

MINUTE OF MANAGEMENT BOARD MEETING – 28 JANUARY 2015

Present:	Sir Eric Peacock (Chair)	Graham Cassell	Item 3
	David Godfrey	Pat Cauthery	Items 2 and 3
	Steve Dodgson	Paul Croucher	Item 3
	Cameron Fox	Philip Galliver	Item 3
	David Havelock	Carol Gradwell	
	Fiona-Jane MacGregor	Nadia Jones	Item 3
	Amin Mawji	Paul Radford	Item 3
	Lucy Wylde	Trudy Warrender	Item 3
Apologies:	Guy Beringer	Matthew White	Item 3
	Stephen Lawrenson		

Secretary: Iain Phillips

1. **Draft Minute of 12 November meeting**

1.1. The draft minute was agreed.

2. **Governance**

2.1. In the light of the creation of the Trade and Investment Board, which first met in November 2014, and discussions between the BIS Permanent Secretary and Cabinet Secretary on UK Export Finance governance, the Board discussed its role in advising the Accounting Officer and how recent developments should be reflected in its terms of reference and associated governance documents.

2.2. Consideration was given to UKEF's unique role and whether its board should replicate that of a corporate board. It was recognised that the Board could only fulfil an advisory function given that, as a government department, the Accounting Officer was accountable to Parliament and Ministers for UKEF's operations and this accountability could not be delegated. There was consensus that a PLC board model was not appropriate in UKEF.

2.3. The Board discussed the importance of proactive information flows and the balance between executive and non-executive and ex officio members. It was noted that the CEO, and Board and Audit Committee chairs had discussed the composition of the Board and agreed the need to seek approval from the Minister to recruit an additional non-executive to the Board with experience in

banking and export finance. The Board agreed that ex officio representatives from the Shareholder Executive and UK Trade & Investment provided valuable input to the advice the Board provided.

- 2.4. In order to progress the review of new governance documents it was agreed that the General Counsel, Head of the Chief Executive's Office and representatives from the Shareholder Executive should produce draft documents for circulation.

3. Business Plan Refresh

- 3.1. As part of the planning process for agreement of UKEF's 2015-16 Operational plan and budgets, a business plan refresh exercise had been undertaken. The refresh had started with a review of the underlying assumptions of the 2014-17 Business Plan to ensure they remained valid. This piece of work had looked at the key themes and priorities of the 2014-17 Plan. The Board noted that during the past year:

- 3.1.1. New powers: the widening of UKEF's powers through the Small Business, Employment and Enterprise Bill depended on the bill progressing through Parliament successfully; work was continuing internally to support the passage of the bill and to put in place plans for deployment of the new proposed new powers.

- 3.1.2. Risk environment: the economic climate remained uncertain with the ongoing crisis in Ukraine, declining oil prices, elections in Greece, and an unpredictable private market financing environment.

- 3.1.3. Business performance: the upward trend in the number of customers supported had continued, although business volumes remained level compared to previously years. There was a strong pipeline of civil business and the direct lending offering was leading to further opportunities not previously available to UKEF.

- 3.1.4. Competitor agencies: since the 2014-17 Plan had been published UKEF had closed the gap between itself and other major ECAs and its product range was now ranked 9 out of 10 by the British Exporters' Association. UKEF had addressed criticisms of a lack of direct lending

and had proceeded with proposals to widen its powers. The impact of non-OECD ECAs was being seen on OECD business volumes, although UKEF's business volumes had remained level while most other ECAs were seeing declining levels.

- 3.1.5. Market demand: over the period a number events had impacted on the short/medium-term risk environment such as the Ebola outbreak, the Ukrainian crisis, the oil crisis and a loss of momentum in the global economy. There was discussion of the impact of lower oil prices on the aerospace sector and project financing cases, particularly in the oil and gas and infrastructure sectors.
- 3.1.6. Customer awareness and satisfaction: with the creation of a dedicated marketing and communications team in UKEF, a marketing campaign, under "Exporting is GREAT", had been launched and new metrics had been put in place to measure customer awareness and satisfaction. A UKEF/UKTI joint marketing approach was being developed and would be discussed at the Trade and Investment Board on 16 February, ahead of a joint ERG submission in March.
- 3.1.7. Partnerships and stakeholders: work was underway to provide education and training for partners and key stakeholders, which included the introduction of a 'bank toolkit' and the training of UKTI/FCO staff from 14 overseas Posts to become UKEF 'Champions'. UKEF was working closely with BIS and UKTI on the Business Growth Service and the delivery of support towards the 2020 Export Drive. UKEF and the British Business Bank were working together on areas of potential overlap in the support that could be provided to UK business.
- 3.1.8. Trade finance and insurance products: the operating model for trade finance and credit insurance support had been reviewed in order to ensure efficient and effective service for customers. Export Finance Advisers specifically to support mid-sized businesses had be recruited and opportunities for the internal delegation of credit risk analysis had been identified. Private market assists were now being recorded in order to better reflect advisory activity, and a customer relationship

management system had been deployed across the advisory network. Work was ongoing to develop systems and processes to ensure they were optimised for the high volume/low value business model.

3.1.9. Organisational capability: new Marketing and Communications, Project Management, Operational Risk, Direct Lending and International Business Development teams had been created; only a few key posts remained unfilled. A leadership assessment and training exercise had been completed for senior managers.

3.2. The Board concluded that the assumptions and objectives underlying the 2014-17 Business Plan remained valid and should be taken forward in delivery of the second year of the plan.

Operational plan

3.3. The Board discussed work streams, project, risks and challenges in the proposed operational plan for 2015-16. A number of key projects were discussed including the 'cross-government' customer relationship management system being developed by BIS in support of the Business Growth Service, UKEF's Electronic Case Management System and implementation of the IT strategy in preparation for IT contract retender. In order to provide information on risks and issues on key projects, the Board asked whether a 'traffic light' system could be introduced.

Action: Project Management Office to introduce RAG rating on top-level plan.

Strategic and operational risks

3.4. The Board noted the new strategic and operational risk report developed by the Operational Risk Division to replace the Enterprise Risk Framework. The new register provided a more dynamic quarterly view with significant risks rising as their profiles changes. The Board discussed risks around stakeholder management, the UKEF product range and impact of the approaching election.

2015-16 Budget

- 3.5. The Board discussed the proposed 2015-16 Budget which would be submitted to HMT in February. It had been put together to support the proposed operational plan which supported delivery of the strategy as set out in the second year of the 2014-17 Plan. Proposed budgets in relation to headcount, the direct lending function and marketing and communications activities were discussed.
- 3.6. It was noted that there would be no end-year flexibility at the end of 2014-15 and it was highly likely that post-election, departments would be required to undertake a full Spending Review to cover the next five years.
- 3.7. The Board discussed the Departmental Expenditure Limit mechanism and its suitability for UKEF, which generated its own income from premium and was required to operate at no net cost to the Taxpayer.

4. Quarterly Business Performance Review

- 4.1. The Board noted the third quarter business performance review although did not discuss the papers in detail given the comprehensive overview provided in the previous agenda item.

5. Any other business

Off-payroll arrangements

- 5.1. The Board received an update on off-payroll arrangements in UKEF.

Iain Phillips

Chief Executive's Office