



UK Government
Investments

Governance and Portfolio Management

Board Update

March 2019

Governance and Portfolio Management Update

The UKGI Corporate Governance Function

1. Background

- Why Government has Arms Length Bodies (ALBs)
- 2007 ShEx portfolio
- 2019 UKGI portfolio

2. What we do

- Common activities
- Activities not desired
- Enablers and levers available
- The difference made by UKGI
- Current processes

3. Near term focus

- Role, people, quality, communication, impact

1. Why the Government has ALBs

- Arms Length Bodies are established with a specific purpose, distinct from their parent department
- They are used:
 - To separate implementation from policy making
 - In situations requiring independent assessment away from the department
 - To introduce commercial discipline especially in complex delivery bodies

1. Portfolio comparison

How it has changed – 2007 to 2019

2007

- | | | |
|-----------------------------------|--------------------------|------------------------------|
| • UK Export Finance | • QinetiQ | • UK Hydrographic Office |
| • The Royal Mint | • Actis | • DARA |
| • Forensic Science Service | • Partnerships UK | • ABRO |
| • British Energy | • NATS | • Meteorological Office |
| • Royal Mail | • BNFL | • UK Atomic Energy Authority |
| • Working Links | • DSTL | |

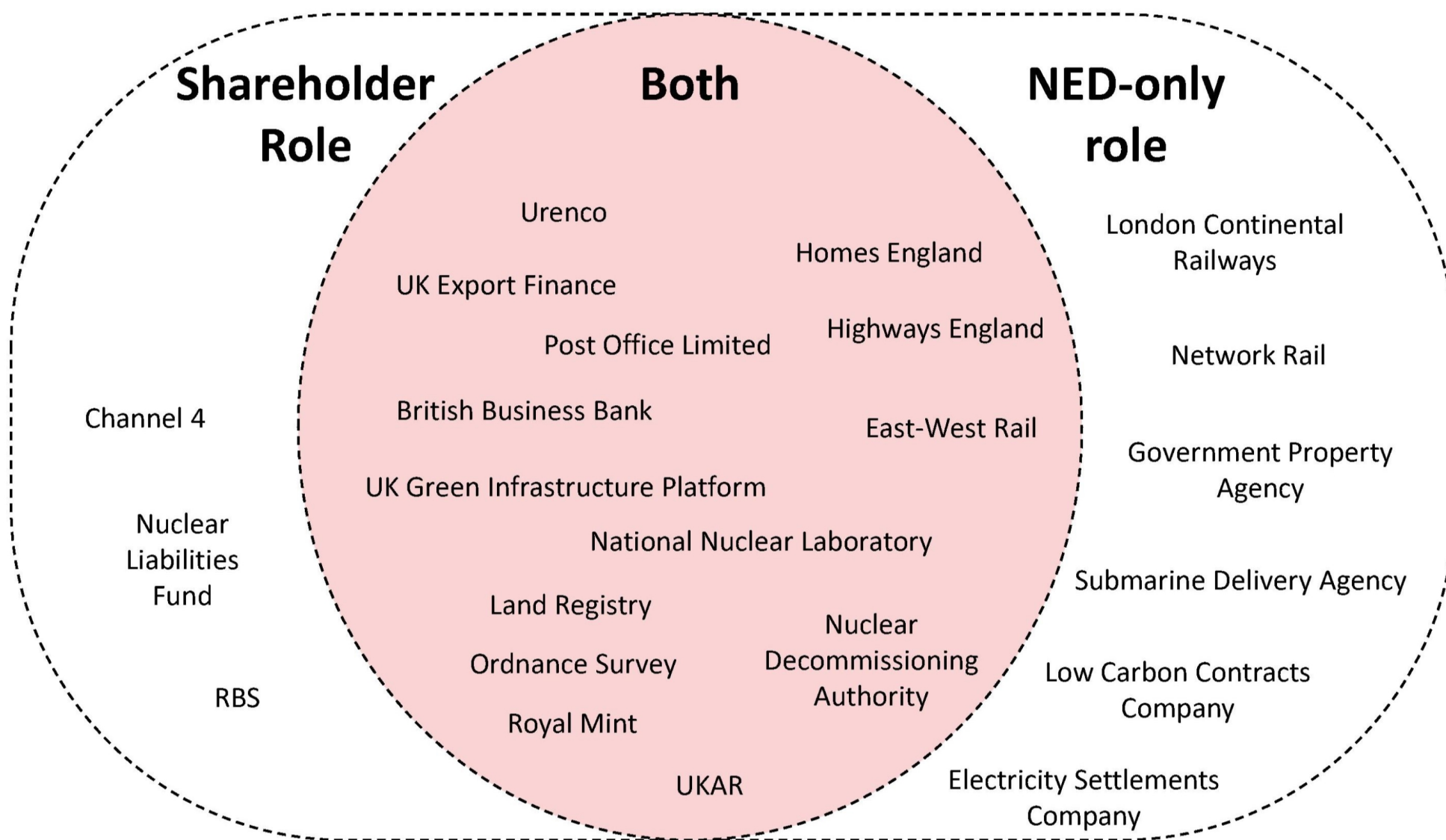
Red : Assets fully or partially sold

2019

- | | | |
|----------------------------|-----------------------|-------------------------------------|
| • UK Export Finance | • Spectrum | • National Nuclear Laboratory |
| • The Royal Mint | • East/West Rail | • Nuclear Decommissioning Authority |
| • RBS | • Homes England | • UK Green Infrastructure Platform |
| • UKAR | • Ordnance Survey | • London Continental Railways |
| • Nuclear Liabilities Fund | • Highways England | • Government Property Agency |
| • British Business Bank | • Post Office Limited | • Submarine Delivery Agency |
| • Channel 4 | • Network Rail | • Low Carbon Contracts Company |
| • Land Registry | • Urenco | • Electricity Settlements Company |

Source: 2007 NAO Report "The Shareholder Executive and Public Sector Businesses"

1. Current Portfolio Overview



2. UKGI Role

Working with departments and their ALB's to optimise efficiency and effectiveness of delivery via the ALB model

Clarifying Objectives

- Establishing framework document (covering governance roles, responsibilities and relationships)
- Setting out departmental priorities
- Advising departments on strategy or business plans proposed by ALBs

Board and Governance

- Designing, implementing and advising on governance structures (eg Committees and Terms of Reference)
- Holding board seat and membership of key committees
- Advising on board appointments and managing recruitment processes
- Monitoring board performance

Monitoring performance and MI

- Monitoring ALB performance
- Certain risk management responsibilities

2. UKGI Role

Activities that UKGI should avoid

- Setting Government policy
- Assuring satisfaction of policy objectives
