

MINUTE OF MANAGEMENT BOARD MEETING – 12 NOVEMBER 2014

Present:	Guy Beringer (Chair)	Vasso Agapitou	Item 2
	David Godfrey	Tahir Ahmed	Item 2
	Steve Dodgson	Paul Croucher	Item 2
	David Havelock	David Ludlow	Item 2
	Stephen Lawrenson	Lawrence Nichols	Item 3
	Fiona-Jane MacGregor	Ali Sherwani	Item 2
	Amin Mawji	Matthew Vale	Item 4
	Sir Eric Peacock	Gordon Welsh	Item 2
	Lucy Wylde		

Apologies: Cameron Fox

Secretary: Iain Phillips

1. Draft Minute of 18 September meeting

1.1. The draft minute was agreed.

2. Quarterly Business Performance Review

2.1. MB reviewed the mid-year business performance and received specific updates from each business area.

Aerospace business

2.2. MB noted that UKEF had seen a significant strengthening in support for aerospace business from the private market, meaning that demand for export credit agency (ECA) support for aerospace business had reduced. Although a positive development, this meant that UKEF support in this sector would be below the original full year forecasts agreed at the start of the year.

2.3. MB discussed the support provided by US Eximbank to Boeing, in comparison to the support provided by the three EU ECAs to Airbus. MB noted the challenges of providing a consistency of support for Airbus from the three EU agencies.

2.4. MB noted that other ECAs had recognised UKEF as being ahead in terms of innovation of support, particularly with development of Renminbi and Islamic financing offerings for aerospace sector business.

- 2.5. Given the complexity of underwriting of aerospace business, particularly in the context of the new types of facilities developed by UKEF, resourcing and training of the aerospace underwriting team remained a priority.

Civil and defence business

- 2.6. MB was provided with an overview of business supported to date in the civil and defence sectors. The business trend observed in 2013-14 had continued into the current financial year and the business pipeline for the remainder of the year was strong. Support had been provided to both large and smaller exporters.
- 2.7. It was noted that support for the first direct lending loan had been announced in October and that this was having a noticeable effect on business enquiries, particularly with the introduction of the enhancements to the facility made by the Chancellor in the 2014 Budget.
- 2.8. MB noted the extent of time expended by UKEF underwriters on complex civil projects where some larger projects could take several years to come to fruition. In addition, as UKEF support could be one of a number of options available to exporters when funding their specific contract, after several years of work the exporter may eventually choose a non-UKEF option to fund its exports, irrespective of the time and resources committed by UKEF.

International business development

- 2.9. MB was introduced to the new head of the International Business Development team who would lead on project origination and overseas market engagement.
- 2.10. MB was provided with an update on market engagement activity over the past six months and noted the large number of potential projects, many in the Middle East, that would be looking to source products and services from the UK and in which UKEF would likely have a role to play. It was agreed that the introduction of the Direct Lending Facility had had a noticeable impact in raising the prospect of projects sourcing from the UK.

2.11. The short-term priority for the international business development team was training UKTI staff located in priority markets on UKEF's product offering to overseas project sponsors. Doing so would increase UKEF's outreach and ensure that, where possible, project sponsors were aware of the support UKEF could provide when considering sourcing goods and services from the UK.

Trade Finance and Insurance business

2.12. An update was provided on year-to-date performance of the trade finance and short-term credit insurance business, with almost £1 billion worth of export contracts supported in the first six months of 2014-15, up significantly on the previous financial year. MB noted that there had been a small number of large contracts supported which had contributed to this increase. MB noted that levels of support under the Letter of Credit Guarantee Scheme were below expectations.

2.13. There had been an increase in number of applications received so far this year and there were a large number of cases in pre-application discussions. Work was ongoing to further streamline processes, and a pilot period to delegate some credit analysis work from the credit risk analysts to case underwriters was due to begin shortly. A number of other quick wins, identified as a result of process review work, were being tested.

2.14. MB noted that work was also ongoing to capture more detailed information on 'private market assists' being delivered by the export finance advisers (EFAs). This was necessary to fully appreciate the value added when UKEF products had not been required but the EFAs had assisted exporters to find a more suitable private market solution. Consideration was also being given to potential product developments in the light of proposed changes to UKEF's Act.

Overall business and premium forecasts

2.15. MB discussed the revised business and premium forecasts on the basis of performance across the business to date. It was noted that even with a

reduction in aerospace business volumes UKEF's premium-to-risk ratio remained well above target.

2.16. As the regular re-forecasting exercise now looked 18-months forward this provided the first opportunity to look at the full year forecast for 2015-16. MB noted that this would be used to inform operational planning for the next financial year.

3. IT Strategy update

3.1. MB discussed the seven key elements that made up the UKEF Information Systems Strategy. In particular, MB noted that particular consideration was being given to digitising transactional services, and the IT systems required to support product developments enabled by anticipated changes to UKEF's Act.

3.2. Although a project to move all business critical models to 'core' systems had been completed several years ago, as a result of recent process changes there were now a few new models which needed to be migrated across to the 'core' architecture.

3.3. MB recognised the emphasis on adopting a digital by default approach, not only to support the simplification and streamlining of the business for customers, but also to allow more flexible working.

4. Update on cyber security

4.1. In the light of the outstanding action from the July meeting, UKEF management had considered the five questions posed to departments in order to self-assess Board-level awareness of cyber security. MB discussed the management responses and UKEF's planned activity on each question.

4.2. Discussion focussed on:

4.2.1. identification of information assets and prioritisation according to value to the organisation and risk, on which the National Archives would be running a session for Information Asset Owners;

- 4.2.2. UKEF's approach to cyber threats and opportunities. The Terms of Reference of the Security Committee had now been widened to reflect the more holistic approach being taken;
 - 4.2.3. consideration of cyber and information risk in business decisions. Business change requests forms had been updated to prompt specific consideration of cyber security;
 - 4.2.4. effectiveness of risk and crisis management processes. Work was ongoing to develop a more holistic security risk register and consider UKEF's risk appetite in relation to cyber risks; and
 - 4.2.5. governance around cyber security and information risk. The governance arrangements, which included the Security Committee (a sub-committee of the Executive Committee) and regular updates to the Audit Committee, were noted.
- 4.3. MB considered what UKEF thought the biggest cyber risks to the business were and recognised that the increased levels of business change UKEF was currently undertaking and the cultural changes required presented some new challenges to information security in the department.
- 4.4. MB was provided with a copy of the Terms of Reference for UKEF's Security Committee as agreed at the July MB meeting and guidance on cyber threats to government departments.

5. Any other business

Trade and Investment Board

- 5.1. MB was provided with a report on the recent Trade and Investment Board meeting, chaired by the Minister.

Iain Phillips

Chief Executive's Office