

SHEX BOARD'S REMIT

Purpose: for discussion

I said at our last Board meeting that I would give consideration to the Board's terms of reference in the light of our experience both as an Advisory Group and as a Board over the last three years.

Briefly, by way of history:

- on my arrival as Chairman in Summer 2007 I was charged with setting up an Advisory Group which was duly established at the end of 2007
- since late 2008 its remit was extended to cover OEP issues, both in relation to the asset management strand and latterly property
- in 2009, the Advisory Group metamorphosed into a Board, principally because the Prime Minister announced that Gerry and Pat would be joining the "ShEx Board"
- at the same time it was decided that the ShEx reporting lines should be widened so that we report regularly on our OEP activities to PSX via CST. In reality, this process has never been properly formalised, although the relationship with CST on the OEP asset agenda was much closer than before
- since the election, further complexities have been introduced with the setting up of ERG in the Cabinet Office. Whilst ShEx has retained responsibility for a now expanded property function, in all material respects the Property Unit reports to the Permanent Secretary in the Cabinet Office responsible for ERG, rather than to CST
- the asset programme under this Government is now starting to be clarified and is likely to be led by a sub-committee of PSX, with ShEx playing a major role as HMT's delivery agent.

I attach the Terms of Reference which we agreed in October 2009. Much of the detail will need to be updated in the coming months, eg in respect of "son of OEP" arrangements, but I believe the Board's essential underlying purpose and function has changed little over the last three years.

The very nature of ShEx, operating as we do within Government/ the Civil Service and as a group within a Department, means that our governing body cannot have the same powers and responsibilities as a corporate board, whether or not we choose to style that body a "Board" or an "Advisory Group"; for instance, policy is decided by Ministers and our budget is set by the Department, not in either case by the Board. On the other hand, the Board's role goes well beyond - putting it baldly to emphasise a point - offering a few words of advice which the Executive is free to take on board or ignore as it feels fit.

Paragraph 7 of the existing Terms of Reference sets out the Board's overall remit: "The Board has an advisory role in relation to the work of the Shareholder Executive as a whole. This will include setting strategic direction in the light of Ministerial objectives, periodically reviewing the delivery of objectives as set out in the Business Plan and considering any specific issues referred to it by the Executive Committee".

This still holds true but, more specifically, the Board should expect to:

- whilst not responsible for policy formulation, give advice on the operational implication and effectiveness of policy proposals having a significant impact on ShEx's work
- provide independent support, guidance and challenge on the progress and implementation of the business plan
- ensure the sound financial management of ShEx in the context of the business plan
- review the progress and status of big projects, with particular focus on value for money for the tax payer
- be consulted on the cost/ benefit analysis for all major initiatives
- protect, promote and enhance ShEx's reputation both within Whitehall and in the wider business and financial community.

What happens if the Board's advice is ignored? In theory, this could happen in two principal ways: first, if the Executive submits advice to Ministers which is not in accordance with the Board's views; and secondly, if Ministers reject advice given to them by ShEx. Such situations are unlikely to occur in practice, but it should always be open to the Board to seek a meeting with the Permanent Secretary to discuss its concerns. The ultimate sanction for any Board member is resignation.

I hope that this note is helpful in setting out my thoughts on what I believe is expected of the Board. Whilst it is important that the Board does not try to assume responsibility for issues not strictly within its purview, it is critically important that Board members believe that their contribution is important, effective and valued. We can discuss this at next month's Board meeting but, if any of you have significant reservations about anything in this note, I would appreciate an earlier call.

PJR

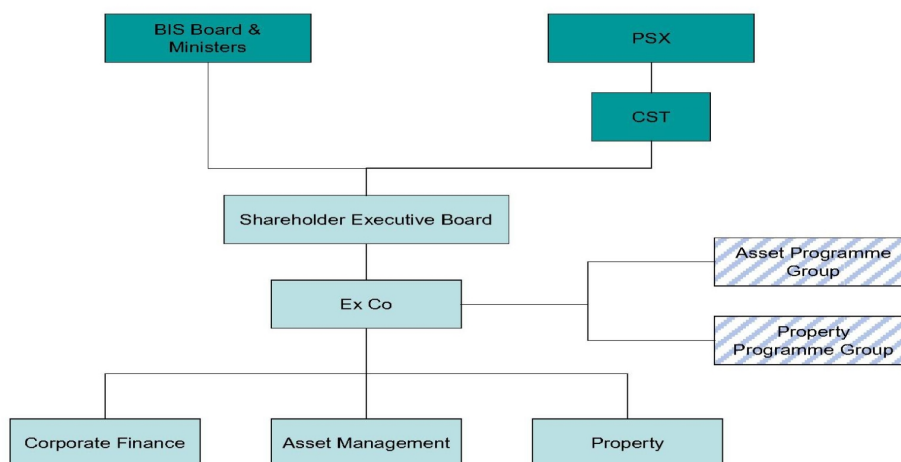
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Governance of the Shareholder Executive

