



Treasury committee report

Throughout 2018/19, the committee continued to consider a range of financing, debt, risk and treasury matters.

In February, Network Rail completed the sale of its commercial estate portfolio. Proceeds from the £1.46 billion transaction will help fund the railway upgrade plan and reduce the need for taxpayers to fund the railway.

Network Rail's source of borrowing is via a Department for Transport (DfT) loan facility. As funding is limited, we are proactively seeking third party financing of rail enhancements in Control Period 6 (CP6).

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

Sharon Flood,

Chair, treasury committee

15 July 2019

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

Committee attendees

The chair of the Board, chief financial officer, group controller, head of treasury, and the group general counsel and company secretary 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 align with the needs of the organisation.

The most recent ToR were approved by the Board in April 2018. The terms of reference can be found at www.networkrail.co.uk

The committee's role is to:

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

Principal activities during the year

The committee received detailed updates from the treasury team at each meeting. The chair then provided a summary of the committee's activities, the main discussion points and findings to the next Board meeting and made appropriate recommendations.

Some of the topics discussed during 2018/19 were:

CP6 financial framework

The committee discussed how Network Rail would be financed in CP6. Network Rail would transition from an annually managed expenditure to a departmental expenditure limit control framework and the committee considered how the transition would be managed at group

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and route-level. The committee also reviewed changes to the operation of the government grant system.

Sale of commercial estate

The Hendy Review into Network Rail's investment programme recommended the sale of its non-core property assets. The transaction with Telereal Trillium and Blackstone Property Partners completed on 4 February 2019.

Proceeds from the sale will help to fund the railway upgrade plan, which is improving and growing the rail network for the benefit of passengers and the wider UK economy.

Open for Business

The Open for Business programme was established in September 2017 to expand third party financing and delivery of Network Rail schemes by making it easier for third parties to undertake these activities.

We have established business development teams in the routes to engage directly with third parties and enable local customer focus. We have published route-based pipelines to enable third parties to identify opportunities for funding, financing and delivery and put in place a clear and accessible process for industry to challenge our standards.

Examples of target projects for third-party investment in CP6 include the refurbishment of Leeds station, the Cumbrian coast line upgrade and the refurbishment of Victoria and Cardiff stations.

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Further matters considered by the committee during the year included:

- Cash forecasting and utilisation of the DfT loan facility, including risks to the cash position and loan utilisation.
- Future participation in the Government Banking Service and the impact on existing use of money market funds.
- Approval of the treasury policy manual and risk register.
- Regular summaries of treasury activities, including:
 - > actual and forecast movements in debt, derivatives and investments;
 - > risks of over or underspend of the DfT loan facility;
 - > financing costs; and
 - > intercompany loans.

Planned activities for 2019/20

The committee will continue to monitor the progress of the initiatives underway.

Particular areas of focus will include:

- The impact of the Williams Review conclusions on Network Rail's financing and treasury activities.
- Exploring alternative approaches to raising capital to fund enhancements.
- Monitoring the introduction of the CP6 financial framework.
- Assessing strategic or corporate finance opportunities that may be proposed to the Board.
- Monitoring cash flow and funding limits.