HM Government

Operational Efficiency Programme: Asset Portfolio

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INTRODUCTION

The Government has today published *Putting the frontline first: smarter government* setting out how it will transform and adapt to continue to deliver efficient public services that provide quality and value for money. Many parts of the public sector work well in delivering the Government's objectives. To ensure that they continue to provide quality services cost effectively the Government must focus on those where it has a relative advantage in providing them directly, and on what it does best. This requires it to be more selective about the activities it carries out, more professional in the way it manages and achieves value from its business assets, and more imaginative in considering alternative delivery models for public services.

The Government has today established a new policy framework – summarised in Annex A to this document – to guide decisions on how government activities will be delivered. This will facilitate clearer decision making and faster progress in improving business performance and, where appropriate, pursuing transactions. It will also enable the Government to consider more systematically whether new delivery arrangements, potentially including cooperative and community-owned structures, should be used to provide specific public services.

The Government has also announced in *Putting the frontline first: smarter government* that the Shareholder Executive will review different public sector estate management and ownership options, including the feasibility of creating one or more property companies that could own and manage portfolios of public sector properties, for example grouped by geographical location, asset class or department. This will maximise efficiency and increase the identification of surplus properties.

In addition, the Government will look to expand the most successful public shared services centres by incorporating a wider range of activities from diverse public sector organisations. Consideration will be given to the most appropriate governance and ownership structures for these new public service companies.

The development of new public property and service companies will broaden the range of asset types that the Government plans to assess. This in due course is expected to provide opportunities for value realisation and for private sector participation. A successful programme in this area could provide opportunities for investment by the public and their pension funds and generate substantial additional receipts for the public sector.

This document sets out the progress the Government has made in improving the management of its assets and the next steps. It provides details of the Government's position on each of the business assets reviewed as part of the assets strand of the Operational Efficiency Programme (OEP), and invites a dialogue with the market on opportunities to manage those businesses in a smarter manner and, where appropriate, to realise value while ensuring that core public policy objectives continue to be achieved. It also lists new business assets that will be added to the programme.

The Current OEP Asset Portfolio

The Government has made substantial progress on the programme of work to ensure that it manages its business assets in a more efficient and commercial way, as part of OEP. Gerry Grimstone, who led this work, made his recommendations in the asset management and sales strand of the *Operational Efficiency Programme: Final Report*, which was published alongside Budget 2009.

This programme, which currently covers over 20 government businesses, has challenged departments on the efficient management of the assets they hold and, in some cases, has worked with departments to consider full or partial disposal of those businesses.

The OEP work has continued through an active collaboration between Gerry Grimstone, HM Treasury, the Shareholder Executive, owning departments and the management teams of the assets themselves.

In parallel, Budget 2009 highlighted the Government's plan to realise £16 billion in the period 2010-11 to 2013-14 by selling assets and property to free up additional resources to fund investment priorities. Some £3 billion of this total (which excludes investments managed by UK Financial Investments) relates to the assets overseen by the Shareholder Executive or covered by the OEP.

The individual asset sections of this document set out operational and financial data on assets currently in the OEP, together with an outline of the Government's policy objectives and relevant constraints in each case. For each asset, the document also sets out the full range of options currently being considered.

In a number of cases the Government has now concluded that partial or full sale is the right approach, and the following transactions are now being progressed:

- the tote – A sale process is expected to be launched during summer 2010 following the year end financial results of 31 March 2010;
- Student Loans Portfolio – As a securitisation option may not currently be a viable option, other ways to monetise the portfolio are now being explored and the Government will report on a feasibility study by Budget 2010;
- Dartford Crossing – Following a review of capacity needs and concession structures currently underway, the necessary processes will commence during summer 2010;
- High Speed 1 – Preparations for sale are now at an advanced stage, and it is our intention to launch a sale process as soon as practicable following the introduction of domestic services on the line in December 2009; and
- URENCO – We will explore options to realise value from the UK's stake, subject to security issues being addressed.

More broadly, through the publication of this document, the Government is inviting engagement with the market on options and opportunities to manage businesses in a smarter way and, where appropriate, to realise value while ensuring that core public policy objectives continue to be achieved. The Government expects that by bringing together the priorities of the citizen and consumer, and the innovation that the private sector can contribute, this dialogue will generate new ideas and create further opportunities for transactions that offer benefits for the businesses concerned while continuing to meet public policy objectives.

The sale of publicly owned businesses and assets is an area in which the UK has shown global leadership. The Government has continued to demonstrate this leadership and recent successes include the sale of UKAEA Ltd., the commercial decommissioning activity, which completed on 31 October 2009 and the sale of government's residual shareholdings in British Energy and QinetiQ.

The Government recognises that maximising value for the taxpayer is dependant on economic and market sentiment. Timing will therefore be a significant factor for each of the opportunities addressed here.

New OEP assets

The OEP recommended that there should be an ongoing six-monthly review exercise, carried out across government, to identify new assets for consideration. Annex B contains new assets to be included as part of the programme and assets not detailed elsewhere, which will be reviewed over the next six months.

In addition to the specific assets discussed in this document, the Government would welcome engagement on options for the delivery of any other public sector function or activity where outcomes are measurable, risks can be transferred, and a competitive market either exists or could be created.

BBC Worldwide

BBC Worldwide is the main commercial arm, and a wholly owned subsidiary of the BBC and is therefore not covered by the arrangements described above. The BBC has recently published a review of BBC Worldwide's mandate, strategy and governance within its current ownership structure. In line with the *Digital Britain*[1] report published in June 2009 the Government continues to encourage the BBC Trust to look at the options for greater financial and operational separation for BBC Worldwide, including a sale or partial sale, perhaps as part of the BBC's ongoing strategic review of its existing activities. BBC Worldwide is covered in Annex C.

[1] http://www.culture.gov.uk/what_we_do/broadcasting/6216.aspx

BRITISH WATERWAYS

British Waterways (BW) owns 2,000 miles of canals, rivers and supporting infrastructure in England, Wales and Scotland and owns a significant land and non-operational property portfolio close to waterside locations. This document only considers BW's activities in England and Wales.

Overview

BW owns and is responsible for over 2,000 miles of canals, rivers and supporting infrastructure for which it is the navigation authority. It has a duty to maintain these assets so that they deliver public benefits.

It also owns a significant portfolio of non-operational properties throughout Great Britain. This portfolio comprises properties and land within its asset base that are not directly involved in the operation of the waterways. The portfolio generates income from rents (2008-09: £26.5 million) and profits from sales of properties and development sites (2008-09: £4.7 million) – rental income supports maintenance of the waterways network while profits from sales are reinvested in the waterways and the portfolio.

Ownership and organisational structure

BW is a public corporation accountable to the Department for the Environment, Food and Rural Affairs (Defra) and the Scottish Government. It exists to manage, maintain and develop its network of waterways and docks for the wider public benefit.

Operational Performance

£ million	2009	2008	2007
Commercial Income	112.9	102.1	99.4
Third Party Contributions to Works	36.1	49.1	17.4
Government Grants	74.3	67.9	72.1
Total Revenue	**223.3**	**219.1**	**188.9**
Waterway Maintainance and Major Works	101.6	95.1	94.8
Other Operating Expenditure	73.6	69.3	74.1
Costs Incurred on Third Party Funded Projects	42.5	56.2	20.4
Total Expenditure	**217.7**	**220.6**	**189.3**

Source: BW annual reports (year ending March).

Financial Performance

£ million	2009	2008	2007
Turnover[1]	222.3	219.1	188.9
EBITDA	10.3	231.9	214.5
Operating Profit	5.6	117.7	100.6
Net Profit	(72.9)	36.3	47.4
Net Operating Cash Flow after Interest and Tax	23.7	10.7	(10.5)
Gross Capex (Tangibles)	(5.1)	(19.9)	(19.9)
Net Operating Assets (Adjusted)	454.1	574.7	573.7
RONA	1.2%	(0.3%)	(0.1%)
Shareholders' Funds	378.7	477.8	426.8

Source: BW annual reports (year ending March).

[1]Turnover includes government grants.

Policy Objectives

Defra's policy for BW's waterways is focused on the appropriate management and maintenance of the waterways, including the protection and conservation of the heritage and environmental assets, while encouraging their innovative use to maximise public benefit.

BW's waterways provide public benefits through regeneration, as a haven for wildlife and by providing space for recreation and leisure, helping people stay healthy. The non-operational properties owned and managed by BW provide income that BW uses to maintain the waterways so they can continue to deliver these benefits. In addition BW's management of its property portfolio has supported urban regeneration. This has also increased the wider public benefits delivered by the waterways – for instance by increasing access to the waterways or creating new public spaces. The public benefits delivered by BW are estimated at approximately £500 million each year.

