designed to raise £1.8bn via the disposal of non-essential railway assets, to contribute funding towards enhancements and renewals projects in CP5
- Exploring alternative approaches to raising capital to fund enhancements and the digital railway in future Control Periods
- Review of existing collateral arrangements
- Assessing the impact of any strategic finance opportunities that may be proposed to the board.