



Commercial – In Confidence

Minutes of Shareholder Executive Board

Meeting held on Wednesday 21 November 2012 at 15.00

Members present:	Patrick O'Sullivan (Chair) (PO'S) Claudia Arney (CA) Gerry Grimstone (GG) Jeremy Pocklington (JP) Tony Watson (TW) Lord Carter (LC) Stephen Lovegrove (SL) Anthony Odgers (AO) Mark Russell (MR)	Attendees:	Michael Fallon MP (MF)] Roger Lowe (Item 2) (RL)
		Secretary:	Peter Batten
		Apologies:	None

1. Apologies for absence, Chair's welcome and introduction, minutes from last meeting, declarations of interest

- 1.1. POS opened the meeting, welcoming the Minister and introducing him to the Board members.
- 1.2. The Minister spoke highly about ShEx's work, but queried whether BIS and Government more widely was using ShEx as a resource effectively. **[action]** The Minister asked whether Whitehall presented any barriers to ShEx's operation, and called on ShEx to play a full role in all areas of the Industrial Strategy (IS).
- 1.3. The Board noted that BIS and DECC do use ShEx expertise effectively, and that the Minister was right to see ShEx as Corporate Finance resource for Government. Noting the greater awareness of corporate finance across Whitehall, CA cautioned against encouraging OGD duplication of the ShEx model, noting the inefficiency of duplication, and the risk of diluting corporate finance expertise across Government.

– The Minister left the meeting –

2. Chief Executive's Report

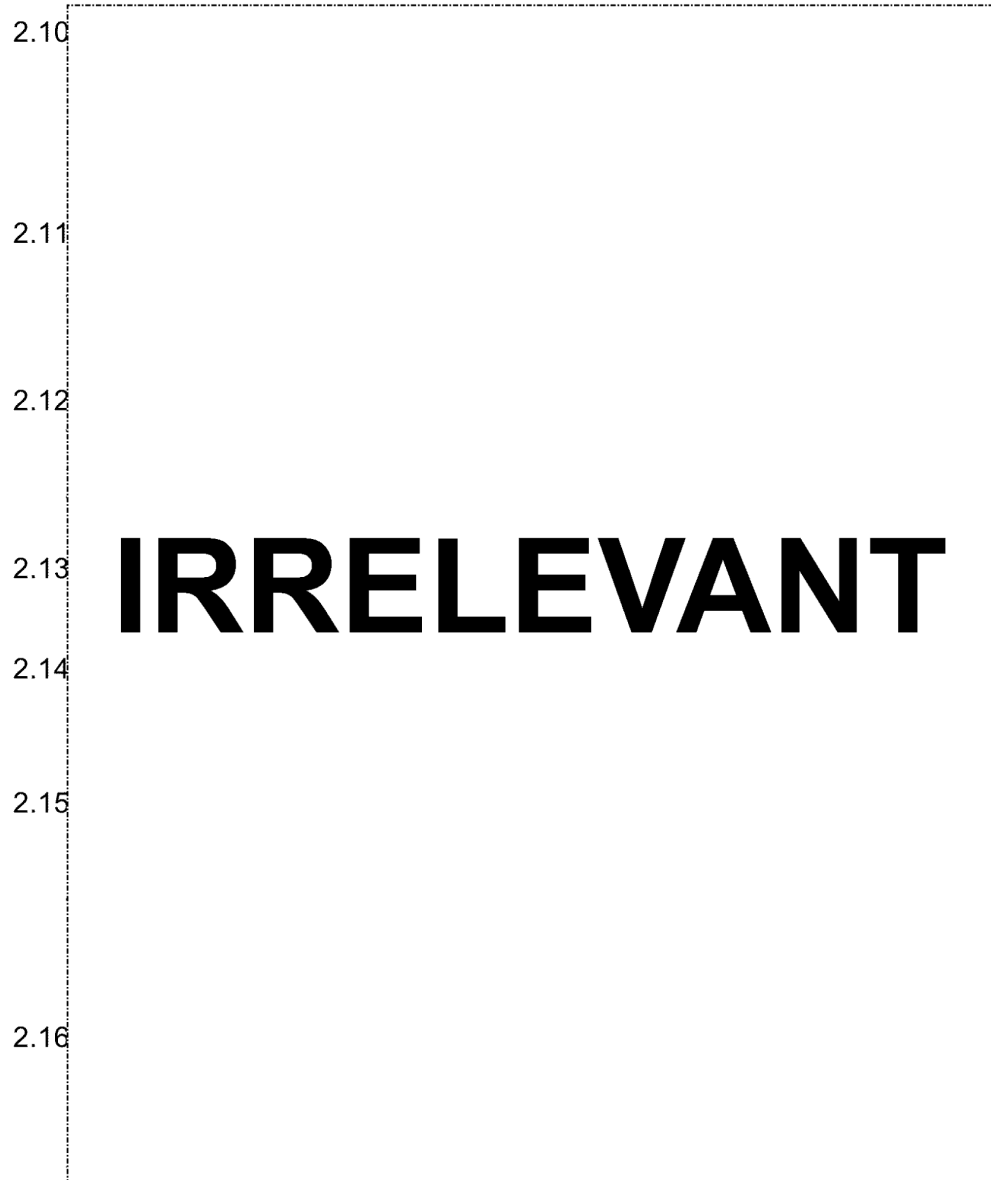
- 2.1. Introducing his report, SL noted his meeting with **Lord Browne** who had expressed his frustration that the full potential of Departmental NEDs was not being fully realised, further noting that the success of the Departmental Boards was due in large part to the effectiveness of the Departmental SoS. GG noted that the success of the MoD Board was a result of its independence from Whitehall, allowing it to operate more freely and effectively.