The Government is focused on maximising the efficient use of its assets including the waterways to ensure they are deployed to generate best value across the public sector and maximise total public benefit.

Funding for BW's maintenance of the waterways is considered at spending reviews taking account of developments in its commercial income.

Alternative Asset Options

BW is constrained in its ability to raise finance. Its total borrowings are subject to a statutory limit of £35 million and therefore funds for property investments principally come from proceeds generated from other investments.

At Budget 2009, it was announced that BW would transfer its property activities (including joint ventures) into a wholly-owned property subsidiary – in order to ensure clear separation of, and focus on, both maximising gains from its property and best management of the waterways.

This process is being taken forward by BW in consultation with HM Treasury, the Shareholder Executive and Defra. However, the Government recognises that there may be benefits in considering alternative structures for BW's business as a whole, including its property portfolio. We will therefore consider alternative models for the business as a whole, such as mutual or third sector structures. As part of any such future structure for BW, therefore, there may be opportunities for the private sector to invest in the portfolio.

Under any scenario, ensuring the continued maintenance and protection of the waterways will continue to be an important objective for the Government.

The Government will consult with the Scottish Government should its preferred way forward require changes to the governance of BW's activities in Scotland.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

DARTFORD CROSSING

The Dartford-Thurrock River Crossing is one of Europe's most heavily used crossings, and one of its most complex traffic management systems. The Crossing traverses the Thames between Dartford and Thurrock, to form a vital link in the M25, the UK's most important orbital road.

Overview

The Dartford Crossing is comprised of two dual-lane tunnels carrying traffic to the north and a four-lane cable-stayed bridge carrying traffic to the south.

The Crossing is owned by the Secretary of State for Transport.

Connect Plus are currently responsible for the day-to-day operations of the Crossing on behalf of the Highways Agency, as part of a contract for the Design, Build, Finance and Operation of the whole of the M25.

Operational Performance

The Dartford Crossing is a heavily used piece of the strategic road network, with well over 50 million vehicles using it a year. Analysis shows that the route containing the Dartford Crossing is one of the routes with the highest level of delays nationally. Typically, delays can be experienced by around 40 to 50 per cent of users throughout the day.[1]

Although there is a slight downward trend in overall usage, there has been a change in the make up of the traffic, with a shift towards greater use by Heavy Goods Vehicles, who pay higher charges.

The current charging regime is set out below.

	Day charges (6:00am - 10.00pm)		Night charges (10.00pm - 6.00am)	
	Cash	DART-Tag	Cash	DART-Tag
Motor-cycles	FREE	FREE	FREE	FREE
Cars	£1.50	£1.00	FREE	FREE
2 Axle Goods	£2.00	£1.75	FREE	FREE
Multi-axle goods	£3.70	£3.20	FREE	FREE
Source: Highways Agency				

There are currently discounts for local residents and those using more efficient payment methods (DART-Tag). The Crossing is also free between 10pm and 6am. Charges are currently levied under the Transport Act 2000.

[1] http://www.dft.gov.uk/about/strategy/capacityrequirements/dartfordcrossing/

Summary of Usage of Dartford-Thurrock Crossing

Period	Total Vehicles	Daily Average	Highest Daily throughput
2003-04	53,889,168	147,238	180,472 (18 July)
2004-05	54,363,607	148,941	181,990 (23 July)
2005-06	54,480,560	149,262	180,168 (29 July)
2006-07	53,619,224	149,602	177,378 (28 July)
2007-08	53,240,629	145,466	176,064 (25 May)
2008-09	51,662,878	141,542	172,785 (25 May)

Source: Highways Agency

Summary Financial Information

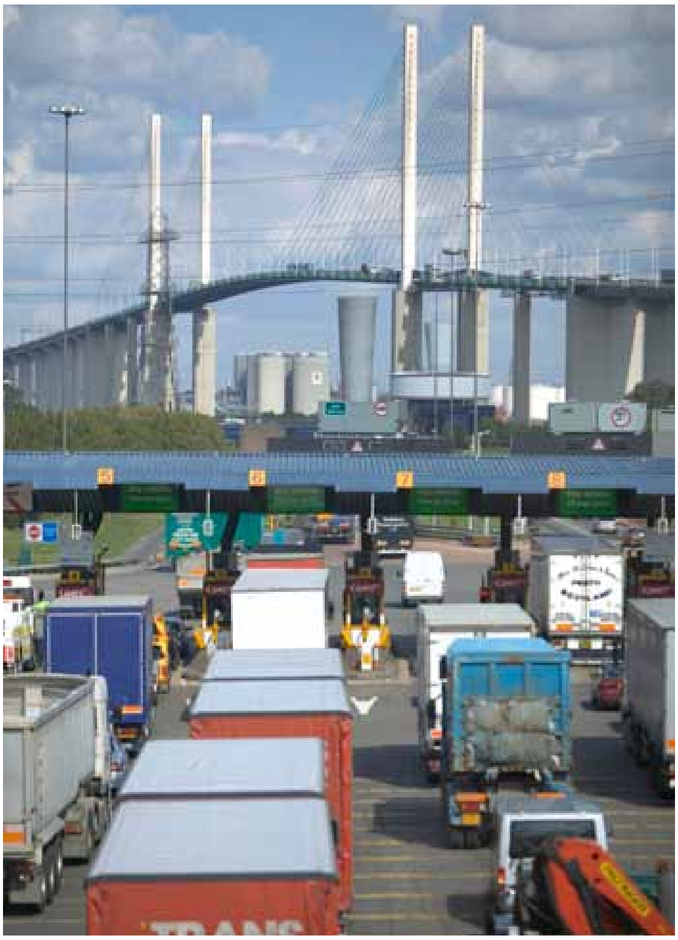
	2007-08 (£ million)	2006-07 (£ million)
Income	67.3	69.1
Expenditure	24.5	21.8
Net Proceeds	42.9	47.3

Source: Dartford-Thurrock Crossing Charging Scheme Account 2007-08

Policy Objectives

The Government's key policy objectives are to:

- manage congestion on this key part of the strategic road network;
- maintain the asset to a suitable condition;
- improve the resilience of the Crossing and its approaches; and
- provide a coherent capability as part of the strategic road network.



Policy considerations

The Government is currently considering the viability of options for additional crossing capacity in the Lower Thames area. In April 2009 the Department for Transport (DfT) published a study outlining possible proposals to improve traffic flow at the Dartford Crossing, and assessing possible options for a new crossing

in the longer-term.[2] The study concluded that the existing Crossing is operating at, or above theoretical capacity for long periods, with typical flows of between 145,000 and 150,000 vehicles a day. The Crossing was designed for a peak capacity of around 135,000 vehicles a day. Furthermore, the study stated that due to physical constraints at the current Crossing, the level of service experienced is not as good as at other parts of the surrounding strategic road network, and that the Crossing is acting as a bottleneck.

In conjunction with the publication of the study, it was announced that three potential additional road-crossing options are being considered to tackle congestion and improve capacity provision across the Lower Thames.

The DfT is in the process of assessing the viability of further measures to make better use of the existing Crossing, and the work necessary to assess whether an economic and investment case can be made for the provision of additional capacity. Given the time needed for the delivery process it is unlikely that any additional crossing capacity could be operational until at least 2020.

The DfT is planning to provide views on the analysis in early 2010, and the timing of the necessary steps needed to reach final conclusions on the provision of additional capacity.

Alternative Asset Options

The options currently under consideration are to:

- maintain current arrangements;
- let a long-term concession to operate and maintain the current Crossing;
- let a concession with the option to add new capacity as required;
- let a concession for the period before new capacity is constructed; or
- let a concession incorporating the design, build, finance and operations of a new crossing.

There is an openness to alternative options, provided they are consistent with the policy objectives.

Other Considerations

Given the monopolistic nature of this asset, the charging regime under a concession will need to be set within a contractual framework in order to protect users. Charges will be set at a level that is appropriate for both users and any potential concession owner, and is consistent with economic efficiency and the Government's policy objectives around managing congestion.

It is likely that primary legislation would be required to continue charging if a concession is let. There is also a need to ensure that any future charges are consistent with the relevant European Union Directive.

Private Sector Opportunity

In the event that a concession is let, there will be an opportunity for a private sector investor to own and operate the concession within the parameters of an agreed contractual framework.

For further information, please refer the link to Highways Agency website – http://www.highways.gov.uk/roads/projects/4065.aspx.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

[2] http://www.dft.gov.uk/about/strategy/capacityrequirements/dartfordcrossing/

DEFENCE STORAGE AND DISTRIBUTION AGENCY

dsda

The Defence Storage and Distribution Agency (DSDA) is a key enabler within the Defence Equipment & Support organisation, and is strategically placed at the centre of the Defence Supply Chain. DSDA is a large logistics organisation with complex operational and technical processes in place to handle a significant level of activity. Following the Future Defence Supply Chain Initiative launched three years ago, a rationalised cost structure has been in place, and has achieved impressive results.

