



# UKGI Key Performance Indicators

Quarterly Update to HMT

Q2 2016 – November 2016





# Executive Summary – Q2 2016-17

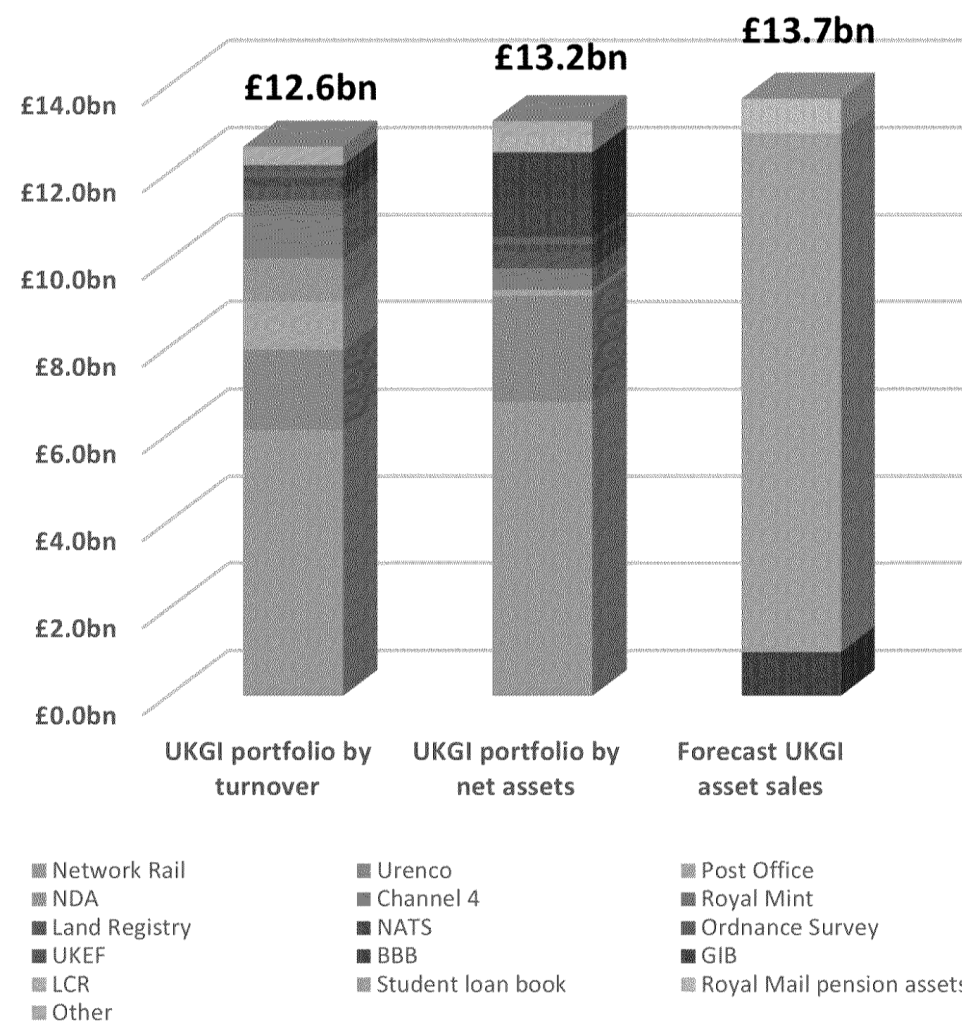
## Key areas of progress in Q2

- DfE SoS approved market testing for a sale of the first tranche of Student Loans
- Oil and Gas Authority launched successfully
- SoS accepted UKGI advice in relation to Project Bloodhound
- Strategic advice provided to BEIS to support their engagement with Nissan on the production of Qashqai and X-Trail models in Sunderland
- Further progress on UKGI diversification, with new workstreams in train with MoD, DoH, DCLG and DfE

## Key upcoming priorities

- Finalising arrangements for executing a sale of Student loans
- Securing a deal with preferred bidder for the GIB
- Review of Government property portfolio work with Government Property Unit (Cabinet Office)
- Work with MOD on its property portfolio and submarine replacement programme
- Work with DH on Porton Biopharma
- Work with DfE on its commercial review

## UKGI's value add – key portfolio metrics



Source: latest published financial statements for each asset. Net assets data excludes NDA, owing to scale of decommissioning liabilities.

