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**Agenda for Shareholder Executive Board Meeting**

**Wednesday 1 July 2015 (15.00 – 18.05)**

Item	Start	Duration	Agenda item	Papers
1.	-	-	Apologies for absence, Chairman's welcome and introduction, minutes from last meeting, declarations	-
2.	15:00	60 mins	Chief Executive's Report <ul style="list-style-type: none"> <li>• Royal Mail</li> <li>• URENCO</li> <li>• Land Registry</li> <li>• Network Rail</li> <li>• BBC</li> <li>• Distressed situations</li> <li>• Hinkley Point &amp; New Nuclear</li> </ul>	(15)16
3.	16:00	30 mins	Green Investment Bank – Project Moore	(15)17
4.	16:30	40 mins	ICR Student Loans	(15)18
5.	17:10	40 mins	UKGI Transition Update	(15)19
6.	17:50	5 mins	Forward Agenda	-
7.	17:55	10 mins	NED-only discussion	-
Standing Papers: <ul style="list-style-type: none"> <li>• Advisors contracts</li> <li>• ShEx Dashboard</li> </ul>				

**[3h 05 mins total]**

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## Minutes of Shareholder Executive Board

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**Wednesday 20 May 2015 at 15.00**

<b>Members present:</b>	Robert Swannell (Chair) (RS) Claudia Arney (CA) Robin Lawther (RLa) Gerry Grimstone (GG) Mark Russell (MR) Anthony Odgers (AO) Ceri Smith (CS) Roger Lowe (RLo) Susan Acland-Hood (SAH)	<b>Attendees:</b>	Rachel James (RJ)
		<b>Secretary:</b>	Jeremy Ankers (JA)
		<b>Apologies:</b>	Caroline Thomson (CT)

### 1. Chairman's introduction and minutes from the last meeting

- 1.1. RS welcomed the Board and noted apologies from CT. The minutes of the previous meeting were approved.

### 2. CEO Report

#### National Rail

2.1.

**IRRELEVANT**

2.2.

#### Student Loans

2.3.

**IRRELEVANT**

2.4.

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Green Investment Bank

2.5.

**IRRELEVANT**

Royal Mail

- 2.6. Ministers have given a clear message to move forward with the sale of the remaining government shares – this is likely to take place in two tranches. UKFI have been consulted. Parliament must be informed and a submission has been put to Ministers. It was agreed that Robert Swannell would represent the Board on the transaction [**ACTION**].

Met Office

- 2.7. The General Review of the Met Office has now been completed and provided a good evidence base for the upcoming Spending Review. ShEx's view is that Met Office's function should be delivering a public good. The market for commercial activities is limited. There will be a question for Ministers as to whether responsibility for the Met Office remains in ShEx.

Other topics

- 2.8. The Board noted updates on Hinkley Point, BBC, Ordnance Survey and UKEF.

**3. Future of ShEx**

- 3.1. MR outlined the upcoming Machinery of Government change with ShEx and UKFI brought together under the newly created UKGI. RS will Chair UKGI with James Leigh-Pemberton acting as Executive Deputy Chair. MR will serve as UKGI CEO. The new UKGI Board will comprise two ShEx NEDs (RLa and GG), two UKFI NEDs (Philip Remnant and Jitesh Gadhia), with representation planned from HMT and BIS.
- 3.2. RJ will lead the transition in ShEx. Retaining the current ShEx operating model is key and clearly the detail of the transition arrangements will be very important. RS will be happy to help on comms.
- 3.3. The Board agreed that culture was a key consideration to which TUPE arrangements would be fundamental. It was also noted that the new body would not own assets itself. The current intention is to co-locate with UKFI, but the detail is yet to be confirmed. RJ agreed to update the Board on the transition plan as it developed [**ACTION**].

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**4. Recruitment**

- 4.1. MR summarised the recent recruitment campaign, explaining that it had been a success and the single biggest recruitment conducted by ShEx. The Board noted that the bigger process had been beneficial in creating a buzz in the market. The ability to shuffle candidates between ED and AD had also been useful.

**5. KPIs – ShEx Dashboard**

- 5.1. RJ provided a new ShEx Dashboard, updated from Board comments on the previous KPI paper. The Dashboard will be included as a standing paper in future Board meetings [**ACTION**] and considered by ExCo on a monthly basis.
- 5.2. The Board suggested several improvements [**ACTION**]:
- Directional arrows or equivalent mechanism should be added to give a sense of project progress
  - Traffic lights should be dated to ensure clarity in light of the investment reviews taking place at different times
  - Projects should be ordered by risk rather than alphabetically
  - The target at page 3, bullet 2 should focus on progress rather than a percentage of amber/green traffic light ratings
  - Traffic lights should be added to the top of the page of future asset-specific Board papers

<b>Matters arising</b>			
New Actions			
<b>15/11</b>	Student Loans to be discussed at the next Board meeting	JA	Complete – added to agenda
<b>15/12</b>	RS to represent the Board on the upcoming Royal Mail transaction	RS	Complete
<b>15/13</b>	RJ to keep the Board updated on the UKGI transition	RJ	Added to the agenda for the next Board meeting
<b>15/14</b>	New ShEx Dashboard to be added as a Standing Paper to replace the list of current projects	JA	Complete
<b>15/15</b>	Detailed amendments to ShEx Dashboard	RJ	Complete

**ShEx Board Secretary**

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**Chief Executive's Report – ShEx Board 1 July 2015 (15)16**

*This paper updates the Board on current key areas of work in ShEx.*

**1 Royal Mail**

**ShEx Dashboard (Portfolio & Governance)**

Asset	Portfolio & Governance - Top Priorities	Traffic Lights																		
 LR = 14-Apr-15	<ul style="list-style-type: none"><li>Prepare for sale of shares (e.g. adviser/syndicate procurement, business case etc.)</li><li>Execute first sale this financial year and be ready for further sales if market conditions favourable</li><li>Manage residual shareholding e.g. engage with new Chair and AGM voting</li><li>Develop structure for 1% gift of shares to employees and put in place</li></ul>	<table border="1"><tr><td>R</td><td>M</td><td>T</td><td>S</td><td>F</td><td>B</td></tr><tr><td>NC</td><td>NC</td><td>NC</td><td>NC</td><td>NC</td><td>NC</td></tr><tr><td>●</td><td>●</td><td>●</td><td>●</td><td>●</td><td>●</td></tr></table>	R	M	T	S	F	B	NC	NC	NC	NC	NC	NC	●	●	●	●	●	●
R	M	T	S	F	B															
NC	NC	NC	NC	NC	NC															
●	●	●	●	●	●															
<b>R</b> Stakeholder Relationship	<b>M</b> Implementation of Shareholder Model	<b>T</b> Quality of Management Team & Board	<b>S</b> Strategy	<b>F</b> Financial Performance	<b>B</b> Balance Sheet & Risk															

**IRRELEVANT**

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## 2 Urenco

### ShEx Dashboard (Portfolio & Governance)

Asset	Portfolio & Governance - Top Priorities	Traffic Lights																		
 LR = 6-Mar-15	<b>IRRELEVANT</b>	<table border="1"><tr><td>R</td><td>M</td><td>T</td><td>S</td><td>F</td><td>B</td></tr><tr><td>NC</td><td>NC</td><td>NC</td><td>NC</td><td>NC</td><td>NC</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>	R	M	T	S	F	B	NC	NC	NC	NC	NC	NC						
R	M	T	S	F	B															
NC	NC	NC	NC	NC	NC															
<table border="1"><tr><td><b>R</b> Stakeholder Relationship</td><td><b>M</b> Implementation of Shareholder Model</td><td><b>T</b> Quality of Management Team &amp; Board</td><td><b>S</b> Strategy</td><td><b>F</b> Financial Performance</td><td><b>B</b> Balance Sheet &amp; Risk</td></tr></table>			<b>R</b> Stakeholder Relationship	<b>M</b> Implementation of Shareholder Model	<b>T</b> Quality of Management Team & Board	<b>S</b> Strategy	<b>F</b> Financial Performance	<b>B</b> Balance Sheet & Risk												
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### ShEx Dashboard (Corporate Finance Project)