Overview

DSDA is an executive agency of the Ministry of Defence (MoD) and is the storage and distribution arm of the Defence Equipment & Support (DE&S) organisation. The role of DSDA is to store, maintain, issue, process and distribute materiel for the MoD and other designated users.

DSDA was created as a result of the 1998 Strategic Defence Review (SDR), which brought together the third-line storage and distribution activities of the MoD. A study in 2002 concluded that a merger with Defence Munitions (DM) into the structure envisaged by the SDR would deliver further significant benefits and efficiencies. On 1 April 2003 DM and DSDA were merged into a single agency under the DSDA banner.

Key Facts

DSDA is the custodian of the UK's stockpile of munitions and provides services for the processing of complex weapons. It currently operates from 11 UK major storage and munitions sites and one in Germany.

DSDA's main customers are the DE&S project teams that manage the support of the UK MoD's fleet of ships, submarines, aircraft and vehicles, and munitions and equipment; the Front Line Commands (Land, Fleet and Air Command); and Permanent Joint Headquarters, which commands UK Forces deployed on operations.

DSDA also derives income from non-MoD customers – BAE Systems (British Aerospace) and MBDA (leading missile and missile systems group).

DSDA is the only agency within the DE&S organisation and is strategically placed at the centre of the defence supply chain providing the gateway to the MoD's distribution network, known as the Purple Gate. To support its main customers, DSDA must be both capable of delivering a range of priority services (from immediate to routine), and to cope with peaks in demand during training and deployed operations.

DSDA has evolved to provide a unique portfolio of services that are specifically tailored to defence. DSDA is also involved in a number of projects in support of the wider defence support chain. The most significant of these is the formation and development of the Integrated

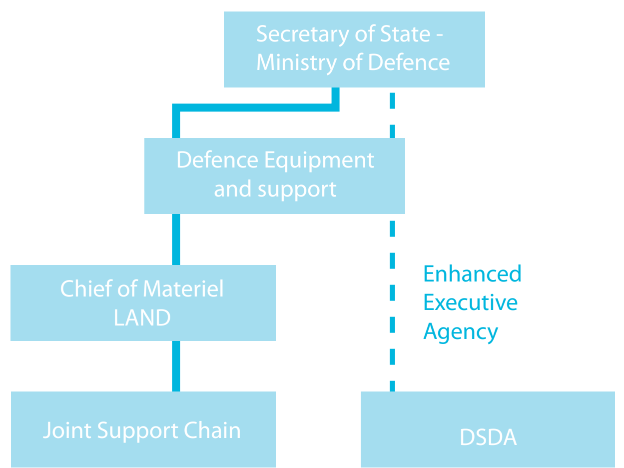
Provider Group. This will see the integration of DSDA, British Forces Post Offices, Disposal Services Authority and Movement Support Services into a single operating structure. The Integrated Provider Group was officially launched on 1 April 2009 and is the focus for the provider element of the Joint Supply Chain. It will ensure the effective, efficient and common use of MoD-owned infrastructure, capabilities and staff skills.

Services Offered

A total logistics support package that includes – warehousing, distribution, in-store maintenance, repair and refurbishment, processing and testing, as well as enabling the reverse supply chain.

Other services include – quality assurance and inspection, inventory control, specialist packaging, documentation, fast track distribution and Controlled Humidity Environment for the long-term storage of vehicles.

Ownership and Organisational Structure



100 per cent owned by UK government

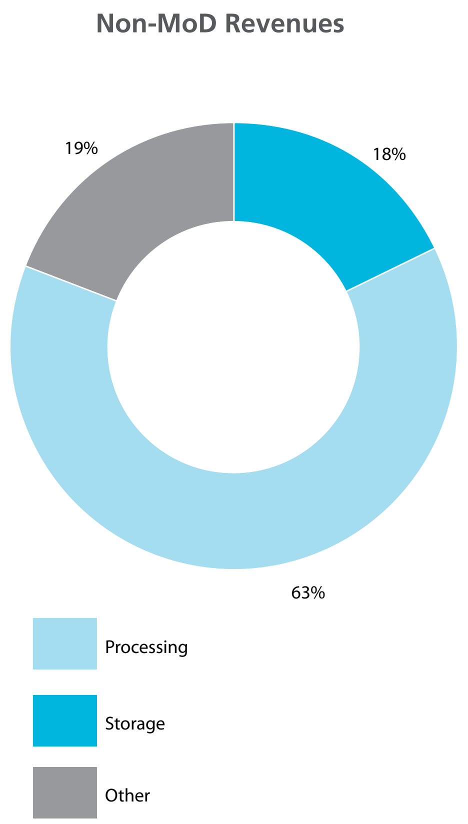
Operational Performance

	2009	2008	2007
Non-Explosive Issues (Less Forms and Publications) (million)	2.20	2.23	2.35
of which Issues in Support of Military Operations	9%	7%	13%
Issues of Explosive Materials	29,650	47,699	79,933
Value of Inventory Managed for Customers (£ billion)	13.1	12.6	12.6
Headcount	3,364	4,085	4,567
of which military	174	179	206
Source: DSDA			

Financial Performance

The majority of DSDA's services are provided directly to MoD, with costs met from the MoD's budget. Non-MoD customers account for approximately £20 million in revenues.

The revenue stream is stable and the results have benefited from approximately £460 million in cost savings over the last five years, implemented as part of the Future Defence Supply Chain Initiative.



Source: DSDA

Analysis of Turnover

Processing contracts are with BAE Systems and MBDA. While these are non-MoD customers, DSDA's contractual relations are with prime contractors who are part of MoD.

Public Policy Objectives

Policy objectives

DSDA plays a vital role in maintaining and supporting the operational readiness and sustained deployment of the UK's armed

forces. It has the facilities and skills to offer comprehensive support, including the assembly and test of the most sophisticated weapons systems deployed by the UK's Armed Forces.

The organisation's scope and complexity gives it unique operational characteristics and a core role at the heart of the defence supply chain.

Policy considerations

Following a three-year efficiency and business transformation programme it was recognised that DSDA had the potential for further modernisation, rationalisation and to operate more commercially by exploiting its range of assets and skills in a wider market.

There are however, several other logistical transformation projects which are ongoing

within MoD. Any change to DSDA must be coherent with these programmes and will be subject to scrutiny that assures delivery against defence requirements.

In order to meet its military output requirements and to respond to the challenges posed by the emerging service environment, DSDA will need to play a proactive role in delivering a level of service that will improve MoD's operational

efficiency and operate in a truly commercial manner that enhances its revenue stream.

Building on the shadow hard charging introduced this year, MoD will continue to improve demand management, enabling lower stock levels to reduce costs and improve operational efficiency. Further partnering with industry will be critical to achieving this.

Alternative Asset Options

The Operational Efficiency Programme review concluded that while direct divestment of DSDA as a whole may not deliver greater value, it anticipated that pursuing a strategy of increased outsourcing and the transfer of business or assets to third party providers (for the majority of activities that can be delivered outside the MoD), would provide greater value for money.

MoD should therefore begin a competitive dialogue with the private sector, to be considered against a robust, internal value for money benchmark.

Further rationalisation and modernisation of the business and infrastructure should release surplus land and allow for innovative new partnerships with the private sector for the delivery, management and ownership of the future infrastructure. This should be based around the strategic location and opportunities provided at Bicester as a core site. In the medium to long term further value could be released through partnering and commercial developments at Bicester. Implementation of this strategy is underway, with the MoD working closely with the Shareholder Executive and HM Treasury.

Increased outsourcing at DSDA

Subject to a robust review of offers received, it may be that an increasing portion of activities will be outsourced to the private sector. Elements that cannot currently be performed in private ownership for defence security or operational reasons will remain within the MoD.

Key considerations are:

- developing models for private partnership(s) through outsourcing and commercialisation including contractual structure and activity bundling;
- valuation and development of options for surplus land including timing of receipts; and
- funding structures to outsource capital expenditure.

In the medium to long term the case for further outsourcing management of activities from the MoD may be considered to maximise benefit from commercial practice and opportunities.

In the meantime, remaining reserved activities not outsourced should be incorporated back into MoD's Joint Support Chain, removing the need for agency status.

There are also opportunities to improve the business by exploiting synergies with other defence bodies, such as the Defence Support Group. Subject to ongoing evaluation, examples could include moving vehicle maintenance and repair, and more effective integration of complex weapons activity with industry. Such rationalisation should enable early closure of smaller facilities, reducing the estate size.