# Corporate KPIs

## People and Learning & Development



UK Government  
Investments

	KPIs	Progress towards delivering KPI	Comments
<b>UKGI Values</b>	UKGI staff act in accordance with the UKGI values	<ul style="list-style-type: none"> <li>The Q2 Pulse Survey showed a score of 7.20 against the statement "The SMT demonstrate the four UKGI values" as against 6.73 in Q1</li> <li>Mid Year Reviews will give us more as people are being asked to mark staff 1 – 5 against those values</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>
<b>People – Gender Diverse</b>	At least 30% of the UKGI EDs and above are women, increasing over time to 40%	<ul style="list-style-type: none"> <li>As at end of October women made up of 25% of the organisation at this level (both heads and FTE). At ED level the percentage of women is 33%</li> <li>This is a one post decline from July</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>
<b>People – Engaged</b>	90% of UKGI staff complete UKGI's annual people survey; overall engagement score of at least 80%	<ul style="list-style-type: none"> <li>The Q2 Pulse Survey had a 77% completion rate and scored an average of 7.66/10, as against the Q1 Pulse Survey of 60% and 7.27/10 respectively</li> </ul>	<ul style="list-style-type: none"> <li>Significantly improved participation in pulse survey, and encouraging moves in averages, but some concerning comments and low outliers in scoring.</li> </ul>
<b>UKGI supports L&amp;D</b>	75% of staff agree that UKGI supports and encourages L&D	<ul style="list-style-type: none"> <li>Q2 pulse survey produced a score of 7.11 on whether UKGI offers appropriate L&amp;D opportunities, as against Q1 result of 6.91</li> </ul>	<ul style="list-style-type: none"> <li>Currently developing an L&amp;D plan</li> <li>Mid year review comms encouraged staff to consider L&amp;D – with several coming forward for funding</li> <li>Commissioning staff to update CDPs which may generate more L&amp;D</li> </ul>
<b>Staff give positive reasons for leaving UKGI</b>	80% of staff confirm that UKGI has helped them to secure a better role than the one they left prior to joining	<ul style="list-style-type: none"> <li>Exit interviews results show 83% of staff believe UKGI helped them get a better job than the one they left to join UKGI</li> </ul>	



# Corporate KPIs

## Operational

	KPIs	Progress towards delivering KPI	Comments
<b>Robust financial management of UKGI</b>	Outturn within 1% of forecast and delegated budget	<ul style="list-style-type: none"> <li>UKGI has a confirmed budget from HMT of £12.536m for FY16/17</li> <li>As at 31 October, UKGI Finance project a year-end underspend of £1.498m, – 12% of UKGI's total budget – consisting of £491k underspend from staff costs, £178k from operating costs and £672k from advice, with a further £157k in income that was not included in our original budget</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>
<b>Reporting and compliance with required governance framework</b>	Unqualified accounts	<ul style="list-style-type: none"> <li>The National Audit Office confirmed its opinion on the 15-16 accounts in July</li> <li>Annual Report and Accounts were laid in Parliament in August</li> </ul>	
<b>Positive feedback from shareholder departments / clients</b>	Annual feedback or feedback at project conclusion from shareholders / clients confirms positive views of UKGI	<ul style="list-style-type: none"> <li>Work on annual stakeholder feedback question and process for collating it is ongoing</li> </ul>	



## UKGI KPIs: key projects / assets

### 1. Asset sales

- ICR Student Loans
- Green Investment Bank
- Land Registry
- Urenco
- Royal Mail Pension Assets