Project	Business Objectives	Status
	<b>IRRELEVANT</b>	

**IRRELEVANT**

### Dutch legislation

2.1	<b>IRRELEVANT</b>
2.2	
2.3	
2.4	
2.5	
2.6	

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Recent developments



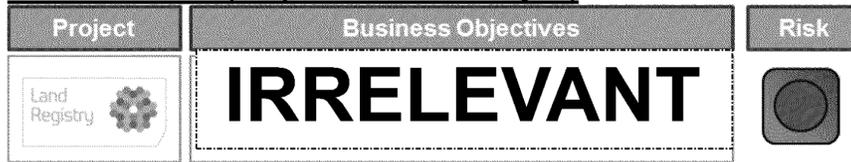
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3 Land Registry

ShEx Dashboard (Portfolio & Governance)



ShEx Dashboard (Corporate Finance Project)



3.1

**IRRELEVANT**

3.2

Background

3.3

3.4

3.5

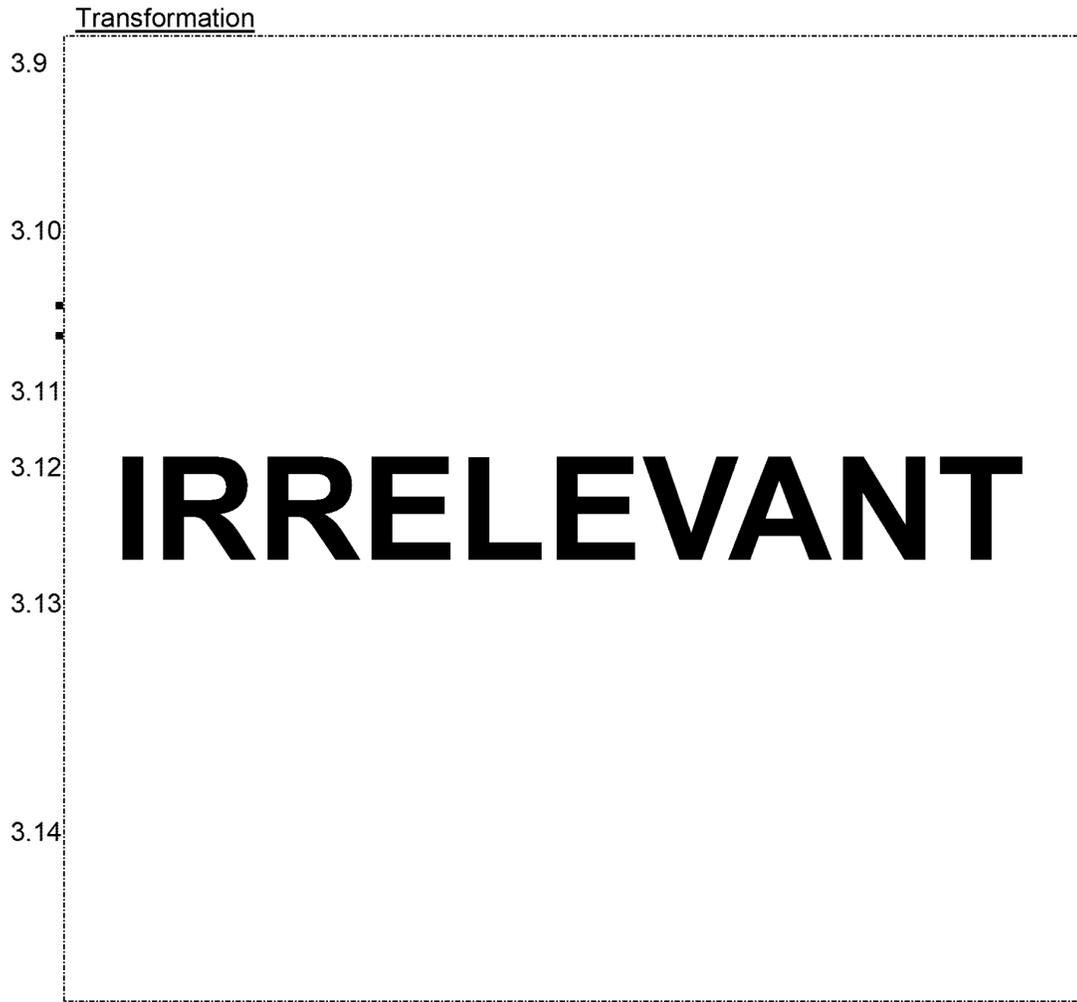
**IRRELEVANT**

3.6

3.7

3.8

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4 Network Rail

ShEx Dashboard (Corporate Finance Project)

Project	Business Objectives	Risk
	<b>IRRELEVANT</b>	

4.1

**IRRELEVANT**

Strategic Discussions

4.2

4.3

4.4

**IRRELEVANT**

4.5

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Governance

4.6

4.7

4.8

4.9

4.10

4.11

**IRRELEVANT**

4.12

4.13

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(d)

**IRRELEVANT**

4.14

**IRRELEVANT**

Non-Core Asset Disposals

4.15

**IRRELEVANT**

4.16

4.17

4.18

**IRRELEVANT**

4.19

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5 BBC

ShEx Dashboard (Corporate Finance Project)

Project	Business Objectives	Risk
	<b>IRRELEVANT</b>	

5.1	<b>IRRELEVANT</b>
5.2	
5.3	
5.4	
5.5	
5.6	

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6 Distressed situations

ShEx Dashboard (Corporate Finance Project)

Project	Business Objectives	Status
Special Situations	<b>IRRELEVANT</b>	
UKCoal/Hatfield		
Stanlow		
FE Colleges		

Background

6.1

6.2

**IRRELEVANT**

Coal

6.3

**IRRELEVANT**

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**IRRELEVANT**

Steel

6.4

**IRRELEVANT**

Refining

6.5

**IRRELEVANT**

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**IRRELEVANT**

Other

- 
- **IRRELEVANT**
-

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7 Hinkley Point C & New Nuclear

ShEx Dashboard (Corporate Finance Project)

Project	Business Objectives	Risk
	<b>IRRELEVANT</b>	

Brief update on status of Hinkley Point C (HPC) project

7.1

7.2

7.3

**IRRELEVANT**

7.4

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New nuclear options

7.5

7.6

**IRRELEVANT**

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**Green Investment Bank – Project Moore– ShEx Board 1 July 2015 (15)17**

**IRRELEVANT**

**ShEx Dashboard (Corporate Finance Project)**

Project	Business Objectives	Risk
	<b>IRRELEVANT</b>	

**Options for introducing private capital**

1.1	<b>IRRELEVANT</b>
1.2	
1.3	

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Rationale

1.4

i.

ii.

iii.

iv.