Other Considerations

Upside potential through site rationalisation

Site rationalisation is one of the key considerations of the review, providing opportunities for future defence modernisation and commercial developments at Bicester. Innovative private sector partnership structures have the potential to add significant value both to DSDA and to the private investor without impinging on the business.

Flexible future model

As the outsourcing model matures to deliver greater value MoD should remain flexible to proposals from the market for the configuration and number of private sector providers in delivering the required future storage, distribution and business services, and future provider management.

Timing

It is envisaged that the next steps to prepare the business for outsourcing, market testing and infrastructure partnering will deliver the new business model and release value by 2014. Further development and value will follow in the medium to long term through commercial and property development at Bicester.

Private Sector Opportunity

Opportunities for private sector involvement include:

- transaction structures for private sector partnership with respect to DSDA's activities that consider outsourcing opportunities and relevant models;
- third party logistics providers and commercial partners;
- private sector partnerships to fund capital expenditure requirements; and
- opportunities for development of DSDA's real estate assets.

For further information, please refer the link on MoD website – http://www.mod.uk/DefenceInternet/MicroSite/DES/OurTeams/JointSupportChainTeams/DefenceStorageAndDistributionAgencydsda.htm.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

HIGH SPEED 1

High Speed 1 Ltd. (HS1) provides high-speed rail access for international passenger train services. From December 2009, high-speed domestic passenger services between London and Kent will also be operated on HS1. HS1 is an essential component of rail capacity plans for London, the south east and also the Olympic transport network, with spare capacity for growth in international and domestic passenger services and freight. Growth is also expected from increasing international and domestic rail usage, the prospect of open access competition for international passenger rail services in Europe from 2010, and other ancillary income streams such as parking and station retail income.

Overview

HS1 holds a long-term concession for the operation of the 108 km high-speed rail line connecting London through Kent to the British portal of the Channel Tunnel. HS1 is a wholly-owned subsidiary of London & Continental Railways Ltd (LCR) which was transferred to public sector ownership in June 2009.

Development of the high-speed rail link between London and the Channel Tunnel was completed by LCR with the opening of the St. Pancras International station and the final section of the line in November 2007.

A restructuring of HS1 has recently been completed to establish the business as a standalone entity benefiting from a long-term concession to operate the HS1 infrastructure. New contractual track and station access arrangements have been put in place with HS1's key customers.

Services Offered

HS1 operates the high-speed rail line from St. Pancras International to the British portal of the Channel Tunnel and all stations along the route (St. Pancras, Stratford, Ebbsfleet, Ashford).

The route is used by Eurostar to provide high-speed international passenger services. With the liberalisation of the EU rail passenger market in January 2010, other operators may apply for access to operate international passenger services on HS1, and Eurostar may in parallel expand its services to new destinations on the high-speed rail network in Continental Europe.

London & South Eastern Railway Limited (LSER) is scheduled to commence operating high-speed domestic passenger services on HS1 between London and north and east Kent from December 2009 under its existing franchise agreement.

LSER has already commenced operating preview services from Ashford to London St. Pancras which started in June 2009.

HS1 is also capable of carrying freight traffic.

The stations operated by HS1 provide retail and advertising space as well as car parking.

Regulation

HS1 owns the rights to the infrastructure under the concession agreement with the Department for Transport (DfT). The rights and obligations of HS1 with regard to the track land, stations and property are defined in the HS1 Lease.

The station assets are overseen by the DfT whilst the track assets are overseen by the Office of Rail Regulation (ORR) whose responsibilities also cover approving terms of access by train operators to use the line and periodic review of the charges for operation, maintenance and renewal of the infrastructure.

Operational and Financial Performance

The completed HS1 railway has operated commercial high-speed passenger train services for two years since 14 November 2007. The line will carry over 19,000 Eurostar passenger services this year, with an average delay related to infrastructure of under four seconds per train. Following the introduction of the full timetable for Southeastern high-speed train services on 13 December 2009, the line is expected to carry approximately 53,000 high-speed commuter services a year between St. Pancras International, and north and east Kent.

A new concession and access charging regime for HS1 was implemented on 14 August 2009. A transfer to the ORR of a number of the Secretary of State's regulatory powers in relation to HS1 was implemented on 1 October 2009. A new commercial regime for the operation of the railway is currently being finalised with Network Rail.

Policy Objectives

Objectives

To support national economic competitiveness and growth, by delivering reliable and efficient transport networks.

To deliver value for money for the UK taxpayer by maximising proceeds generated from a sale of HS1, based on an agreed commercial proposition (including the balance of opportunity/risk transfer).

Policy considerations

The purchaser of HS1 will need to take into consideration the need for ongoing compliance with the concession, and with safety and economic regulation and contractual commitments under existing track access arrangements.

Private Sector Opportunity

LCR intends to complete a sale of the rail infrastructure operator HS1 by the end of fiscal year 2010-11.

Bids will be sought from interested parties through an auction sale process which will lead to the transfer of ownership from LCR of HS1 and its operating concession for the high speed line from St. Pancras International to the Channel Tunnel.

For further information, please refer the High Speed 1 website – http://www.highspeed1.com.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

LAND REGISTRY

The Land Registry is the provider of the land registration system for England and Wales, with revenue of £308 million and approximately four million transactions in financial year 2009.

Overview

The Land Registry's principal aims are:

- to maintain and develop a stable and effective land registration system throughout England and Wales;
- to guarantee title to registered estates and interests in land for England and Wales, and to provide ready access to up-to-date land information; and
- to provide a Land Charges and Agricultural Credits Service.

Services provided

The Land Registry's statutory services include the creation and maintenance of the land register; title registration; providing official copies of registers; providing copies of deeds; performing official searches of the Land Registry's databases; and the registration of Land Charges.

The Land Registry also provides non-statutory services relating to access to Land Registry data (such as various price property reports).

The Land Registry's business is centred on the UK property and mortgage market. The Land Register comprises of more than 22 million titles and around 69 per cent of land (10 million hectares) in England and Wales is now registered.

The Land Registry has announced a five-year programme of reorganisation and transformation that will reduce costs significantly and put it in the best possible position to deliver the services its customers demand. Proposals under the programme include:

- the closure of five local offices and reduction in staff numbers;
- outsourcing of some support functions; and
- selling surplus property.

Ownership and organisational structure

The Land Registry has been a trading fund since 1993 with ministerial responsibility resting with the Lord Chancellor via the Ministry of Justice (MoJ). It operates on a largely autonomous basis through 19 regional offices, and comprises three statutory Departments: the Land Registry, the Land Charges Department, and the Agricultural Credits Department. It is 100 per cent owned by UK government.

Operational Information

	2009	2008	2007
Overall Activity Level			
Applications Intake (million)	26.7	36.3	34.4
Registration of Title			
Cumulative Number of Registered Titles (million)	22.2	21.6	21.1
% Area of Freehold of England & Wales Registered	69.4%	64.0%	59.5%
Number of Land Registrations for the Year (million)	4.2	5.2	7.3
Land Charges and Agricultural Credits			
Number of Applications (million)	3.0	4.8	5.2
Headcount	8,171	8,457	8,593
Source: Land Registry annual reports (year ending March)			

Financial Information

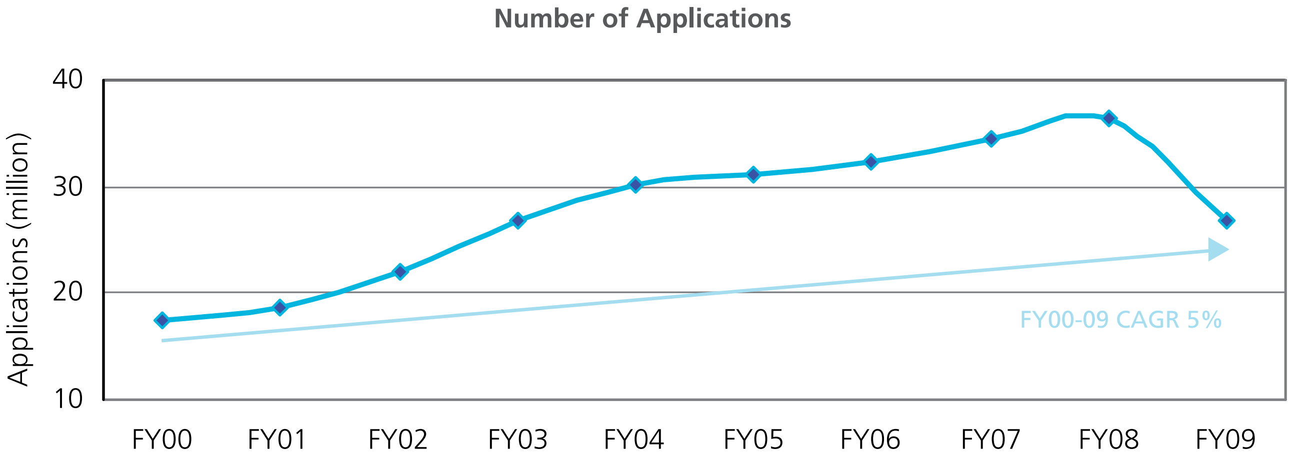
£ millon	2009	2008	2007
Turnover	308.1	482.9	474.5
EBITDA	(52.0)	94.2	117.5
Operating Profit / (Loss)	(73.3)	71.6	96.2
Net Profit / (Loss)	(61.1)	90.4	108.0
Net Operating Cash Flow after Interest and Tax	(52.5)	130.2	139.9
Gross Capex Tangibles	(14.9)	(22.9)	(34.0)
Net Operating Assets	205.1	210.8	208.4
RONA	(35.8%)	33.9%	46.2%
Shareholders' Funds	450.6	592.2	514.4
Source: Land Registry annual reports (year ending March).			