### 2. Financial interventions

- Project Minerva
- Project Vulcan
- Project Sunbeam
- Airbus

### 3. Governance / shareholder roles

- British Business Bank (BBB)
- Central Management Unit (CMU)
- Nuclear Decommissioning Agency (NDA)
- Network Rail (NR)
- Post Office (POL)
- UK Export Finance (UKEF)

### 4. Corporate negotiations

- n/a



# 1. Asset sales

Project	KPI	Progress towards delivering KPI	Comments
<b>ICR Student loans</b>	Sale of the first tranche of the ICR Student Loan book delivered by end 2016/2017	<ul style="list-style-type: none"> <li>Approval to start market testing has been given by SOS for Education (Justine Greening now responsible Minister for the sale under machinery of Govt changes)</li> <li>Investor meetings commenced w/c 26 Sept and market testing due to complete 18 Nov</li> </ul>	<ul style="list-style-type: none"> <li>If market testing is positive and is swiftly followed by a sale launch first week of Jan '17, there is still time to complete sale of the first tranche by the end of the financial year. Due to delays in decision making with the change in responsibility to DfE there is now no contingency in the timeline, however, so further delays would make this unachievable</li> </ul>
<b>Green Investment Bank</b>	Achieve successful privatisation in FY 2016/17	<ul style="list-style-type: none"> <li>Bidders submitted their final offers on 12 Sept</li> </ul>	<ul style="list-style-type: none"> <li>Transaction is at a critical stage as we seek to take forward a preferred bidder to agree a deal</li> </ul>
<b>Land Registry</b>	Transaction to transfer ownership of some/all of Land Registry out of the public sector completed by end 2017	<ul style="list-style-type: none"> <li>No. 10 has decided that that no parliamentary time can be found for it so transaction is on hold for the life of this parliament</li> <li>Discussions are ongoing on how to set up a strategic review of the future of LR. This review would build the evidence base for options to help ministers make an informed decision on LR's future</li> </ul>	<ul style="list-style-type: none"> <li>Activity is now focussed on running a lessons learned exercise and ensuring project materials are properly filed</li> </ul>



# 1. Asset sales

Project	KPI	Progress towards delivering KPI	Comments
<b>Urenco</b>	Restructure Urenco by March 2017 to provide optionality for HMG around a future sale	<ul style="list-style-type: none"> <li>German Govt provided its written approval to the Dutch Govt in Aug for a proposed new corporate governance structure, which would have enabled a possible future trade sale of all or part of Urenco</li> <li>Following an NSC update in Sept, the BEIS SoS wrote to the Dutch Minister signalling the UK's approval for the Dutch legislation</li> <li>However the two German shareholders (E.ON and RWE) rejected the proposed structure</li> <li>Work to identify and consider whether there are other options to enable HMG to sell all or part of its stake in the future is underway</li> </ul>	<ul style="list-style-type: none"> <li>The Dutch will not now move forward with their legislation and a restructuring, which would have given us the optionality to sell all or part of our stake should there have been Ministerial appetite for a sale and if such a sale could be shown to be VFM</li> <li>Optionality of a future sale is not possible in the immediate future</li> <li>We will submit any possible options that are identified to BEIS ministers in due course</li> </ul>
<b>Royal Mail Pension Assets</b>	Test whether fair value and VFM can be achieved via a secondary market transaction and, if so, execute the sale by end of March 2017	<ul style="list-style-type: none"> <li>UKGI has engaged financial and legal advisors and is engaging with portfolio managers whose consent is needed for a sale process</li> <li>Subject to agreement of key terms with portfolio managers, it is likely that the process could start in Oct / Nov</li> </ul>	<ul style="list-style-type: none"> <li>Key issues will be assessing VFM of bids received compared to hold scenario; and execution risk as a result of portfolio managers' consent rights</li> </ul>