**IRRELEVANT**

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Key risks

1.5

▪

**IRRELEVANT**

▪

**IRRELEVANT**

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**IRRELEVANT**

1.6

[END]

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**ICR Student Loans – ShEx Board 1 July 2015 (15)18**

**ShEx Dashboard (Corporate Finance Project)**

Project	Business Objectives	Status
	<ul style="list-style-type: none"><li>• <b>IRRELEVANT</b></li></ul>	

1.1

1.2

**IRRELEVANT**

1.3

**Current timetable for a sale**

1.4

1.5

**IRRELEVANT**

1.6

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1.7

IRRELEVANT

1.8

New risks around securitisation

1.9

IRRELEVANT

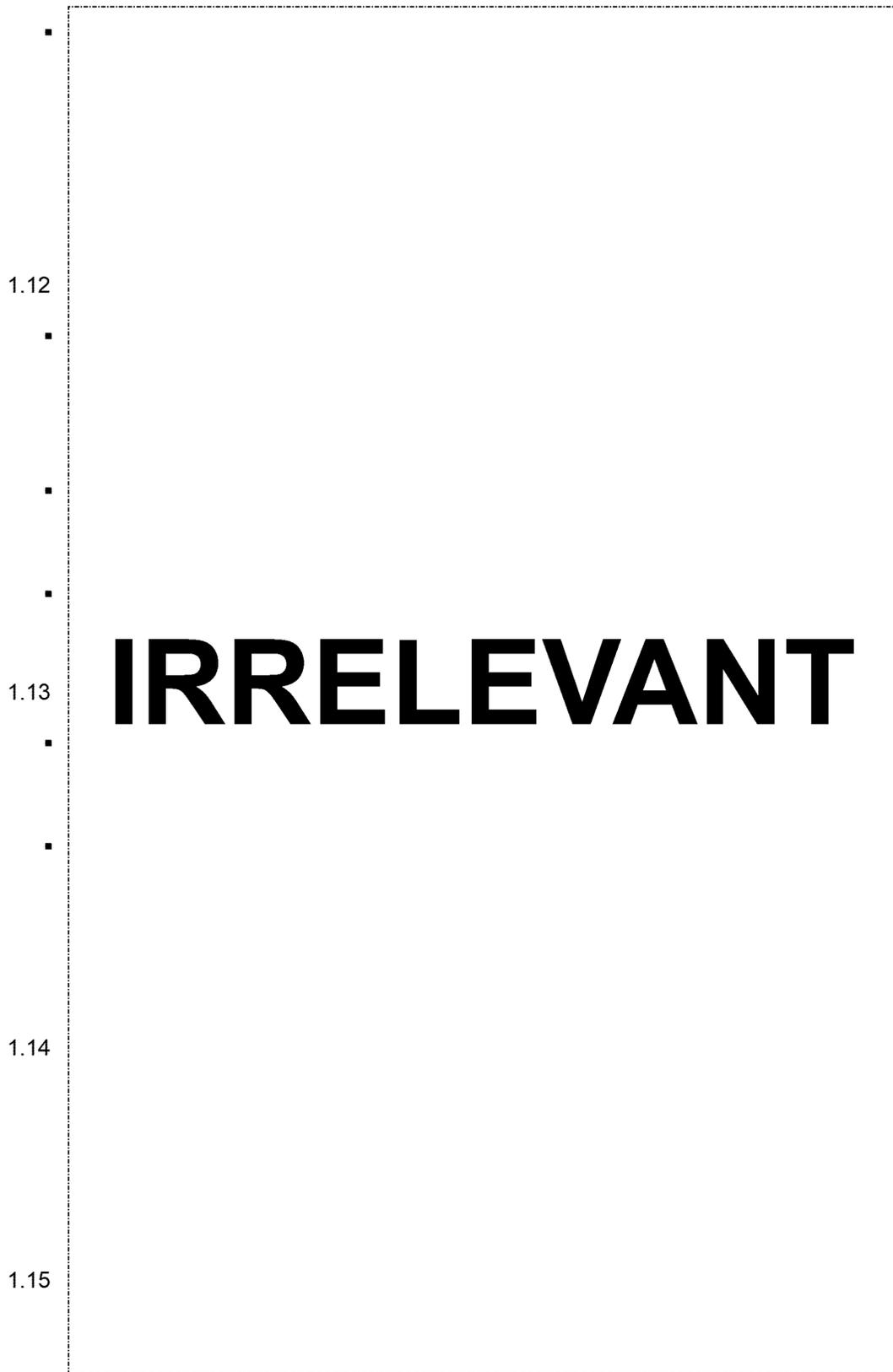
1.10

Options being explored to reduce the risks to the timetable

1.11

IRRELEVANT

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Risk of further delays in securitisation process