Comments

Financial performance is shown before any exceptional items and cost of capital charges.

Financial performance for 2009 is before £50 million provision for restructure and reorganisation costs.

There has been a significant downturn in the volume of registrations, resulting in decreased turnover and profitability in financial year 2009 driven by the reduction in housing market transactions.



Source: Land Registry data

Analysis of Applications

As a result of a significant cooling off in the property market, the Land Registry's workload fell in financial year 2009 and the lower intake affected its financial position. The recent drop in the Land Registry's basic work is illustrated in the graph above, which shows a 10 year summary of all forms of work transactions, from simple telephone enquiries to substantive dealings for dealings and discharge / transfer / charge applications. However, the current level of applications still reflects approximately five per cent compound annual growth rate over financial year 2000 levels.

Policy Objectives

Objectives

To underpin the property market by providing a definitive register of the ownership of property and land with a government-backed guarantee against error.

Policy Considerations

Licensing and charging for the re-use of public sector information (PSI) is regulated by the Office of Public Sector Information (OPSI) which operates from within the National Archives. OPSI applies the policy framework contained in the Information Fair Trader Scheme which is based on six fundamental principles – maximisation; simplicity; transparency; fairness; challenge; and innovation.

Pricing of statutory services is in line with HM Treasury guidance to ensure a return of no more than 3.5 per cent is earned from these services.

There is an interdependency with the Ordnance Survey, as the mapping data of the Ordnance Survey is a key input into the work of the Land Registry, so pricing and licensing / regulatory limits over the use of this data affects the Land Registry.

Alternative Asset Options

In the short term, the Land Registry's focus is likely to be on increasing its commercial activities and appropriately restructuring the organisation as outlined in the Accelerated Transformation Programme option below. In the medium term, further consideration of the outsourcing and minority sale options would be useful.

Accelerated Transformation Programme

The Accelerated Transformation Programme (ATP) option is currently being pursued within the Land Registry with a dedicated Land Registry project team. The programme manager reports to a Transformation Programme Board which includes representation from the Shareholder Executive, MoJ, and both executive and non-executive directors. The transformation programme has incorporated a review of functions of the business that could be outsourced.

The ATP maintains the current business model but with a significant restructuring of operations by removing duplication of processes and to take advantage of the increased use of electronic transfer in the processing of changes to the register. Consultation is currently underway on:

- the closure of five regional offices;
- a reduction in headcount to 4,500 Full Time Employees (FTEs) from approximately 6,000 FTEs;
- a disposal of surplus properties in the estate;
- the outsourcing of a number of non-core areas (facilities management, IT desktop support and regional file stores and others); and
- the expansion of commercial sales from around two per cent of current turnover.

Outsourcing

Further consideration and exploration of possible outsourcing options over the medium term would be welcomed. These options may include:

- the outsourcing of additional non-core back office activities (over and above those included within ATP) to different providers, or to one outsource provider subject to this representing value for money;
- the outsourcing of operations that support legally defined activities relating to the creation, recording and guaranteeing of title to land to a private sector partner for a fixed period of time with a share in benefiting from the reorganisation. This option may require legislative changes; and
- working more collaboratively with one or several partners to achieve further improvements in performance via either a long-term joint venture or partnership agreement.

Sale Option

This option would involve the introduction of a private sector partner via a minority sale, while majority ownership would remain with government (consistent with Budget 2009 commitments). The partial sale to a minority investor would inject private sector capital, commercial expertise and further enhance the change programme. Under this option, there would be a need to vest into a company structure to make a sale of shares possible, and primary legislation would almost certainly be required.

Other Considerations

A more significant change programme would require considerable expenditure on redundancies, estate realisation and professional

fees. Under trading fund legislation, the ability to raise funds is limited. The availability of new sources of funding, free from public sector debt classification would be beneficial.

The pricing of statutory services is determined by the Land Registry, with the agreement of HM Treasury. HM Treasury has required the Land Registry to achieve a 3.5 per cent rate in respect of the average cost of capital employed. The majority of the Land Registry's work is a monopoly statutory service; therefore it is necessary to have a price control set by government.

Currently excess returns generated by the trading fund would result in a reduction to the pricing of statutory services in line with HM Treasury guidance.

The licensing conditions for the re-use of government data must comply with the principles established under the Information Fair Trader Scheme which is administered by OPSI.

Changes to primary legislation would be required if outsourcing of the core operation relating to creation, recording and guaranteeing title of the register were considered. We do not envisage this scenario in our options. Primary legislation would also be required to allow the Land Registry to manage other registers.

Private Sector Opportunity

An opportunity exists to explore private sector involvement within an outsourcing arrangement for specific functions to generate a return, while also improving the efficiency and flexibility of the Land Registry.

An opportunity also exists to provide commercial expertise to assist the Land Registry in developing new services to improve revenue.

For further information, please refer the Land Registry website – http://www.landregistry.gov.uk.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

MET OFFICE

The Met Office is one of the world's leading weather forecast centres with a turnover of approx £185 million. It is at the forefront of climate change research with involvement in the most significant global collaborative projects including the Intergovernmental Panel on Climate Change (IPCC). It provides a wide-ranging level of service with contracts for the provision of critical services to various government departments and the private sector. The Met Office is a scientific institution of global reputation with impressive links to academia and international weather organisations. The Met Office is one of the two World Area Forecast Centres for civil aviation.

Overview

The Met Office is a trading fund within the Ministry of Defence (MoD). It was set-up as the Meteorological Department of the Board of Trade in 1854. It became part of the Air Ministry in 1920, and then part of the MoD in 1964. It became an executive agency in 1990 and a trading fund in 1996.

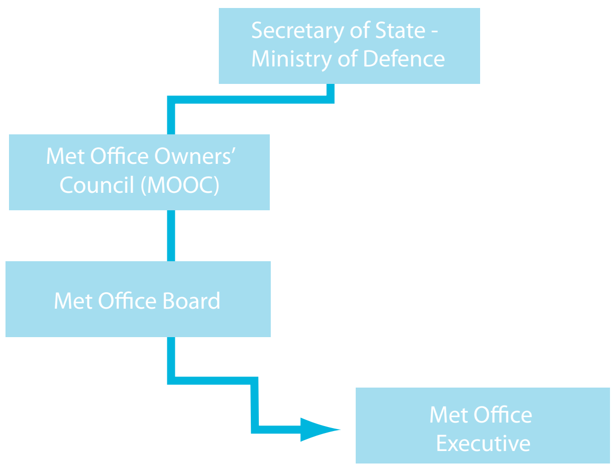
It provides meteorological and related services to the following sectors:

- Public Weather Service (PWS) – which enables the UK public to make informed decisions based on the impact of the weather. It offers a range of environmental monitoring and public warning services. PWS is funded predominantly by the MoD (74 per cent). The data produced by PWS is also an essential input to a range of other Met Office services;
- MoD – the Met Office provides critical weather and environmental advice on the site of military action. The Met Office advises the MoD on the environment in each region and its effect on operations;
- civil sector services – the Met Office works closely with many UK government departments, including the Department for the Environment, Food and Rural Affairs, the Department for Energy and Climate Change, the Department for Transport, and the Department for Children, Schools and Families;
- climate research – the Met Office offers expert advice on a regional, national and global scale to help governments, businesses and societies make better informed decisions on the control of harmful effects of climate change; and
- commercial operations – the Met Office works with a wide range of customers on likely risks and opportunities. Customers include supermarkets, airlines, utility companies operating national infrastructure, and energy companies.

The Met Office is a scientific institution of global renown and plays a key role in the UK and on the international stage, representing the UK in many global organisations including the Regional Specialised Meteorological Centre for Emergency Response and a World Area Forecast Centre for aviation.