– TW joined the meeting –

- 2.2. LC and GG suggested that the Cabinet Office approach to Civil Service Reform had been suboptimal. It was noted that the Cabinet Office was also struggling to exercise appropriate discretion in mandating particular reforms across Whitehall.
- 2.3. POS asked whether there was the possibility of using Department Lead NEDs to target IS priorities. SL suggested that the effectiveness of an IS depended on the size of the administrative unit, and that the Westminster Government faced difficulties in picking specific sectors as this was likely to run into political complications. JP agreed, noting that IS suffers from the 'catch all' nature of politics, but suggested there is a key role for BIS in choosing sectors.
- 2.4. SL noted that there has been a step-change in the nature of approaches from **other Government Departments**, citing examples from DfT, CLG and DoH. POS noted that the Board has previously discussed the matter and the advice had been to 'be careful' not to over-stretch.
- 2.5. LC expressed the need for particularly careful handling of the DfT West Coast franchise team, noting there is a reputational risk if the exercise is publicly seen to be a 'chair shuffling' exercise. GG voiced concern that further expansion would leave ShEx's management team spread too thinly. MR noted that with a headcount around the 100 mark, ShEx is already very large and agreed that expansion was risky. CA warned against overburdening a highly functional part of Government to the point that it becomes dysfunctional.
- 2.6. SL explained that **Royal Mail** had initiated a soft market testing exercise to investigate the possibility of an IPO, with findings to be reported by Christmas. SL noted that ShEx has been clear with the company that all options are to remain on the table.
- 2.7. GG noted his concern that market testing at this stage can be tricky owing to the difficulty to ask potential investors questions that don't prejudice a future transaction decision. SL explained that ShEx is aware of the risk, but noted that the window for a transaction is being driven by the electoral cycle, and that there was, on balance, an argument in favour of proceeding with soft market testing. SL also noted that he had personally called all the investment banks to make clear that an IPO is not the only option being considered.
- 2.8. The Board noted that STJ (who are advising the company) have been tasked with coaching the company into telling the equity story to potential investors. The company is planning to meet the investment banks in early December. The Board noted GG's proposal that ShEx should consider re-procuring the advisers, but MR cautioned that ShEx had to carefully manage the relationship with the company's management team.

2.9. **[action]** SL committed to send a minute to the Minister noting the Board's opinion on the outcome of the market testing. POS noted that the company's Chair had agreed to step down from one of his other Chairmanships. It was also noted that the company had reported strong half year results, however it was noted that these were being driven by better than expected revenue growth, which was masking lower than planned cost reduction.

– RL left the meeting –



3. Information Economy

3.1

3.2

3.3

3.4

3.5

3.6

3.7

IRRELEVANT

4. Business Bank

4.1.

4.2.

4.3.

IRRELEVANT

– JP

4.4.

4.5.

5. PDG Assets Update

5.1. The Board did not discuss the PDG Assets paper.

**ShEx Board Secretary
November 2012**

6. Actions

Completed actions				
Minute ref.	Action point	Action officer	Due date	Status
1.2	IRRELEVANT			

Outstanding actions				
Agenda Item	Action point	Action officer	Due date	Status
Sept 2012	IRRELEVANT			
2.9				