



Department
for Business
Innovation & Skills

1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5000
E enquiries@bis.gov.uk

www.gov.uk/bis

Kevin Brennan MP
Shadow Minister (Business, Innovation and Skills)
House of Commons
London SW1A 0AA

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March 2016

Dear Kevin,

Follow-up to the Enterprise Bill debate of 23-02 - UK Government Investments Limited (UKGI)

During the Enterprise Bill Commons Committee debate of 23rd February, you asked a number of questions relating to UK Government Investments Limited (UKGI). I answered some of these questions during the debate, however I agreed to update you in writing on some outstanding points, which I address below.

In terms of staff, permanent Shareholder Executive staff transferring as part of the initial setup of UKGI will become public sector employees of UKGI and will no longer be Civil Servants from the point of transfer onwards. In addition, from April 2016, Civil Servants joining UKGI, and some existing staff, will be seconded from their home departments on a time-limited basis, to ensure the UKGI retains a mix of both public sector and private sector expertise. Further, I can confirm that UKGI employees will be subject to the cap on public sector exit payments.

In terms of governance, it is not currently intended for the Permanent Secretary to the Treasury to sit on the board of UKGI. The Second Permanent Secretary to the Treasury will sit on the board of UKGI as a non-executive director as will the BIS Permanent Secretary. This will not affect any role they have as an accounting officer or their duties to Ministers: there are well established practices in place to address potential conflicts of interest for civil servants on company boards. Where civil servants consider they face conflicts between their duties as civil servants and as directors of a company, they are not obliged to reveal information to the company which is inconsistent with their role as a civil servant.

The model of the Shareholder Executive has generally been considered a success. Rather than addressing weaknesses, the move to UKGI will increase its autonomy so its strengths and expertise can be more fully deployed across Government.

UKGI's objectives will be set out in its framework document. HMT will monitor UKGI's performance through its representation on the UKGI board and at regular shareholder meetings. In addition to HMT's review of UKGI's performance, UKGI will be subject to audit and value for money assessments by the NAO in the usual way. The framework document will also set out the wider accountability and governance arrangements for UKGI and will be published around the time the company begins to operate.

There are no state aid implications with establishing UKGI as a company. EU state aid rules will apply to government investments in the same way that they currently do. Asset management and disposals will have to be undertaken in a way that is compatible with those rules, as at present.

The Department of Energy and Climate Change (DECC) is expected to be a key customer of UKGI. UKGI will continue the strong relationship developed between DECC and the Shareholder Executive.

I trust that you find this response helpful.

I am placing a copy of letter in the Libraries of the House.

A handwritten signature in black ink, appearing to read 'Anna Soubry', with a stylized flourish below it.

THE RT HON ANNA SOUBRY MP

Minister of State for Small Business, Industry and Enterprise