It has a major role within the World Meteorological Organization (WMO) and other intergovernmental organisations including helping other countries improve their ability to cope with weather and climate related natural disasters and playing an active part in the WMO Voluntary Co-operation Programme. It is involved in numerous international collaborative projects.

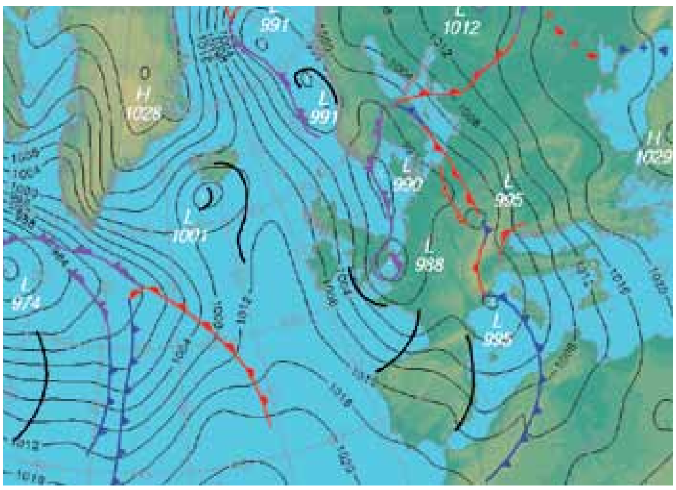
Ownership and Organisational Structure



100 per cent owned by UK government.

Operational Performance

	2009	2008	2007
Forecast Accuracy			
Max. Temperature Accuracy	86.8%	85.5%	84.6%
Min. Temperature Accuracy	84.9%	83.5%	81.8%
Headcount	1,832	1,770	1,708
Source: Met Office annual report (year ending March)			



Financial Performance

£ million	2009	2008	2007
Turnover	184.8	176.6	171.0
EBITDA	31.6	37.4	31.2
Operating Profit	7.5	12.6	7.9
Net Profit	8.7	14.0	8.8
Net Operating Cash Flow after Interest and Tax[1]	32.9	29.6	29.9
Gross Capex (Tangibles)	(21.9)	(13.9)	(25.0)
Shareholders' Funds	204.4	205.8	198.7

Source: Met Office annual report (year ending March)

Financial performance is shown before any exceptional items and cost of capital charges

[1] Net operating cash flow is shown after payments for exceptional items

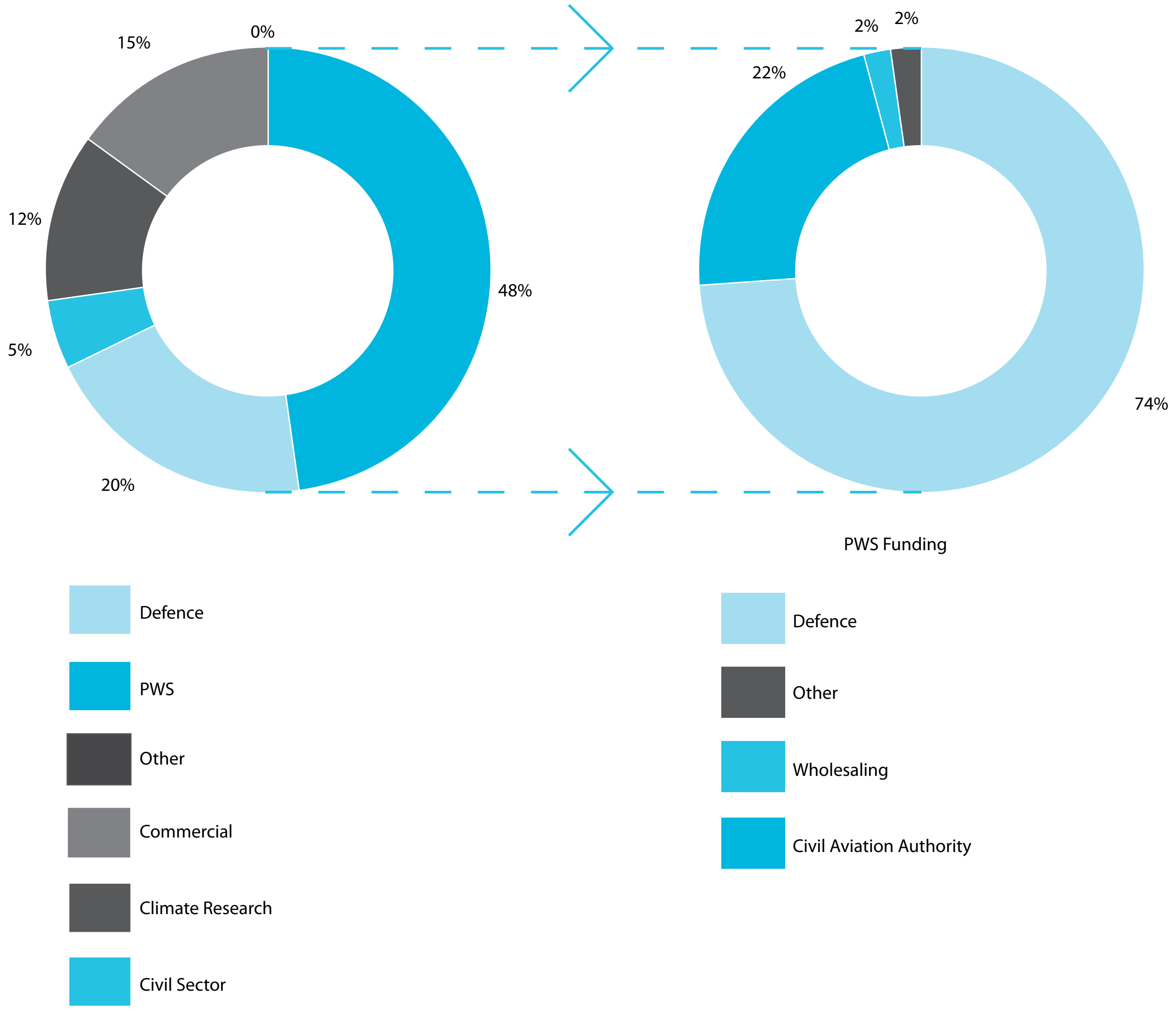
Public Policy Objectives

Through the provision of weather forecasting services to the public and to critical government operations such as health and defence, the Met Office carries out activities of strategic national and international importance. It also performs a number of key governmental roles, especially in international data collaboration and through the UK's representation on important global forums. In order to preserve and enhance the quality of its services, it will require long-term investment and the freedom to develop its operations.

The Operational Efficiency Programme (OEP) review of the Met Office has examined the organisation's business model, ownership structure and financial framework in order to fully exploit the market opportunities open to it.

Building on recent improvements, the Met Office is increasing its commercial revenue and has robust plans for significant growth in the next few years. The OEP review has identified a

Analysis of Turnover



Note: Pie chart based on 2007-08 data

Source: Met Office

PWS: The Met Office provides a range of information under the PWS, which is funded by the UK Government. This includes generating site-specific forecasts, global seasonal predictions, and the National Severe Weather Warning Service that gives advance warning of extreme weather to the public, businesses, emergency services and government.

number of further areas where greater freedoms and flexibilities will improve the business model. In order to provide greater value for money and reduce costs it has also identified opportunities to work more collaboratively with other government departments where delivery of public services relies on weather data. The review recognises that the Met Office's world leading performance and status is underpinned by the value of its longer-term contracts and partnerships, which it remains committed to, and should look to strengthen. The Met Office will set out a programme of commercialisation over the next three years to develop these areas further.

Licensing the re-use of public sector information must comply with the principles set out in the Information Fair Trader Scheme run by the Office of Public Sector Information.

Alternative Asset Options

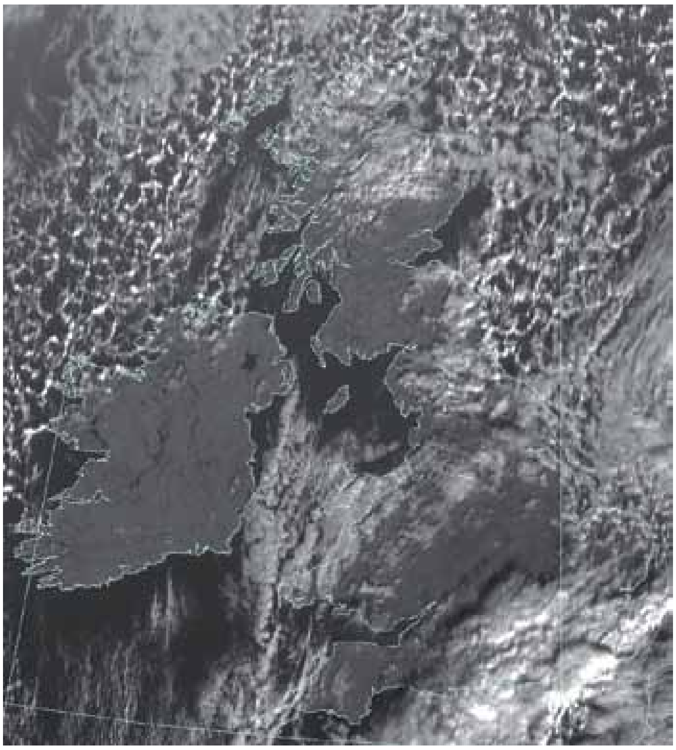
The Met Office's focus will be on increasing its commercial activities and presence while maintaining the quality of delivery to its customers, both governmental and in the private sector.