## 2. Financial interventions

Project	KPI	Progress towards delivering KPI	Comments
<b>Project Minerva</b>	Assess options to support the sale process financially and prepare and deliver a package of possible support for potential purchasers, including consideration of commercial loans, co-equity and nationalisation	<ul style="list-style-type: none"> <li>Working with BEIS on pensions and contingency planning</li> <li>Leading for HMG on interaction with Tata on ongoing sales of the Speciality and Hartlepool businesses</li> </ul>	<ul style="list-style-type: none"> <li>Tata remain in talks with ThyssenKrupp about a potential European JV. They are not currently looking for HMG financing, but their efforts to resolve the pensions issue remain key</li> </ul>
<b>Project Vulcan</b>	Agree Govt support for Long Products including, if required, negotiation with the purchaser and bank lenders with regard to any HMG financial support, to facilitate a sale of the business by end of Q2 2016, helping to preserve jobs	<ul style="list-style-type: none"> <li>Transaction completed end May with no requirement for HMG funding</li> </ul>	<ul style="list-style-type: none"> <li>UKGI continue to work with BEIS to monitor the business's turn around plan</li> <li>Business may seek some capital funding for specific projects (e.g. work on power plant)</li> </ul>
<b>Project Sunbeam</b>	Before Apr 2016 ensure VFM is properly assessed in relation to a loan request received by HMG for an attempt to break the world land speed record	<ul style="list-style-type: none"> <li>Original KPI delivered</li> </ul>	<ul style="list-style-type: none"> <li>Subsequent request for funding reviewed by BEIS SOS and rejected based on VFM assessment</li> <li>Response to Sunbeam team not yet sent</li> </ul>



## 2. Financial interventions

Project	KPI	Progress towards delivering KPI	Comments
<b>Airbus</b>	Support AMS to conclude the 2016 levy review under the Airbus A380 RLI contract by end of Q2 2016, reaching an outcome which offers VfM for the taxpayer whilst preserving our wider relationship with Airbus	<ul style="list-style-type: none"><li>• Forecast of future deliveries for the programme is needed to set the levy each year. Divergent views on the programme's future meant this could not be agreed.</li><li>• This dispute has been referred to an expert, AlixPartners, for determination</li><li>• The dispute process is underway – expected to complete mid Dec</li></ul>	<ul style="list-style-type: none"><li>• Levy payments are continuing at the 2015 rate whilst the process is ongoing</li><li>• NEO programme launch uncertain – no pressure currently on HMG for support / relief</li></ul>



### 3. Governance / shareholder roles

British Business Bank

Asset	KPI	Progress towards delivering KPI	Comments
<b>BBB - Governance</b>	Recruit a new Chair and improve Board dynamics including greater exposure and engagement across Whitehall	<ul style="list-style-type: none"> <li>110 candidates considered in total. Shortlisted to 6 candidates</li> <li>If Ministers are content with the shortlist, interviews will begin from 20 Oct</li> </ul>	<ul style="list-style-type: none"> <li>Incumbent Chair is expected to leave on 29 Sept</li> <li>Existing Senior Independent Director will take up the role as interim Chair</li> </ul>
<b>BBB - SME Finance</b>	Help BBB to become the centre of expertise across Government on SME access to finance policy. This will involve helping BBB to manage/navigate the relationship between the new sponsorship team in BEIS	<ul style="list-style-type: none"> <li>New BEIS Policy team has meant relationships needing to be built by BBB policy team. BBB has held 'teach-ins' for the new BEIS team. Working together protocols continue to be refined</li> <li>Initial meetings have been held with the Junior Minister – Margot James; good relationship established</li> </ul>	<ul style="list-style-type: none"> <li>BBB policy team will need to work closely and cooperatively with BEIS policy team. After some early turbulence this relationship is settling down</li> <li>BBB continue to establish / build on relationships with other parts of Whitehall. CEO and Chair recently met Sir Jeremy Heywood</li> </ul>
<b>BBB - Delivery</b>	Ensure BBB continues to deliver against its business plan while being innovative	<ul style="list-style-type: none"> <li>Discussions continue with HMT to secure funding for NPIF (which sees BBB working with EIB on a £400m fund to provide SME investment across the North)</li> <li>Help to Grow (£200m pilot programme aiming to finance high growth SMEs) testing whether EIF will provide a counter-guarantee following Brexit</li> </ul>	<ul style="list-style-type: none"> <li>Anticipated start date for the NPIF Dec 16. Funding needs to be finalised before Autumn Statement to ensure HMT will honour European funding element</li> <li>On Help to Grow, the EIF are seeking formal agreement from the European Commission to continue guarantees where the UK is no longer a Member State</li> </ul>