- Mediating between departments on policy conflicts
- “Holding the Board to account”
- Assuring or approving business cases (before going to the Board)
- Assuring or approving procurement activity

2. How we do it – tools

Available levers vary considerably across portfolio assets

We can influence through...

- Board seat
- Managing senior recruitment processes
- Leading Chair performance review
- Communicating departmental priorities in annual Chair's letter
- Setting Board and Sub committee Terms of Reference
- Managing board review process
- Reviewing and commenting on business plan
- Engaging departmental interlocutors

We don't have formal power to...

- Directly hire or remove Chair, NEDs, Executive Team - **Minister**
- Set policy - **Department**
- Set strategy to deliver on the policy - **ALB**
- Determine funding allocation or funding strategy - **HMT**

We don't...

- Have executive authority
- Assume direct ministerial access

2. The difference made by UKGI



Homes England

- Full governance reset – Board, KPIs, objectives
- Rebasing relationship between ALB and Department



UK Export
Finance

- Full governance reset – Board, risk framework, monitoring and reporting
- Transformed transparency with other Government stakeholders



Companies
House

- Established governance required during implementation of major transformation programme



- Through board seat, renegotiation of banking partnership
- Significantly improved cash flow moving Post Office towards self sufficiency



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2. Current Processes

- **Risk**
 - Both systematic and ad-hoc review to manage UKGI risk on governance assets
- **Portfolio Panel Reviews**
 - Review and support for core governance portfolio
- **Practice notes**
 - Introductory 'how to' guides to selected governance topics
- **NED Forum**
 - Sharing practical experiences from UKGI NED cadre
- **Corporate Governance Specialist Group**
 - Developing house views to inform best practice

3. Near term focus

- **Context**
 - Mixed understanding of purpose of ALBs across government
- **Role**
 - Clear & communicable target shareholder role model
 - Understanding of “outlier” roles within portfolio
 - Overview of whole UKGI governance landscape
- **People**
 - More relevant skill-sets in our target recruitment mix
 - Focussed & sustainable training and development for existing shareholder teams
- **Quality**
 - Setting & maintaining UKGI standards, with proportionate & value-add supporting processes
 - Continuous improvement (and risk reduction) by sharing best practice from inside & outside HMG
- **Communication**
 - Clarifying our message on “what we do & why we’re good at it” for audiences across Whitehall & beyond
 - Increased interaction with ALB NEDs & external expertise
- **Impact**
 - Measuring effectiveness - development of KPIs (both relative and absolute); identifying things we are doing well & where we are carrying greater risk

UKGI-BP-326a



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