

The public sector and derivatives

I have highlighted before Network Rail's use of derivatives. In their last annual accounts to end March 2020 they report progress with winding down foreign currency futures, as they gradually eliminate the foreign currency borrowings previous managements had taken out.

They still had in place £12.5bn of hedges, mainly for interest rates. At year end the notional loss was a gross £895 million and a net £484m.. Why does a company that is entirely owned by the taxpayer and borrows with a state guarantee need to take out derivative contracts on interest rates? Why do we rarely see them making overall profits on these activities?

The BBC too has some of these derivative contracts. They also reveal unrealised losses on their foray into this complex market at their last balance sheet date. I haven't heard BBC journalists asking questions about any of this.