1.16

1.17

▪  
**IRRELEVANT**  
▪

1.18

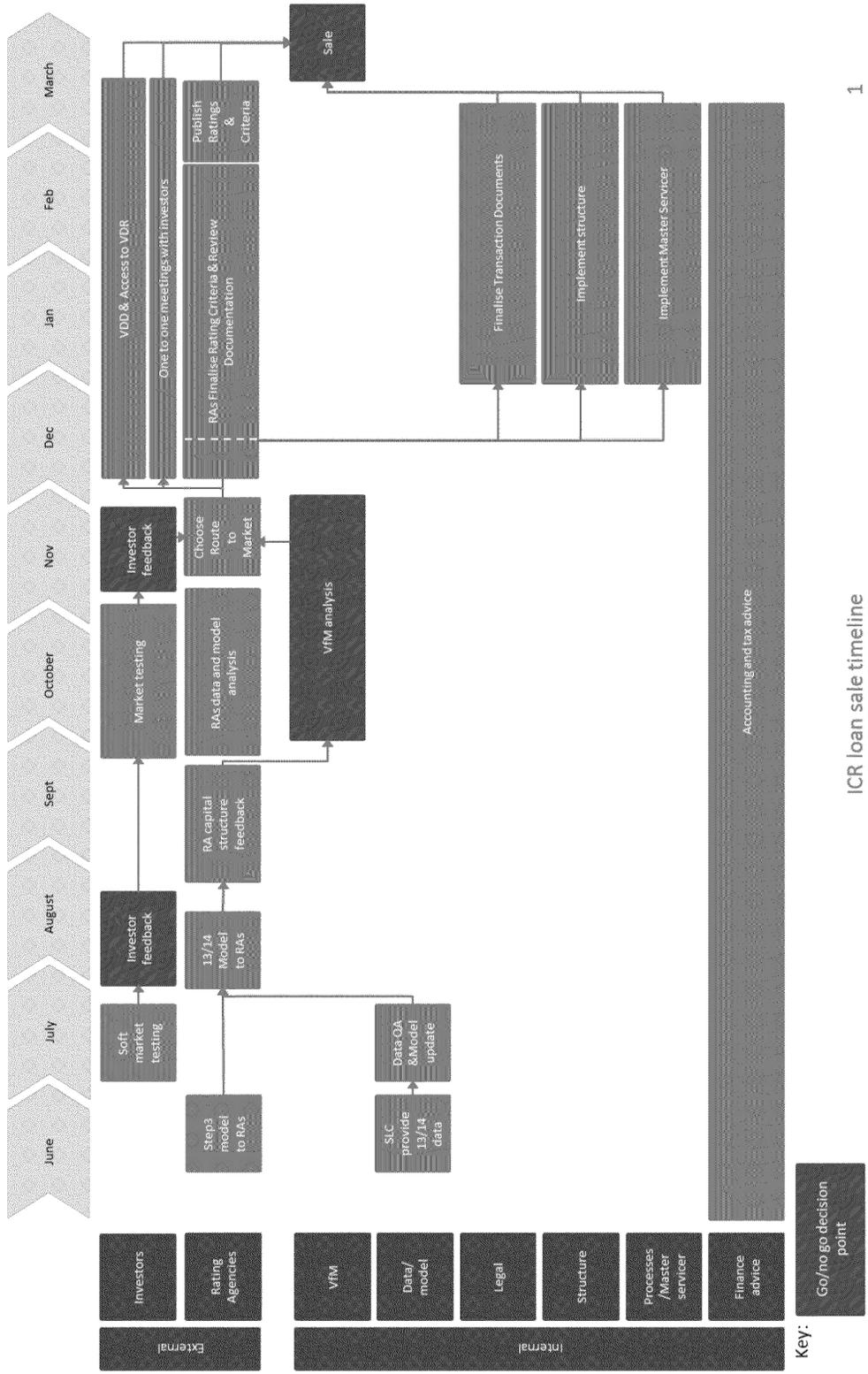
Additional challenges to be considered

1.19

▪  
▪  
▪  
**IRRELEVANT**  
▪  
▪

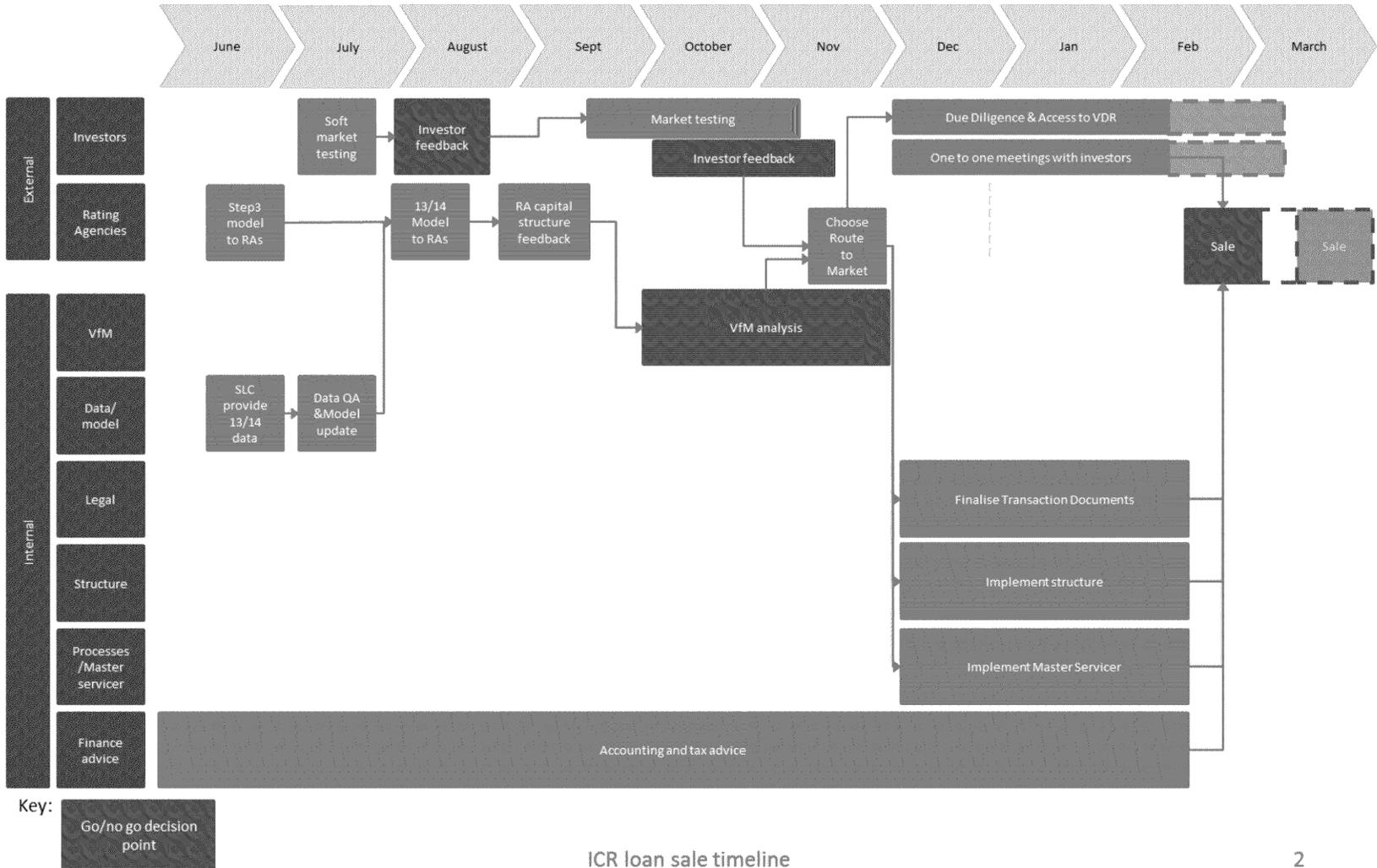
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### 1a. Transaction critical path



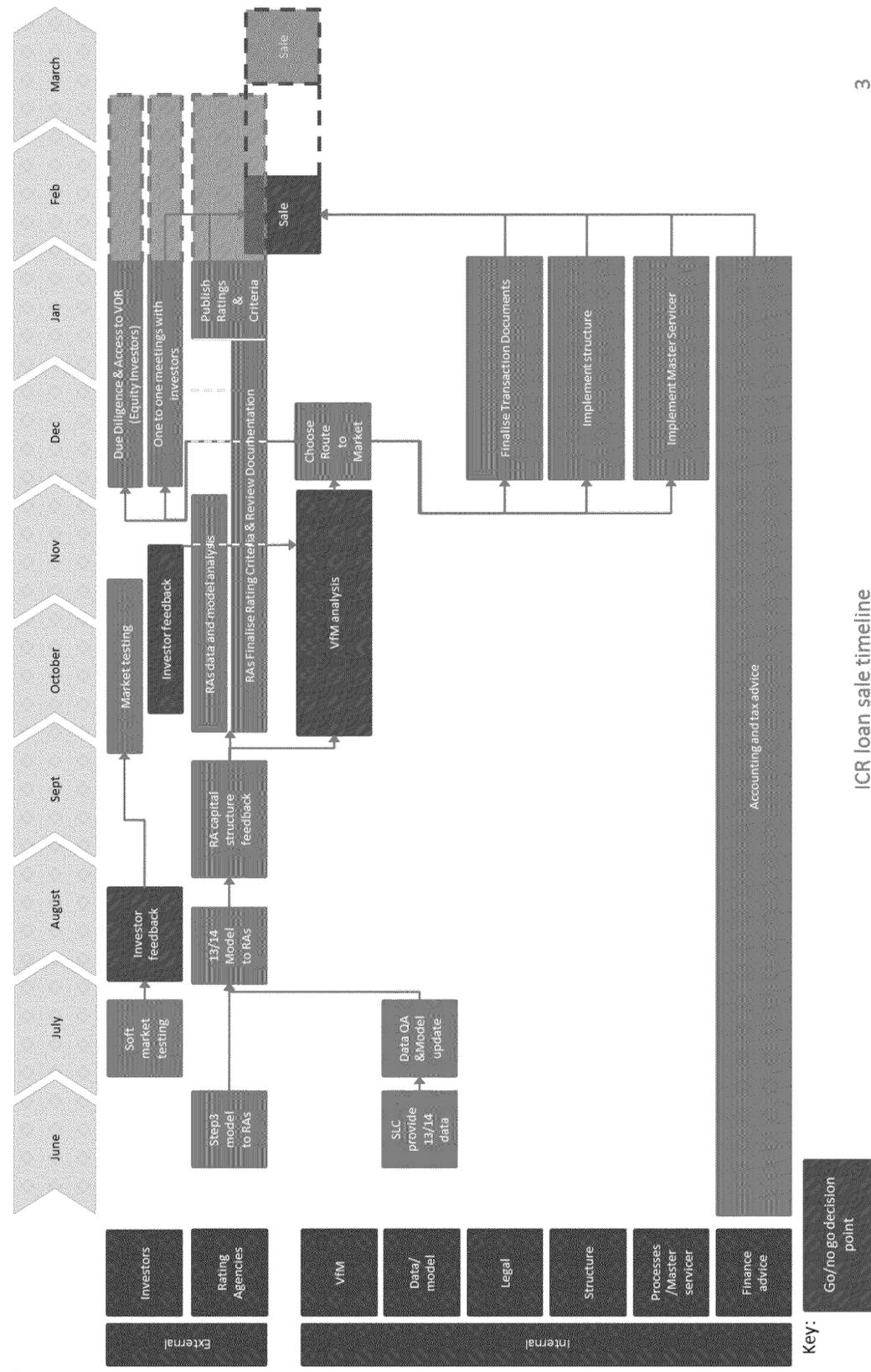
1b. Transaction critical path (WLS) *Best case*

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### 1c. Transaction critical path (Securitisation) Best case



[END]

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## **UKGI transition update – ShEx Board 1 July 2015 (15)19**

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### Introduction

ShEx and UKFI have been looking at how best to design UKGI from three key perspectives:

- to meet the criteria set out in the letter from the Prime Minister to the Shareholder Executive at the time of UKGI's announcement as well as ensuring that UKGI represents value for money;
- to preserve the best of both organisations while exploiting possible synergies; and
- to consider issues that need to be managed carefully to ensure an effective and successful transition.