It is likely that the Met Office will be provided with additional operating freedoms that allow a greater commercialisation focus. An increased number of commercial opportunities would be pursued either through the provision of existing services, or through the development of private partnerships for enhanced services.

Key issues for consideration are:

- models for private partnership through enhanced services, new customer relationships or both;
- funding models with respect to the investment programme;
- operational framework under the funding models considered;
- ownership and operations of areas of the business of strategic and national importance; and
- maintenance of links with international organisations and links with academia.

The OEP review also recognises that currently, privatisation is not a viable or good value for money option in the short term, as the business is not structured appropriately. It remains though, an option in the medium term and as in previous reviews, the status should be kept under review as conditions and opportunities change. The next phase of the review will further



consider medium-term options which may make it easier to raise finance and work with, or in, the private sector.

Private Sector Opportunity

Proposals may include increased commercialisation opportunities with government ownership, or opportunities around sharing revenues through specific capital expenditure programmes.

Opportunities should consider the preservation and enhancement of the Met Office's research capabilities, its business model that combines climate and weather services, and its relationships with international organisations and academia.

For further information, please refer the Met Office website – http://www.metoffice.gov.uk.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

NATS

NATS provides en route air traffic services to aircraft flying in UK airspace and over the eastern part of the North Atlantic. It also provides terminal approach services for Heathrow, Gatwick, Stansted and Luton airports and services for helicopter operations over the North Sea. En route services principally consist of the provision of advice or – in controlled airspace – instructions to aircraft in order to avoid aircraft collisions, but also include the provision of aeronautical information to the aviation industry and making available surveillance and navigational infrastructure. The company has a proven track record of success in providing these services in some of the world's most complex airspace, handing 2.4 million flights last year. NATS is also a leading provider of services and solutions in the air traffic market, including airport air traffic control and consultancy.

Overview

NATS – (formerly known as National Air Traffic Services) was from the early 1970s to the mid-1990s a public service operated jointly by the Civil Aviation Authority (CAA) and the Ministry of Defence (MoD). In April 1996, NATS was reorganised into a Companies Act company and became a wholly owned subsidiary of the CAA. Regulatory functions were transferred to the CAA at this time and military air traffic services were transferred to RAF Strike Command, though they continue to be operated on an integrated basis.

A public private partnership for NATS was proposed in 1998 and completed by July 2001 with a sale of a stake to The Airline Group, a consortium of seven airline companies. Subsequent to the September 11 terrorist attacks, NATS has undergone a financial restructuring including reorganisation of its shareholding structure.

The shareholder agreements for NATS restrict the sale of shares in the company by the Crown, The Airline Group and BAA before the opening of the new Prestwick Centre. The opening of the Prestwick Centre is expected to be in early 2010.

Services provided:

En route air traffic management services to aircraft flying in UK and North Atlantic airspace, and air traffic control services at 15 of the UK's major airports and Gibraltar (under contract to MoD).

NERL (NATS En Route) provides **en route** air traffic control from three centres:

- the London Area and Terminal Control Centre at Swanwick in Hampshire;
- the Manchester Area Control Centre at Manchester Airport; and
- the Scottish Area Control Centre and Oceanic Area Control Centre at Prestwick in Ayrshire.

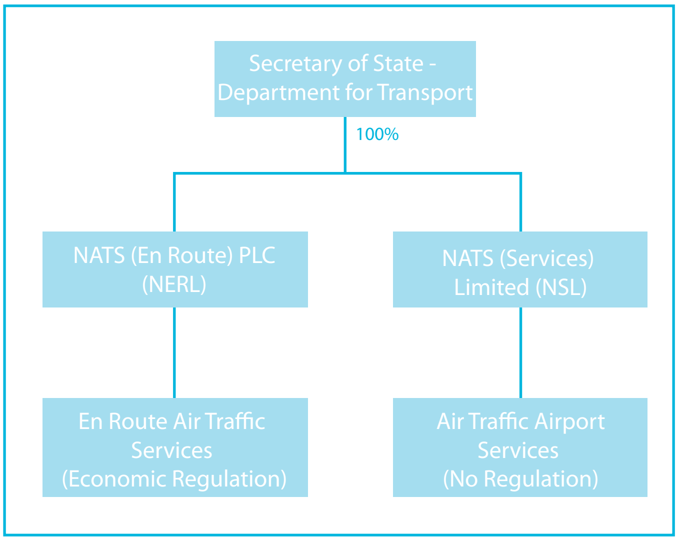
NERL is regulated by the CAA. The terms of its licence are available in full on the CAA website.

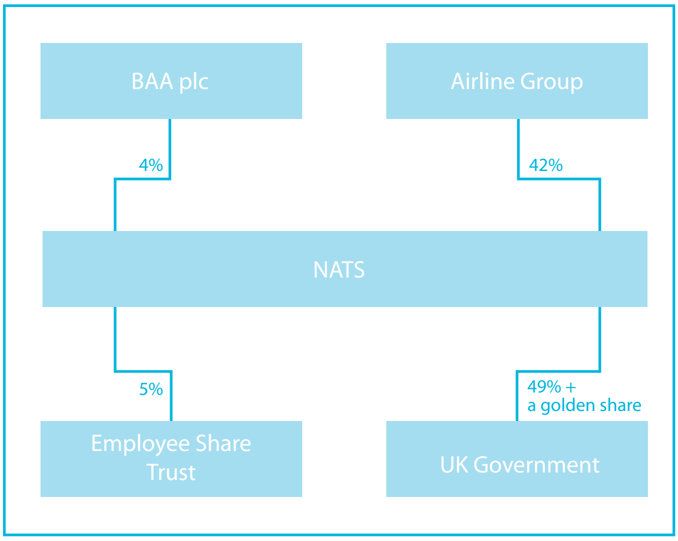
NERL is on track to deliver a two-centre strategy by 2010 which will significantly increase operational efficiency. This will be facilitated by consolidating the existing activities of the Manchester, Scottish and Oceanic Control Centres into a new state-of-the-art facility in Prestwick.

NSL is NATS' unregulated subsidiary with contracts for tower and approach airport traffic services at 15 of the UK's major airports. These are Heathrow, Gatwick, Stansted, Luton, London City, Manchester, Birmingham, Southampton, Glasgow, Edinburgh, Aberdeen, Bristol, Cardiff, Farnborough and Belfast International. In addition NSL supplies air traffic control services for Gibraltar Airport.

NSL is also active in providing related services to commercial customers, from consultancy and training through to fully managed turnkey projects (new or upgraded systems, integrated and commissioned into existing infrastructure) with through-life maintenance support.

Ownership and Organisational Structure





The Airline Group is a consortium of seven UK airlines – British Airways, bmi, easyJet, Monarch, Thomas Cook, Thomson Airways and Virgin Atlantic. Operational control of NATS lies with The Airline Group. Economically regulated (NERL) and non-regulated (NSL) businesses are organised into separate entities with their own management and distinct business focus.