### 3. Governance / shareholder roles

#### Central Management Unit

Asset	KPI	Progress towards delivering KPI	Comments
<b>CMU - Spectrum release</b>	Release 750MHz of valuable public spectrum in bands under 10GHz by 2022, of which 500MHz by 2020	<ul style="list-style-type: none"> <li>384MHz under 5GHz have been released or shared to date</li> <li>Technical studies are underway in all priority bands and making good progress towards decision points – they are expected to conclude by end '16/17</li> </ul>	<ul style="list-style-type: none"> <li>Programme has prioritised feasibility studies in the most valuable bands (suitable for immediate mobile use). This will mean difficult choices for MoD and HMT as to how to accommodate ongoing defence systems whilst sharing the maximum amount of spectrum to ensure a commercially viable proposition</li> </ul>
<b>CMU - Organisational capability</b>	CMU to become established as an effective and agile organisation capable of delivering against ministerial ambition (and the stated target) in the short and medium term	<ul style="list-style-type: none"> <li>CMU has been fully operational since Oct 2015 and continues to build its knowledge and capability</li> </ul>	<ul style="list-style-type: none"> <li>Consideration being given to the provision of additional UKGI resource and MoD resource / personnel to provide a strategic link into the MoD</li> </ul>
<b>CMU - Budget</b>	Manage budgetary responsibility for up to £5m (or 10%) of any departments' planned spectrum expenditure effectively and provide clear, well evidenced advice to support recommendations in relation to abatement charges	<ul style="list-style-type: none"> <li>It has not yet been necessary to draw down budget</li> </ul>	<ul style="list-style-type: none"> <li>Expecting requests from MOD to fund feasibility studies shortly.</li> </ul>



### 3. Governance / shareholder roles

#### Nuclear Decommissioning Authority

Asset	KPI	Progress towards delivering KPI	Comments
<b>NDA - Productivity</b>	NDA to demonstrate to HMG how it delivers VFM over the SR period. Work with NDA and HMT to help define the art of the possible – including which metrics could be applied to Sellafield, to sponsor and feed advice into work to identify and realise programme innovation and commercial opportunities and to work with DECC policy teams to advise on implications for NDA funding / SR settlement	<ul style="list-style-type: none"> <li>UKGI working with NDA, supported by HMT, to develop metrics that better demonstrate VFM and link through from Strategic plan to operational delivery</li> </ul>	<ul style="list-style-type: none"> <li>As Sellafield's unique assets make typical metrics difficult to apply, UKGI is encouraging NDA to think about alternative measures – first sight of emerging proposals expected by end Nov 2016</li> </ul>
<b>NDA - Sellafield</b>	NDA to define and deliver an effective process to procure a strategic partner. Oversee, provide expert commercial input into and lead approvals in relation to this exercise, ensuring NDA and Sellafield focus on delivering the benefits set out in the Business Case, run a high-quality process and ensure DECC is well sighted ahead of decision points	<ul style="list-style-type: none"> <li>UKGI has been overseeing the NDA's preparatory needs definition and planning work for its strategic partner procurements</li> <li>Following detailed engagement with the BEIS Perm Sec and IPA, NDA working to produce an OBC for a Project &amp; Programme Partner proposal to be submitted to HMG early 2017</li> <li>Overarching Transformation strategy expected later in the year</li> </ul>	<ul style="list-style-type: none"> <li>UKGI liaising closely with IPA, HMT and Crown Commercial to seek aligned HMG challenge and support for the proposed processes</li> </ul>
<b>NDA - Governance</b>	Lead process to recruit a high-quality chair and bed down the new governance arrangements with DECC (including improving the way we review and sanction projects and programmes)	<ul style="list-style-type: none"> <li>UKGI leading the recruitment supported by Korn Ferry</li> <li>The field is narrower than we would wish but there remains a realistic prospect of finding an appointable candidate this year</li> <li>New governance arrangements agreed; now being tested in practice</li> </ul>	<ul style="list-style-type: none"> <li>Alongside Chair recruitment, we are working closely with NDA to ensure that they have credible plans to replace the CEO and the COO</li> </ul>