Purpose: for information

1. The Shareholder Executive was formed in 2003 to improve the Government's performance as a shareholder in businesses. It now has a **portfolio** of 25-30 complex businesses in which Government has a shareholding, and works with government departments and management teams to help these businesses perform better. The Shareholder Executive has developed a wider role as a **corporate finance** resource within government which includes advising on launch aid, regional and industrial assistance and rescue aid.
2. Building on these roles, since late 2008 the Shareholder Executive has acted as programme manager for the **asset management strand** of the Operational Efficiency Programme (OEP). This has involved reviewing selected corporate assets from the perspective of efficiency, commercialisation and alternatives to public sector ownership. These assets are now being brought into the core portfolio and the Shareholder Executive is tasked with coordinating and accelerating the sale of corporate assets as well as an ongoing role in identifying further corporate assets suitable for review.
3. The remit of the Shareholder Executive has also been extended to include **public sector property** following the recommendations of the property strand of the OEP. A new unit is being created within the Shareholder Executive to provide a central source of property advice across the public sector. It will identify surplus assets, assist with portfolio coordination, act as a source of expertise and support complex land and property transactions.
4. The Shareholder Executive will report regularly on its OEP activities to the Ministerial Committee on Public Services and Public Expenditure (PSX) via the Chief Secretary to the Treasury (CST). These reporting arrangements will be an adjunct to its formal accountability through the BIS Permanent Secretary as Accounting Officer and to Ministers.
5. In light of these changes the governance structure for the Shareholder Executive has been reviewed. The new structure reflects the need to balance the specific requirements in relation to the OEP with management and oversight of the core activities of an enlarged Shareholder Executive.

SHAREHOLDER EXECUTIVE: PROPOSED GOVERNANCE STRUCTURE



Shareholder Executive Board

6. The Board oversees the work of the Shareholder Executive on the OEP and will approve reports to CST on progress with achieving greater efficiency, commercialisation and eventual disposals of corporate and property assets, for onward transmission to PSX. Where these reports give rise to concerns about the pace of change, or suggest potential opportunities for further efficiency gains, the Board will flag these up for consideration by PSX.
7. The Board has an advisory role in relation to the work of the Shareholder Executive as a whole. This will include setting strategic direction in the light of Ministerial objectives, periodically reviewing the delivery of objectives as set out in the Business Plan and considering any specific issues referred to it by the Executive Committee.
8. The Board is chaired by Philip Remnant, Chairman of the Shareholder Executive. The Chief Executive, Deputy Chief Executive and Head of Property are executive Board members. In addition to the Chairman, the Board currently consists of five non-executive members with experience of the existing and new areas of the Shareholder Executive's business. Remuneration of non-executive Board members is in line with current practice in the Department for Business, Innovation and Skills.
9. The Board meets six times a year in central London.

Executive Committee

10. The Executive Committee is responsible for the day-to-day running of the Shareholder Executive across the three strands of corporate finance, corporate asset management and property. The Committee will regularly review progress with meeting objectives as set out in the Business Plan. It will determine policies and procedures for the Shareholder Executive within the framework of BIS policies and the direction set by the Board. The Committee has the authority to make decisions.
11. The Executive Committee is chaired by the Chief Executive of the Shareholder Executive. The Deputy Chief Executive, Head of Property and Chief Operating Officer are members. Other members of the Executive Committee may be appointed by the Chief Executive.
12. The Executive Committee has access to ad hoc advice from the Chairman and non-executive members of the Shareholder Executive Board as required.
13. The Executive Committee meets at least fortnightly.

Board sub-groups

14. For a transitional period the Board will have two sub-groups, the Asset Programme Group and Property Programme Group. The Programme Groups will provide coordination and oversight for activity undertaken as part of the asset management and property strands of the OEP respectively. They will regularly review progress against plans, identifying corrective action where this falls behind trajectory. It will be the responsibility of the relevant team in the Shareholder Executive to take such action or to agree with members of the Programme Group that they will take it. The Programme Groups will report to the Executive Committee, providing input to the progress reports prepared for CST and PSX.
15. Membership of the Programme Groups will be drawn from the Shareholder Executive, HMT (public expenditure and corporate & private finance teams) and, for the Property Programme Group, the Office of Government Commerce. The Asset Programme Group will be chaired by Gerry Grimstone and the Property Programme Group by Lord Carter of Coles.