We have set out a vision for UKGI and a proposal for the work UKGI should do to ensure it adds most value. We have also included initial views on the supporting principles underpinning our approach to governance, people, finance and the supporting infrastructure required.

The aim of this paper is to enable key stakeholders to confirm they are aligned in their vision of UKGI and to identify early whether there are any major legal, cultural or financial hurdles before developing the detail and implementing the new structure. Following review and sign off at Steering Group on 30<sup>th</sup> June, the next steps will be to:

- share this paper with wider stakeholders to facilitate appropriate HMT/BIS discussions; and
- establish a critical path to creating UKGI and to test what is possible by Autumn 2015.

The transition is being managed as a project with a ShEx SRO and ShEx/UKFI project team members. Project governance has been established, and engagement with staff and other stakeholders has begun.

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Vision for UKGI

UKGI brings a unique opportunity to combine ShEx's expertise in corporate finance and governance with UKFI's equity and capital market skills. Together we can work effectively across the whole of Whitehall to deliver the Government's long term plan of asset sales as well as achieving Government's aim of running large, publically-owned assets in a way that secures good value for money, and improving the performance of existing assets. We can also continue to build Government's corporate finance capability which can be deployed in the event of significant corporate negotiations and instructions.

A GovCo structure will enable us to access more easily access the skills we need from the private sector but it is critical that we also retain access to civil service talent; this blend of skill and experience ensures that technical advice is framed in a way which is understood in a political context and appropriate for implementation by Government Departments. Key to our success will be our enhanced operational independence, while retaining a business model which allows us to work directly for relevant Secretaries of State, integrating with departmental teams as necessary.

UKGI Work

To add most value, UKGI should play a role in:

1. All significant corporate asset sales.
2. All Government financial interventions into corporate structures.
3. Organisations where it can have a meaningful shareholder function:
  - With a commercial focus (e.g. NATS, OS, GIB, BBB, POL, RM pension assets); and/or
  - Facing big and ongoing commercial/corporate finance/governance challenges (e.g. NDA, Network Rail, UKEF).

The policy function should be clearly defined and owned by the sponsor department (ie UKGI should have minimal/no policy function).

4. Organisations/assets facing complex transformations or with governance at the heart of the model change:
  - Assets/projects where we can reasonably expect a long term UKGI shareholder role (e.g Highways England, Network Rail, LCCC)
  - Assets/projects without a long-term shareholder role for UKGI (e.g. CH, INSS, LR)

UKGI should aim at the outset to have a clear view on when a UKGI role ends and others take over the ongoing shareholder function if asset does not fit into (3) above

5. Advising on and participating any large Government negotiations with corporates (e.g. Airbus, Astra Zeneca).

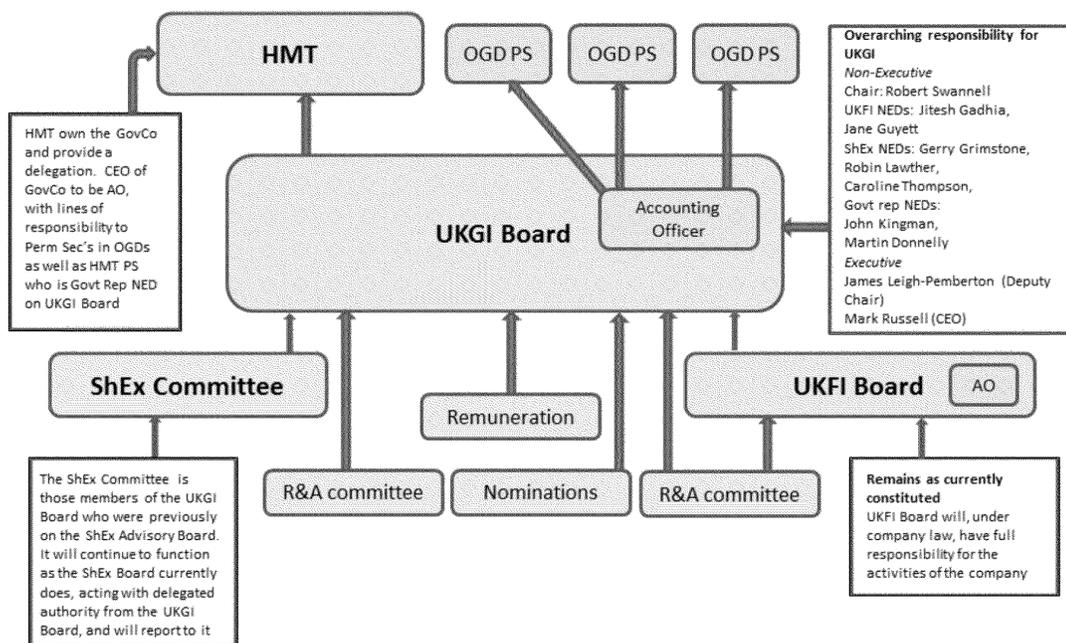
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Areas to avoid:

1. Taking on the “commercial and governance”/shareholder role just because we are known to have governance expertise; other factors including, some or all of, financial materiality; risk profile; degree of commercial operation and political interest should be taken into account when considering new work.
2. Taking on policy areas without clear commercial drivers and definition of shareholder role.
3. Resource intensive projects which preclude other work where UKGI could add more value.
4. Keeping an asset in UKGI when there is no longer any transformational role or significant shareholder function (e.g. CH and LR and INSS over time).

UKGI Governance

Below is the proposed governance structure for UKGI upon constitution, including the composition and relationship between the various boards. This structure will be a first phase (**Phase 1**), designed to take UKFI up to the point of its merger into UKGI (**Phase 2**).



Phase 1

UKGI will be established as Companies Act private company limited by shares, with HM Treasury as its sole shareholder (albeit with the UKGI share held by TSOL on behalf of HMT). UKGI will acquire UK Financial Investments Ltd as a wholly owned subsidiary.

The priority at this stage will be to ensure: i) minimal duplication between the Board of UKGI, the Board of UKFI and ShExComm; ii) effective and efficient ongoing operation of UKFI and of the ShEx division of UKGI and iii) clear lines of responsibility and accountability. This will be achieved primarily through effective delegation of decision-making by UKGI to ShExComm and to the UKFI Board respectively, and a clear remit for the UKGI Board. Initially ShExComm and the UKFI board should focus on their

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core business supported and overseen by the UKGI board which, in turn will focus on the operation of and policies for UKGI.

UKGI and UKFI will continue to operate in the near term relatively independently from each other; UKFI will retain its existing Framework Agreement and Accounting Officer. However the two groups will work together wherever possible and support platforms will be combined as soon as possible.

ShEx will be a division of UKGI and will not be given separate corporate form, but a sub-committee of UKGI will be formed (comprising the existing ShEx Advisory Board) to consider and approve ShEx business ("ShExComm"). We will seek legal advice to establish UKGI in way such that it should not require regulatory approval. Consideration will need to be given to whether ERG and other relevant government/central controls should apply to UKGI (and if so, specifically which).

The CEO of UKGI will be the UKGI Accounting Officer, to whom financial delegations may be made by HMT and by OGDs.

Demonstrating both in principle and in practice that UKGI's identity is distinct from HMT is crucial to facilitating UKGI involvement in new work areas and in supporting successful relationships on existing projects. As ShEx is now, UKGI will be accountable to the Secretary of State of the Department that owns the asset (or project etc.) in relation to which UKGI is providing services.