### 3. Governance / shareholder roles

#### Network Rail

Asset	KPI	Progress towards delivering KPI	Comments
<b>Network Rail - Governance</b>	Establish and bed in the new governance structure (UKGI DfT Joint Shareholder Team)	<ul style="list-style-type: none"> <li>DfT Perm Sec and DG Rail have now mandated the UKGI role in the joint NR-DfT shareholder team</li> </ul>	<ul style="list-style-type: none"> <li>After an period of uncertainty the joint UKGI DfT team is now established and allocation of roles and responsibilities is underway</li> </ul>
<b>Network Rail - Financial reporting and oversight</b>	Improve the quality of financial and operational reporting to enable better oversight	<ul style="list-style-type: none"> <li>UKGI has developed a new plan for monitoring NR financial performance and chaired the first senior DfT-NR bilateral</li> </ul>	<ul style="list-style-type: none"> <li>Challenge will be to maintain sufficient visibility of potential cost increases as the Hendy replan matures</li> <li>Work continues to improve rigour of financial reporting in advance of route devolution</li> </ul>
<b>Network Rail - asset sales</b>	UKGI will jointly (with DfT) lead oversight of and support NR's £1.8bn of non-core asset sales and consideration of alternative models for major stations	<ul style="list-style-type: none"> <li>UKGI has worked closely with DfT, NR and HMT to progress options for the asset sales in particular: <ul style="list-style-type: none"> <li>— successful initial outcome from ONS on long lease accounting for commercial estate</li> <li>— securing advice from HMT Counsel on legislative options</li> <li>— stress testing TrustCo options for depots</li> <li>— reviewing retail-only options for stations</li> </ul> </li> <li>In parallel we are supporting DfT and NR on alternative options including progressing sales to achieve PSND rather than B</li> </ul>	<ul style="list-style-type: none"> <li>The work has confirmed the challenge of scoring significant PSNB proceeds</li> <li>Positive initial outcome from ONS on commercial estate provides firmer basis for OBC development</li> <li>Outcome is subject to ongoing negotiation with HMT in run up to Autumn Statement</li> <li>Focus is now shifting to planning for successful execution e.g. plans, resource/capability, risk mitigations</li> </ul>



