

Minute of UKEF Board meeting – 18 September 2024

Members

Robert Gillespie (Chair)
Tim Frost
Vanessa Havard-Williams
Charlotte Morgan
Jackie Keogh
Kimberley Wiehl
Samir Parkash
Tim Reid
Cameron Fox
Jo Crellin (DBT)

Apologies:

Secretariat:

[redacted]

Attendees:

Adam Harris
Carl Williamson
Jayne Whymark
Julia Beck
Shane Lynch
Dan Bowden
[redacted]

Observers:

[redacted]
Roshana Arasaratnam

Adam Lyons, [redacted] (item 4-6); [redacted] (Item 6); Pat Cauthery, [redacted], Joe Shepherd (item 7)

1. Introduction

1.1. The minutes of the 17 July meeting were approved, and actions log discussed. Tim Frost noted that the Abu Dhabi Investment Authority had agreed terms with his asset management company Polus Capital to take a small equity stake in the company.

2. CEO and EC update

2.1. The CEO discussed engagement with the Secretary of State and ministers which included Ukraine and Poland. The meeting discussed account 3 and ministerial

directions and how such deals were conveyed to the public and Parliament.

2.2. The CEO provided a brief update on progress with the deal pipeline and recently completed deals including a focus on SME business. The meeting noted progress with onboarding new banking and non-banking financial institution partners.

2.3. The meeting were given an update on key transformation projects, noting that the Financial Reporting Changes project was due to be discussed at the Audit Committee in November and the Fintech project to be discussed at the Risk Committee in October.

2.4. The CEO updated the Board on senior staffing changes and the pay remit for 2024-25.

3. Abbreviated Chief Risk Officer Update

3.1. Samir Parkash, the Chief Risk Officer, presented the abbreviated monthly Risk Management Group report which provided a summary of geopolitical and macroeconomic issues; scenario analysis and stress testing; new business pipelines; post issue management and restructurings.

3.2. The meeting discussed the likelihoods of any sovereign defaults and the impact of Ukrainian deals on UKEF's portfolio. It was agreed that Roshana would discuss Ukraine further with Adam outside the meeting.

4. National Wealth Fund

4.1. Adam Lyons, Head of Strategy, introduced this item which apprised the Board of the latest on the development of the National Wealth Fund. It was noted that the National Wealth Fund (NWF) aimed to bring together key public financial institutions to better unlock investment and growth, with over £7bn of government funding for priority growth sectors.

4.2. The meeting heard that British Business Bank and UK Infrastructure Bank were the key organisations in scope for the Fund, and UKEF were working with colleagues in HM Treasury, the Department for Business and Trade and the other PFIs to establish how UKEF would align and support its objectives. Members noted that further details on the NWF would be announced at the International Investment Summit in October.

- 4.3. It was noted that the potential alignment under the NWF could impact UKEF's governance, as well as mandate. As currently set out the NWF would not be a full merger of the PFIs – but clarity of scope was required before UKEF could be clear on its involvement. The Board heard that the NWF presented opportunities to address challenges across the PFI landscape, although this came with risks – particularly around UKEF's organisational structure and maintaining their international focus.
- 4.4. Members discussed how to make sure that exporting remained part of the considerations of the Fund. The Board offered their assistance to the Strategy Team, but cautioned that uncertainty caused by shuffling structures could cause problems if it went on for a long period of time.

5. Spending Review

- 5.1. Adam Lyons (Head of Strategy) and [redacted] will led this discussion. Members heard that UKEF's return went to HM Treasury the previous week and that this was the first phase of the SR25. It included an assessment of how UKEF would manage its FY25/26 budget allocation set by HMT.
- 5.2. The meeting noted that the more detailed return would be for phase 2, and further engagement with the Board would be sought ahead of that, initially at the Strategy Day in October. Phase 2 Would be focused on mission delivery across the Parliament and would conclude in the Spring of 2025.
- 5.3. The Board were informed that UKEF had provided assurance to HMT that UKEF would operate within their net RDEL budget and were working towards a flat cash scenario across most budget lines with a modest increase in DDAT resourcing, to be achieved through savings on consultancy spend and a reduction in Change Project costs as the FRC programme wound down.
- 5.4. The meeting discussed how the business would flex if the strategic direction changed and noted that the existing staffing footprint allowed for reallocation of resources if needed.

6. New Government Priorities

- 6.1. [redacted] introduced this paper.

- 6.2. The Board noted that the Cross-Government Engagement Team was actively tracking the varying impacts of the new government's priorities on UKEF and ensuring that UKEF were embedded and responding where appropriate.
- 6.3. Members were informed that of the Government's 5 missions UKEF's finance offer was a key enabler for *Kickstarting economic growth* and *making Britain a clean energy superpower* and to a less direct extent, *breaking down barriers to opportunity*.
- 6.4. Members noted that the Secretary of State had outlined his priorities for UKEF, and how we can deliver against them, in a new Annual Priorities Letter which would be published shortly.
- 6.5. The meeting discussed the policy strands that were of most strategic importance to UKEF, which included the Industrial Strategy; China Audit; Small Business Strategy; and Strategic Defence Review. As well as these, the Board heard that there were various other workstreams including on Ukraine, and planned policies which had not yet commenced, including new Trade and Net Zero strategies, that aligned with UKEF policy interests.

7. Aero and Defence Update

- 7.1. Pat Cauthery, the Head of Aero and Defence introduced this item, with [redacted] and Joe Shepherd (Head of Defence) leading on parts of the presentation.
- 7.2. The meeting were given an overview of the UKEF Aero team; background on the aerospace industry; trends in UKEF support, including through Covid; the aero pipeline for 2024-25; and UKEF's approach within aerospace to environmental, social, sustainability and net zero.
- 7.3. Members were informed of the defence team structure; the UK defence sector; support trends; and the pipeline for 2024/25. The Board discussed specific support in Poland and Ukraine; and noted that the OECD arrangement was not applicable to military equipment.
- 7.4. The Board were given an overview of defence environmental, social and governance issues and discussed licensing and compliance arrangements. In addition, Members were informed of the banks that UKEF usually worked with on defence transactions.

8. Committee Update

8.1. The Chairs of the Audit and Committees, and the Chair of the Export Guarantees Advisory Council updated the Board on the forthcoming agendas for their respective committees.

9. Any Other Business

9.1. There was no other business.