UKGI will enter into an agreement with HMT setting out UKGI's overarching objectives, and the framework within which will UKGI will operate. We are working on a skeleton UKGI Framework Agreement which will be shared with this Steering Group following legal, and working level, review. It will combine principles enshrined in the UKFI Framework Agreement, such as: freedom to operate the UKGI Budget (agreed annually by HMT); ability to fulfil and deliver the activities and objectives set out in its Framework Document; and that HMT will not be involved in day-to-day operational and commercial matters. It will also require additional provisions such as the ability for UKGI to enter into standardised written arrangements with Departments setting out UKGI's role and independence in relation to assets/projects etc. owned by those Departments.

### Phase 2

UKFI will ultimately fold into UKGI and its respective board committees will cease to exist. UKGI will retain Audit & Risk and Remuneration and Nominations Committees and the UKGI CEO will become sole Accounting Officer. The timing of Phase 2 is likely to be between 18 months and three years from now. This will be decided by HMT upon advice from the UKGI Board and will depend on various factors relating to the sell down of UKFI shareholdings and ongoing operations of UKFI.

### People

The establishment of UKGI will mean a significant change for ShEx people. It will be important to protect the collaborative and can-do culture of ShEx and continue to attract and retain an exceptional mix of civil servants and corporate finance professionals. The UKGI model could give ShEx greater flexibility to attract and motivate private sector expertise. It may also provide a platform for more flexible incentivisation of talented civil servants, but it presents a risk that a change in employment status threatens ShEx's ability to retain and recruit current civil service talent.

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We are in the early stages of developing an HR strategy built around the freedoms of a GovCo but which seeks to minimise the risks around failing to retain civil servants. Staff are being engaged via emails, weekly huddles and all staff events to ensure we understand staff concerns and to communicate the benefits of the new model.

There is no requirement to vest via two stages (ie making a transfer of employees from BIS to HMT, then from HMT to UKGI). Therefore we propose transferring staff from BIS directly to UKGI. Early discussions with the Government Legal Department (GLD) suggest that as this will be a transfer of staff from the civil service to a non-civil service employer, TUPE regulations and associated case law will apply. Staff have already raised concerns around what this will mean for their careers/status/development opportunities/pensions etc. Therefore ShEx is considering the various implications of a TUPE transfer prior to the crucial decision being made as to which staff are “in scope” to TUPE transfer.

Of the various categories of ShEx staff, the below is likely to apply. We will aim to confirm the position on or prior to the next Steering Group.

- 1) *FTAs (c. 25 people)*: will be “in scope” and TUPE across to UKGI.
- 2) *Civil servants (c. 80 people as at 25/06/15 including those currently away from ShEx on loan or secondment)*: will TUPE across to UKGI if “in scope”. However we may wish to second some of them if they are/can be deemed “out of scope”.
- 3) *Staff on loan to ShEx from OGDs (c. 8 people)*: if necessary and/or appropriate their loans will cease and they will enter into an agreement seconding them from their home department to UKGI from the transfer date.
- 4) *Private sector personnel on secondment into ShEx (c. 8 people)*; secondments will cease immediately prior to the transfer date and if appropriate and necessary a new secondment will be entered into with UKGI; and
- 5) *Staff supporting ShEx, who are paid for by ShEx, from other areas of BIS (c. 5 economists and 3 finance staff)*: will TUPE across to UKGI depending on whether their roles are “in scope”.

We would also like to be able to make the following assurances to staff:

1. Confirmation that any Civil Servant who TUPEs to UKGI will have a right of reinstatement for five years. This would allow individuals to apply for civil service jobs at stage 3.
2. Confirmation that any Civil Servants seconded to UKGI will have a right of return to BIS or HMT for four years.
3. To help effect to 2 and 3 above all Civil Servants who TUPE to UKGI will retain full access to the Civil Service jobs website
4. UKGI will implement a package of T&Cs upon or around Vesting to attract and motivate new joiners. This will need to be a total reward package that is competitive enough to attract the talent needed by UKGI. It will also need to be consistent with maintaining a mixed economy with civil servant secondees. UKGI will aim to align contractual terms and conditions for all UKGI employees within a reasonable timeframe following vesting.
5. Future UKGI recruitment of Civil Servant secondees shall be open to the whole Civil Service.

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Finance

Early discussions with BIS suggest a number of areas for negotiation (particularly where ShEx has performed a policy function on BIS's behalf that BIS will now have to support). The admin budget is expected to transfer to UKGI but the amount is subject to negotiation. The main factors (some of which work in ShEx's favour and others don't) influencing the final sum are as follows:

- re-classification of consultancy spend on asset sales as programme expenditure (see below);
- ceasing policy or other functions that leaves an unfunded legacy role for BIS;
- additional resources for UKGI (e.g. HR Director, Finance liaison, procurement);
- additional facilities for UKGI (e.g. IT, accommodation inc. refurbishment, leasehold);

The intention would be for programme budgets to remain with the responsible Department. Finance Group (BIS) is considering carving out the consultancy spend (to BIS, allocated to ShEx) in respect of asset sales which has been classified as programme in line with principles agreed with HMT.

Work is in train to establish the joint budget for the two organisations and to identify any funding gap. Options for addressing this are to bid for additional monies from HMT or to charge for UKGI services in some instances, though the same downsides exist for UKGI as they do for ShEx now e.g. doing may dissuade Departments from engagement, possible procurement, state aid issues etc. An early decision needs to be made on UKGI's overall funding model, and work is ongoing to assess this.

Where ShEx continues to perform a governance role on a BIS asset, we are exploring whether the delegated financial authority and the budget allocations in respect of the asset will continue as now post-transition. The BIS assets would remain within BIS's budgeting and accounting boundary. It is anticipated that the principle relationship would be with BIS DG, Finance which could be formalised by an exchange of letters setting out the roles, responsibilities and accountabilities and who would appear before the PAC, BISCOS etc. This is subject to legal advice and may also require negotiation with ToA.

BIS is also currently considering whether it wishes to allocate any new projects to ShEx.

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Accommodation

The overall aim is to co-locate ShEx and UKFI into one building at, or as soon after, the vesting date as possible; having a neutral space and separating ShEx from BIS will ensure that UKGI has a new feel and promote integration between ShEx and UKGI staff. Timing of the move needs to take account of:

- availability of suitable Whitehall space;
- disruption to the continuing business given UKFI's and ShEx's continuing delivery of a number of transactions;
- Decision and timing on a shared IT solution.

Consideration is also being given to moving UKFI into an extended space near ShEx in 1VS for a period (6-12 months) before moving out to an identified co-location in Whitehall. We will need to decide if the benefits of early co-location outweigh the likely disruption - particularly to UKFI who would need to move their IT with all the risk that entails - given that we would hope to leave 1VS for a co-located building in the medium term anyway.

ShEx/UKFI will now approach GPU to request a suitable space in the Whitehall area (noting UKFI's need for a secure room to handle market sensitive data). BIS Estates thought that little was immediately available but that space could become free in Summer.

Information and Communications Technology (ICT)

An ICT workstream is currently being scoped. Currently UKFI have their own IT platform, distinct and separate from the HMT systems. This infrastructure was redesigned in 2014. This was achieved working through Cabinet Office and GDS controls.

There is a key early decision to be made on the direction of the IT solution. UKFI have provided information/recommendations on their systems to inform a decision on whether this would be suitable for UKGI's needs, assuming we will need to be operating on a single platform. Other options are for UKGI to operate on BIS or HMT systems, or for UKGI to acquire its own new ICT platform. The following issues are currently under consideration:

- Can UKFI's platform be easily and cost-effectively expanded to accommodate us?
- Does UKGI need to be on the Government Secure Intranet?
- Can we instead use another department's IT as a shared service?
- What kind of help desk support will we need?
- What security level is appropriate?