### 3. Governance / shareholder roles

Post Office

Asset	KPI	Progress towards delivering KPI	Comments
<b>POL - Financial performance</b>	Ensure POL on track to break even (excluding subsidy) for 2017/18	<ul style="list-style-type: none"> <li>Business has implemented first tranche of staff reductions (in NT programme team), has got agreement from the independent trustees to close its pension scheme and has served notice on its external supply chain customers</li> </ul>	<ul style="list-style-type: none"> <li>Strikes opposing cost reduction reforms have been held on 15 Sept and 31 Oct but had negligible impact on the business - all supply chain depots were open as were 99% of branches</li> </ul>
<b>POL - Business transformation</b>	Ensure POL continues its business transformation programmes (Network, IT, supply chain) meeting in year targets for 2016-17	<ul style="list-style-type: none"> <li>POL met target for new branch openings and contracts signed at mid year</li> <li>Discussions continue on close down activity for the Network Transformation programme and the strategy that will follow it</li> <li>Supply chain reform is on track to close 3 depots before Christmas.</li> </ul>	<ul style="list-style-type: none"> <li>One of POL's supply chain customers (money remittance service Choice International) has secured an injunction against POL withdrawing cash management service but on favourable terms to POL. Choice is not a large customer so the impact is likely to be reputational rather than financial</li> </ul>
<b>POL - Spending settlement</b>	By the end of 2016-17, agree a new spending settlement with POL for the period after the current one expires in March 2018	<ul style="list-style-type: none"> <li>POL has secured board support for its strategy and funding request for the three years from Mar 2018.</li> <li>Funding discussions with HMG to begin shortly</li> </ul>	<ul style="list-style-type: none"> <li>Public consultation on the network (needed to support the case for state aid funding) commences 8 Nov, closes 21 December</li> </ul>
<b>POL - Strategy</b>	Ensure POL has revised its Financial and Mails strategies to better align its key partnerships to the planned growth of the business by March 17	<ul style="list-style-type: none"> <li>POL has opened negotiations with Bank of Ireland, supported by Macquarie</li> <li>Preparations continue for negotiations with RM next year</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>



### 3. Governance / shareholder roles

#### UK Export Finance

Asset	KPI	Progress towards delivering KPI	Comments
<b>UKEF - Governance</b>	Bed in the new governance structure by end 2016/17	<ul style="list-style-type: none"> <li>No. of executive directors on the board has been reduced to 3 (CEO, CFO and Chief Risk Officer); no. of independent NEDs is increasing from 2 to 4. The resulting board composition is closer to best practice in private sector regulated financial institutions</li> <li>Governance arrangements following MOG changes still being agreed with DIT</li> </ul>	<ul style="list-style-type: none"> <li>The new Chair and both of the new non-execs will have significant financial risk expertise at board level at major insurance or banking institutions</li> </ul>
<b>UKEF - Financial reporting and oversight</b>	Improve the quality of financial and risk reporting and management input to better facilitate our oversight - by end 2016/17	<ul style="list-style-type: none"> <li>Risk management framework is being strengthened to support Autumn Statement increases to risk appetite and market limits – expected to be in place by early 2017</li> <li>A draft version of the updated management report is now being used which has improved the speed of reporting received from UKEF. Further refinements to this document will be put in place during Q4 2016</li> </ul>	<ul style="list-style-type: none"> <li>The new board composition and increased level of risk expertise will allow for more robust challenge to management and strengthen the audit and risk committee</li> </ul>
<b>UKEF - Board recruitment</b>	Recruit a new Chair and two NEDs for the board by end 2016	<ul style="list-style-type: none"> <li>New NED, Lawrence Weiss, joined the board on 1 Nov</li> <li>New Chair, Noel Harwerth, has been approved by No.10 (CONFIDENTIAL – still to be announced)</li> <li>Competition for the specialist risk NED at short list stage</li> </ul>	<ul style="list-style-type: none"> <li>The new UKEF Chair will also sit on the DIT board</li> <li>The long list for the specialist risk NED looks to be both strong and diverse</li> <li>Catherine Raines, head of UKTI, has also indicated she will sit on the UKEF board, increasing board diversity</li> </ul>



## 4. Corporate negotiations

- No corporate negotiations currently included in the KPIs
- At present, UKGI is involved in a number of corporate negotiations, including:
  - advising BEIS on new nuclear generation projects
  - working with HMT and BEIS on Oil and Gas decommissioning liabilities and specific cases of distressed companies



## Other updates and horizon scanning

- The non disclosure agreement on Porton Biopharma, a Department of Health project, has now been signed and we expect the work on reviewing the business plan to ramp up shortly
- Review of Government property portfolio work with Government Property Unit (Cabinet Office) ongoing
- Work with MOD on the DIO, the Department's property portfolio and the Successor programme ongoing
- Work with DfE on its commercial review getting underway