



Commercial – In Confidence

Minutes of Shareholder Executive Board

Thursday 16 May 2013 at 15.00

Members present:	Patrick O'Sullivan (Chair) (POS) Claudia Arney (CA) Lord Carter (PC) Gerry Grimstone (GG) Jeremy Pocklington (JP) Roger Lowe (RL) Ken McCallum (KMC) Anthony Odgers (AO) Mark Russell (MR)	Attendees: Mark Boyle (MB) Fiona-Jane Macgregor (FJM) Keith Morgan (KM)
		Secretary: Peter Batten
		Apologies: Tony Watson (TW)

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

IRRELEVANT

2. Chief Executive's Report

IRRELEVANT

- 2.4. AO provided an update on **Post Office Ltd's** emerging commercial strategy, noting that the company was performing well as an independent company. The Board heard that the company's plans to modernise its network were running behind expectations and that difficult political decisions might be required. JP noted that it would be important to seek to minimise subsidy in the period to 2020, and AO suggested a [AP] deep dive at a future Board meeting.

IRRELEVANT

- 2.6. POS noted that the third **ShEx Chairs' event** had been the most useful so far, and requested that [AP] a copy of the minutes be seen by members. CA agreed, but suggested that invites should be targeted depending on the topic of the event. MR noted that the events work best when attended by a Minister who is involved in the subject matter.

- 2.7. MR explained that there is now a more streamlined approach and greater advice and guidance available on **senior executive pay** processes.

3. Cross government working

- 3.1. MB presented his paper on intra government requests for ShEx support and advice, noting that a recent key change has been requests to provide assistance to departments generally, rather than on specific asset issues. MB suggested that this was a result of ShEx's reputation across Whitehall. This raises issues for ShEx in terms of the type of work ShEx is now being asked to consider, ShEx's resource abilities to meet these requests, and how ShEx should engage with other departments.
- 3.2. MB noted that ShEx's core skills are closely aligned to the capability plan themes of the Civil Service reform programme. POS sought clarification about ShEx's ability to 'lead change', MB explained that this was a reference to delivering projects, where ShEx has a strong track record.
- 3.3. The Board discussed the suitability of ShEx's involvement with infrastructure capacity plans (ICP), which is being led by Infrastructure UK. MR explained that there were benefits to ShEx being abreast of developments across the wider Whitehall community. However, GG and CA expressed a concern that involvement in ICPs risked diverting ShEx resource away from its core business. GG was also clear of the need to establish boundaries and defined roles within Whitehall.
- 3.4. MB provided an overview of progress to date with four departments (DfT, DECC, Defra and DCMS) who are seeking assistance. MB noted that DfT and DECC in particular were expecting to identify a shortfall of commercial expertise, and that they were looking to ShEx as a source of filling the gap.
- 3.5. Additionally, MB explained that MoD and DCLG were also seeking ShEx involvement on a number of projects. In the case of MoD, this is more a matter of reengagement (following a period of mutual non-engagement) which will be facilitated by a MoU. GG queried whether the MoU covered ShEx's costs, noting that this MoU is likely to set a precedent. MR explained that he was keen to avoid ShEx following the same route as Partnership UK.

- 3.6. Turning to engagement with DCLG, MB noted the department had requested assistance to develop its commercial function, but that it applied the term 'commercial' very widely. Unlike MoD, DCLG have no specific projects that they want ShEx assistance with, but would like to negotiate a MoU with ShEx, that would see ShEx leading engagement, with DCLG paying.
- 3.7. GG expressed the need for care to be taken, noting that the distinction between policy advice and corporate finance was in danger of blurring. CA noted that the Board had previously considered and dismissed the proposed DCLG model of engagement before, and queried why it was still being considered? MR explained that a MoU would give safeguards and provide a clear delineation of responsibilities, and that it was not envisaged that ShEx would be involved in pre-policy activities.
- 3.8. GG noted that precedents from the private sector showed that satellite operations were very difficult to operate, and feared that a ShEx satellite in DCLG would not be able to benefit from daily exposure to the ShEx peer group and culture. CA expressed concerns that ShEx's reputation could suffer as management oversight would be diluted which could affect quality assurance processes. JP noted concerns about scale, suggesting that there is an optimum size for ShEx. PC suggested that a key Board responsibility was in advising which activities ShEx should not become involved with.
- 3.9. MB explained that ShEx had been built on flexibility and fungibility, and that the proposals were a continuation of this approach. CA agreed that a MoU could be helpful in defining roles, but that it had to be clear in addressing the risk of a potential drift into providing policy advice.
- 3.10. In summarising MB explained that historically ShEx has engaged only on discrete projects and that engagement with MoD would be a continuation of this. PC suggested that ShEx needed to stay as a specialist adviser. MR suggested that engagement with MoD was on the right lines, but that ShEx should reconsider engagement with DCLG.
- 3.11. The Board discussed the optimal size of ShEx and internal organisation. MR explained that ShEx historically consisted of around 70 FTEs, but this figure was currently closer to 130 FTEs, due in part to temporarily homing the business bank team. It was suggested that the IE policy team could move out of ShEx in the future. GG noted that he was relaxed about the size of ShEx, provided that there was appropriate management oversight.

4. Chief Operating Officer paper – the ShEx licence to operate

- 4.1. Members welcomed FJM to the Board who presented her paper outlining ShEx's evolution and possible future developments. POS endorsed the ShEx mission statement, noting its continued relevance.
- 4.2. CA noted the creation of two director roles, and suggested whether the posts should be filled by external appointments to ensure ShEx continued to benefit from external expertise. MR explained that Ceri Smith was an internal appointment, and that the corporate finance director appointment process will run after the summer and could result in the appointment of an internal candidate.
- 4.3. GG asked if the executive and assistant director appointments would be internally or externally sourced. AO explained that they would all be external appointments.

4.4. FJM explained that she is looking to formalise the risk assessment process across ShEx and was in the process of creating a dedicated risk committee to fulfil this purpose.

– MB and FJM left the meeting –

5. Information Economy

IRRELEVANT

6. Royal Mail

6.1. RL noted that RMG would be publishing good results in the coming week and that the team was aiming for an initial offering in October. RL explained that the biggest concerns remain industrial relations.

6.2. RL thanked the Board for its previous advice on the retail offer, and explained that Ministers had taken the view that a public offer was a political requirement.

6.3. GG expressed concern that it can be hard to control demand for a public offer, and that running a register could be very resource hungry if undertaken properly. MR noted that care had to be taken not to scare institutional investors. [AP] RL and GG agreed to meet separately to discuss the retail offer.

7. Business Bank

IRRELEVANT

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IRRELEVANT

8. **IRRELEVANT**

IRRELEVANT

9. **AOB**

IRRELEVANT

10. **Actions**

Outstanding actions				
Action ref.	Action point	Action officer	Due date	Status
13/08	IRRELEVANT			
13/11	Full Board paper to consider Post Office Ltd commercial strategy	AO	Sept 2013	An interim update is provided in the CEO report of these papers.
13/12	IRRELEVANT			
13/13				