## OFFICIAL: SENSITIVE

**Proposal for future BIS/ShEx interaction as a result of the UKGI transformation**

This note sets out the ShEx proposal for the changes to BIS/ShEx interaction that would support the successful establishment of UKGI. It provides both an overview of the changes, the impact on BIS and sets out the situation for each asset.

The proposal is based on seven key issues:

Issue	Impact on BIS
<b>No movement of ShEx BIS assets in the short term</b> – although all assets will stay within BIS there may be scope for some MOG changes later dependent on sale/transformation plans.	Minimal.
<b>Virtually no change in ShEx's Commercial and Governance role</b> – the only exception is Met Office which we are proposing moves to K&I.	Ownership of the Met Office sponsorship and governance function with potential admin implications
<b>Clarification of policy functions</b> - there are several areas where BIS have expressed an interest in creating a policy role for an asset within BIS. Additionally, there is some existing blurring of roles where clarity would be useful.	Potentially increased/clarified policy roles in relation to BBB and UK Export Finance at the request of BIS and Companies House, Land Registry, Ordnance Survey and INSS as a recommendation from ShEx. All have potential admin implications.
<b>No movement of budgets but delegation of financial authority and allocation to ShEx</b> – although budget lines will remain within BIS there will need to be an arrangement to allow ShEx to manage them on the Department's behalf.	Agreement to Delegate financial authority and budget allocation for all current ShEx assets budgets except Met Office – approx. £250m RDEL and £2.1bn CDEL. ShEx would need to agree with BIS the governance arrangement for this proposal.
<b>Transferring Accounting Office function from ShEx to BIS</b> – in a few cases ShEx officials act as Accounting Officer. Our understanding of TOA advice is that this should move to BIS.	Ultimate Accounting Officer responsibility for BISCo (Royal Mail Pension Assets), EHL and PSH remains with the BIS AO with ShEx providing advice on management of the HMG's investments.
<b>Ensuring BIS sight of ShEx advice</b> – to maintain propriety ShEx advice will need to be shared with a BIS official. In most cases this will be BIS finance.	It is proposed that DG Finance main point of contact. This may require an additional role for BIS Finance with admin implications. Where appropriate BIS policy officials will be consulted before advice is put up to the Perm Sec and Ministers.
<b>Formally delegating certain other functions to ShEx</b> - at present ShEx both signs contracts on behalf of BIS and provides training and appraisal to senior management. This should continue but with formal agreement to do so.	Legal advice is being sought.

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Background on the issues identified**No movement of ShEx BIS assets in the short term**

We considered a range of possible options for assets to move but we do not believe that there is any strong argument for why any ShEx assets should be transferred out of BIS. There are however a number of transactions and transformations being considered which could provide a rationale for a move in the future. Both Urenco and GIB are currently being considered for sale. In the case of a transaction not being taken forward, the most appropriate parent Dept. may need to be reconsidered, although we are not advising this.

The potential future of the Land Registry is also being considered. Depending on Ministerial views on the transformation of the organisation, a move to DCLG may make sense in the longer term given the minimal policy linkage to BIS. Again, we are not proposing this course of action at this stage.

**Virtually no change in ShEx's Commercial and Governance role**

Having considered the role ShEx plays across BIS assets we do not believe that in the vast majority of cases there is the need for any change other than around the Met Office. In the case of the Met Office the recent General Review and Commercial Review has not identified a strong basis for ongoing ShEx sponsorship and we believe that there would be benefit to empowering K&I's relationship through their taking on the sponsorship role.

In the longer term there may also be scope for consideration of ShEx's role in Companies House and INSS but in the short term work is underway to see if these two organisations could have a closer relationship.

**Clarification of policy functions**

Across ShEx there are several areas where ShEx undertakes quasi-policy roles that should be located in BIS (or elsewhere) or where there is no current policy link between a ShEx asset to a central Dept. The transition of ShEx to UKGI is an opportunity to rationalise this situation.

Our proposal, mindful of the need creating unnecessary admin costs, is therefore that where there is a clear BIS request for policy involvement a new role within BIS is created, where assets stay with BIS the policy should stay with them and that consideration is given those areas where policy responsibility is uncertain.

Other options, such as ShEx or BIS creating explicit policy roles for all assets were rejected.

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**Minimal movement of budgets**

In the vast majority of cases there is little direct budgetary relationship between ShEx and its assets as budgets and dividends generally flow through to ShEx via BIS. There is however a substantial linkage in terms of agreeing assets budgets and monitoring their use where ShEx plays a major role, supported by BIS Finance. In order for ShEx to continue to play this role (and avoid the creation of admin pressure on BIS to manage it instead) there will need to be a formal delegation of financial authority and budget allocation for all current ShEx assets with the exception of Met Office. The prosperity of this action will be supported by the both reallocating Accounting Office roles and ensuing BIS Finance engagement in advice (see below).

Additionally, post-transition, discussions on dividend policy and funding allocations will require participation of ShEx, policy team and BIS Finance.

**Transferring Accounting Office function from ShEx to BIS**

In a few cases ShEx senior officials act as Accounting Officer for certain assets (BISCO (Royal Mail Pension Assets), POSH and EHL). Our understanding of TOA advice is that this would revert back to BIS.

Alternatives to this approach would require a discussion with TOA.

**Ensuring BIS sight of ShEx advice**

ShEx already provides services to other Departments on assets and corporate finance projects, including providing advice to Ministers. However, for relationships with DECC and DfT (two of the bigger users of ShEx resources), ShEx officials work with officials in those Depts.

In the case of the NDA for example, a DECC DG accompanies ShEx officials at meetings and clears some advice. This reflects that the NDA within DECC presents significant risk and the Perm Sec takes a significant interest – but this relationship creates challenges in terms of managing the relationship.

In DfT, ShEx officials provide input direct to DfT officials.

Under new arrangements with BIS there are three evident options: i) ShEx reports directly to BIS Ministers - though there may be a propriety issue with ShEx officials providing direct advice to BIS Ministers without BIS officials having sight and therefore acting as link to the responsible Accounting Officer (although this keeps the process simple); ii) Replicating something similar to the DECC arrangement, and for those areas listed above where policy roles are created, they can also act as the point of contact for any ShEx submissions; iii) the asset transfers elsewhere meaning that no intermediate step / relationship is necessary.

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Our proposal is option ii) and that that ShEx should be able to provide advice direct to Ministers where they have responsibility for assets, copied to / liaising with a BIS point person. In most cases this is expected to BIS Finance although where there is a clear policy lead within BIS they could be an alternative.

**Formally delegating certain other functions to ShEx**

There are situations whereby Mark Russell or others in ShEx provide line management to senior executives and provide the appraisal / performance monitoring to non-Executives.

Similarly, there are also situations where ShEx signs contracts on behalf of BIS SofS such as for Royal Mail Pension Assets and the ICR Student Loans.

In both cases, our preference is for ShEx to continue to fulfil this role but under a formal delegation from BIS Perm Sec to Mark Russell to help ensure clarity and the propriety of these matters.

The alternative, of transferring these functions to BIS, risks creating unnecessary work that ShEx would be happy to perform.

Other points to agree as part of the move to UKGI:

1. Establishing a timeline for any transition

Given the degree of change some of this will entail, we recommend that set out a clear timetable when changes in our and others roles will take place.

2. Continuation of ShEx projects

ShEx currently works with BIS on a range of projects and these are expected to continue subject to review against future ShEx criteria for projects.

<b>Project</b>	<b>Executive Director</b>
FE Colleges	FJ MacGregor
Green Investment Bank – Privatisation	Paul Norris
Project Orbit	FJ MacGregor
Project Tom	Kelly Page
SABRE	TBC
Sheffield Forgemasters	FJ MacGregor
Spectrum	Paul Norris
Student Loans (ICR)	Anne Spinali, Jonathan Walker
Women on Boards	Rachel James
Airbus	Elizabeth Perelman
Special Situations	FJ MacGregor

3. Gradual ceasing of all ShEx BIS Corporate contribution

ShEx officials hold a variety of BIS corporate functions and these are expected to cease over time.

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The following pages provide a one page summary for each ShEx asset.

**ASSET: POST OFFICE**

Current Position:					
Governance	Policy	Accountability	Programme Budget 15/16	Headcount / Admin Budget	Other
ShEx performs sponsor / corporate governance role for POL, closely linked to policy. ShEx sits on the Board.	ShEx performs policy role, closely linked to commercial issues – “pure policy” a relatively small subset of the work. Very little interaction with CCP.	With BIS	£180m RDEL £100m CDEL (£1m RAME)	0.1xG3, 0.75xG5, 1.5xG6, 1xG7, 0.9xSEO, 0.5xHEO.	

Forward Proposal:					
Governance	Policy	Accountability	Programme Budget	Headcount / Admin Budget	Other
As current but with BIS Finance sighted on advice	As current	As current	As current	Equivalent transferred with ShEx	

**Impact on BIS of ShEx proposal:**  
Continuing role for BIS Finance in receiving information / advice

**Outstanding Issues to be agreed:**  
Agree process for engaging with BIS Finance

OFFICIAL: SENSITIVE

**ASSET: ROYAL MAIL SHAREHOLDING**

Current Position:					
Governance	Policy	Accountability	Programme Budget 15/16	Headcount / Admin Budget	Other
ShEx responsible for advice on the treatment of the residual stake held in Royal Mail, owned by the BIS SofS. Dividend ends up in consolidated fund. ShEx sits on POSHC Board.	CCP in BIS responsible for postal policy. Live share price requires separation / barrier between governance and policy. ShEx leading on 1% staff share issue policy.	BIS	Dividend flows to BIS via POSHC.	0.2xG3, 0.7xG5, 3.5xG6, 0.8xG7, 0.2xSEO.	

Forward Proposal:					
Governance	Policy	Accountability	Programme Budget	Headcount / Admin Budget	Other
As current but with BIS Finance sighted on advice	As current	As current	As current.	Equivalent transferred with ShEx	

**Impact on BIS of ShEx proposal:**  
Continuing role for BIS Finance in receiving information / advice

**Outstanding Issues to be agreed:**  
Agree process for engaging with BIS Finance

OFFICIAL: SENSITIVE

**ASSET: ROYAL MAIL PENSION ASSETS**

Current Position:					
Governance	Policy	Accountability	Programme Budget 15/16	Headcount / Admin Budget	Other
ShEx responsible for advice on the treatment of the RM Pension Assets, owned by the BIS SofS through BIS Co. ShEx sits on the Board.	BIS Co manages (BIS and HMT officials) with objective of measured disposal	BIS	£50k BISCo admin £23m RDEL  (£539m) CAME  Proceeds returned to consolidated fund.	0.1xG3, 0.5xG5, 0.6xG6, 1xG7, 0.5xHEO	£1bn illiquid assets  Mark Russell acts as Accounting Officer.  ShEx signs payments on behalf of BIS.

Forward Proposal:					
Governance	Policy	Accountability	Programme Budget	Headcount / Admin Budget	Other
As current with BIS Finance continuing to be sighted on advice	As current	As current	As current	Equivalent transferred with ShEx	Someone in BIS as AO.

**Impact on BIS of ShEx proposal:**  
Continuing role for BIS Finance in receiving information / advice  
Additional Accounting Officer role within BIS

**Outstanding Issues to be agreed:**  
Agree a point of contact with BIS and process for managing advice - Ruth Elliot sits on the Board so could be a good choice.  
Identify who in BIS fills the Accounting Officer role (currently Mark Russell) as this could not be fulfilled by a non-BIS official.  
Mark Russell approves RM Pension Asset payments on behalf of BIS SoS. Need to agree propriety/agree delegation with BIS.

OFFICIAL: SENSITIVE

**ASSET: URENCO**

Current Position:					
Governance	Policy	Accountability	Programme Budget 15/16	Headcount / Admin Budget	Other

**IRRELEVANT**

Forward Proposal:
<b>IRRELEVANT</b>

Impact on BIS of ShEx proposal:
<b>IRRELEVANT</b>

Outstanding Issues to be agreed:
<b>IRRELEVANT</b>

OFFICIAL: SENSITIVE

ASSET: GIB

Current Position:

**IRRELEVANT**

Forward Proposal:

**IRRELEVANT**

Impact on BIS of ShEx proposal:

**IRRELEVANT**

Outstanding Issues to be agreed:

**IRRELEVANT**

OFFICIAL: SENSITIVE

ASSET: BBB

Current Position:

**IRRELEVANT**

Forward Proposal:

**IRRELEVANT**

Impact on BIS of ShEx proposal:

**IRRELEVANT**

Outstanding Issues to be agreed:

**IRRELEVANT**

OFFICIAL: SENSITIVE

**ASSET: UK EXPORT FINANCE**

Current Position:					
Governance	Policy	Accountability	Programme Budget	Headcount / Admin Budget	Other

**IRRELEVANT**

Forward Proposal:

**IRRELEVANT**

OFFICIAL: SENSITIVE

ASSET: COMPANIES HOUSE

Current Position:

**IRRELEVANT**

Forward Proposal:

**IRRELEVANT**

OFFICIAL: SENSITIVE

ASSET: LAND REGISTRY

**IRRELEVANT**

OFFICIAL: SENSITIVE

ASSET: MET OFFICE

**IRRELEVANT**

OFFICIAL: SENSITIVE

ASSET: ORDNANCE SURVEY

**IRRELEVANT**

OFFICIAL: SENSITIVE

ASSET: INSOLVENCY SERVICE

**IRRELEVANT**

OFFICIAL: SENSITIVE

ASSET: ICR STUDENT LOANS (Transaction)

**IRRELEVANT**

[END]

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**Forward Agenda - ShEx Board 1 July 2015 (15)**

**Forward Agenda**

Date of Board Meeting	Topics to discuss
16 September 2015	ICR Student Loans Royal Mail UKGI transition
25 November 2015	
27 January 2016	
30 March 2016	
24 May 2016	

[END]

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**Standing papers – ShEx Board 1 July 2015**

**ShEx Dashboard**

*The Dashboard is attached separately.*

[END]

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**Advisors Contracts**

Project/Programme title	Supplier Name	Type of Service Provided	Contract Start Date	Contract End Date	Contract Value £
<b>IRRELEVANT</b>					
Post Office Network	Freshfields	Legal advice	23/05/13	22/05/2016 (Note - option for 1 year extension has been exercised)	£250K (plus £100k for 1 year extension)
Post Office Network	KPMG	Financial advice	13/06/13	31/05/2016 (Note, option for 1 year extension has been exercised)	£300K (plus £100k for 1 year extension)
Post Office Network	YouGov	Market research	01/12/14	30/09/15	£132K
Post Office Network	Freshfields	Legal advice	23/05/13	22/05/2016 (Note - option for 1 year extension has been exercised)	£250K (plus £100k for 1 year extension)
Post Office Network	KPMG	Financial advice	13/06/13	31/05/2016 (Note, option for 1 year extension has been exercised)	£300K (plus £100k for 1 year extension)
Post Office Network	YouGov	Market research	01/12/14	30/09/15	£132K
Royal Mail Residual shareholding and Postal Services Holding company	Fresh fields	Legal	01/08/14	No end date but review after two years	£20k per annum but significant increase if there is a sale of RM shares - up to £500k.
Royal Mail residual stake	Rothschild	Financial	02/06/15	12 months can extend if needed	£25k
Royal Mail Residual shareholding and Postal Services Holding company	Fresh fields	Legal	01/08/14	No end date but review after two years	£20k per annum but significant increase if there is a sale of RM shares - up to £500k.
Royal Mail residual stake	Rothschild	Financial	02/06/15	12 months can extend if needed	£25k
<b>IRRELEVANT</b>					

[END]