Operational Performance

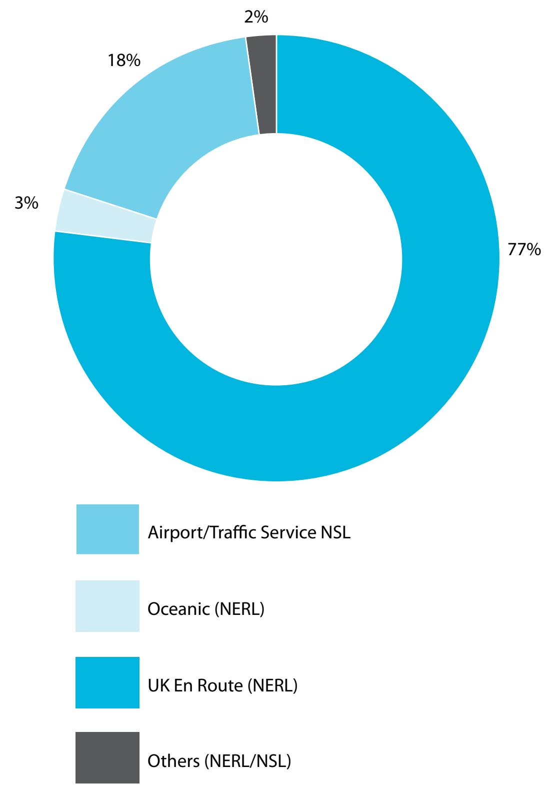
	2009	2008	2007
Chargeable Service Units (000s)[1]	10,601	10,850	10,400
Chargeable Distance (m kms)	771	799	772
UK Flights Handled (000s)	2,372	2,480	2,406
Delay Attributable to NATS (in seconds)	19.3	26.8	22.6
Number of Centres	3	3	4
Headcount	5,084	5,158	5,157
Source: NATS annual reports (year ending March)			
[1] *Chargeable Service Units are based on a combination of aircraft weight and distance flown*			

Financial Performance

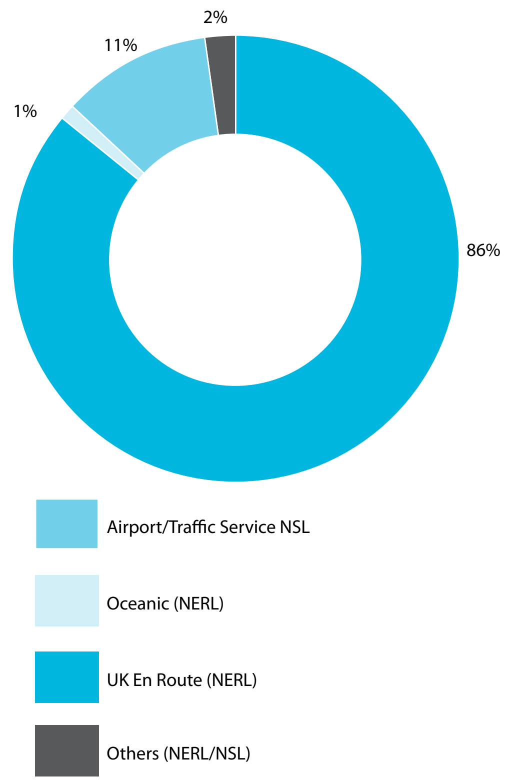
£ million	2009	2008	2007
Turnover	767.3	742.5	701.2
EBITDA	256.1	239.0	224.7
Operating Profit	185.2	157.4	140.2
Net Profit	103.3	77.1	66.7
Net Operating Cash Flow after Interest and Tax	162.9	199.3	165.9
Gross Capex (Tangibles)	(147.6)	(141.2)	(149.1)
Net Operating Assets	1,090.7	1,068.9	1,019.1
RONA	17.0%	14.7%	13.8%
Shareholders' Funds	363.3	666.0	475.0
Source: NATS annual reports (year ending March)			
Financial performance is shown before any exceptional items			

Analysis of Turnover and Operating Profit

Turnover by category



Operating profit by category



Source: NATS annual reports

Policy Objectives

Shareholding objectives

Maintaining (and where appropriate enhancing), NATS' safety performance and culture, to provide over the long term a risk-adjusted commercial return to NATS' shareholders through:

- efficiently and cost effectively providing air traffic services that meet the reasonable requirements of customers in terms of reliability, capacity and delay;
- investing efficiently and cost effectively in appropriate air traffic control (ATC) infrastructure to be able to deliver those services; and
- pursuing strategic commercial growth opportunities in the UK and overseas ATC markets, including European.

Policy considerations

Safety – to maintain, and where practicable improve standards to achieve the highest level of safety performance and to ensure a reasonable level of resilience.

Department for Transport overall objective – to support national economic competitiveness and growth, by delivering reliable and efficient transport networks. NATS has a key role to play in delivering this objective, in particular by providing greater capacity and helping to reduce delays, in particular in the congested south east of England.

Single European Sky – NATS is an active participant in this pan-European initiative aimed at improving and integrating air traffic control across Europe. As part of the Single European Sky, NATS will be subject to new performance targets established at EU level in the areas of cost efficiency, safety, capacity, and environment from 2012. NATS is the main UK participant in SESAR, the public-private programme to develop the next generation of air traffic management technology, and UK involvement depends on its commitment.

Environment – NATS has set a target to reduce the ATC-related CO_2 impacts from air travel by 2020 by on average 10 per cent per plane. Environmental targets will also be established at EU level as noted above. This is an important part of reducing aviation's impact on climate change.

Any reduction of the Secretary of State's shareholding below 25 per cent would need an order to be laid before, and approved by a resolution of each House of Parliament, in accordance with the Transport Act 2000.

Alternative Asset Options

In light of the impending expiry of the restrictions on transfer of shares, it is likely that other shareholders may wish to consider the options available to them regarding their shareholding in NATS.

It is therefore appropriate to work with existing shareholders to look at future ownership options and structures, to best meet the needs of the company and shareholders.

Other Considerations

NATS remains a profitable and cash generating business despite the downturn in air travel business.

The CAA-led NATS en route price control review for Control Period 3, 2011-15 will report in late 2010.

Any changes in ownership would need to consider the potential constraints of current legislation.

Private Sector Opportunity

The expiry of the restrictions on the transfer of shares in NATS may present an opportunity for a private sector party to invest in the company.

For further information, please refer the NATS website – http://www.nats.co.uk.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

NHS PROFESSIONALS

NHS Professionals (NHSP) is the leading provider of managed workforce services to the UK healthcare market. It provides its clients with a full end-to-end service for flexible nurses and administration and clerical workers. NHSP works with 125 NHS trusts throughout the UK and has approximately 50,000 flexible workers.

Overview

NHSP is a provider of managed workforce services to the UK healthcare market. It provides an end-to-end service for flexible nurses and administration and clerical (A&C) workers, encompassing:

- hosted e-rostering and bank management solutions;
- online recruitment shift booking and placement;
- agency management;
- on-site service management;
- clinical governance management;
- e-learning and managed training courses; and
- payroll services fully integrated into the NHS HR management system.

NHSP also manages a small but growing locum doctors business.

NHSP's proposition to its clients is principally that of cost reduction but it also contributes significantly to the quality of patient care by enforcing high standards for clinical governance.

NHSP was established as a nationally branded service in 2004 to lead and manage the supply of flexible staff to the NHS. NHSP currently works with approximately 125 trusts, of which 80 are for its nursing and A&C services. It has a bank of approximately 50,000 available flexible workers and operates from its National Service Centre based in Watford.

Restructuring work over the last two years has helped transform NHSP into an efficient, highly systemised operation that operates on an increasingly commercial basis. Currently, NHSP fulfils some two million shifts per annum (about 87 per cent of all shifts requested) and over 90 per cent of shifts are transacted online; NHSP's investments in its IT systems have contributed significantly to improving service, quality and fill rates, as well as driving down its own operating costs.

The NHS market for flexible workers

The flexible market in the NHS is very large with approximately £2 billion spent each year on worker pay and commissions. The market has demonstrated strong growth driven by health initiatives focused on reducing waiting times, improving service, and infection control. In addition, trusts are increasingly operating more commercially leading them to explore ways of reducing the costs and risks associated with their workforces, in part by using flexible workers more extensively. The requirement to significantly reduce NHS expenditure may affect shift demand from existing clients, although NHSP's cost saving/employment risk reduction proposition has led to a recent increase in interest.

Ownership and organisational structure

NHSP is currently a special health authority and is owned by the Department of Health (DH) from whom it receives funding. NHSP has a Board of Directors, which oversees the business. Following an organisational review DH are consulting on NHSP being transferred into a company limited by shares owned by the Secretary of State for Health. The new organisation proposed, including its board structure, will reflect a more commercial approach.

Operational Performance

	2009	2008
Shift Requests Made (Nursing and Clerical) (million)	2.5	2.2
Shift Fill Rate	85.4%	72.4%
Number of Flexible Workers	45,500	45,616
Flexible Workers Recruited During Year	18,786	11,963
Corporate Staff	320	340

Source: NHSP annual reports (year ending March)

Comments

NHSP's flexible workers are employed by NHSP on an assignment shift basis only and work in client NHS Trusts; their re-charge to trusts is NHSP turnover and the salary costs are NHSP's cost of sales. NHSP's flexible workers typically work an average of six to eight shifts a month.

A large number of flexible workers are recruited during the year due to high worker turnover. This is due to the characteristics of the workforce which includes seasonal workers, people using NHSP as a stepping stone into permanent roles with the NHS, and the NHS using temporary workers before recruiting permanently.

Financial Performance

£ million	2009	2008	2007
Turnover	287.6	239.9	235.7
EBITDA	(9.3)	(15.4)	(18.2)
Operating Profit / (Loss)	(10.3)	(16.4)	(19.3)
Net Profit / (Loss)	(10.3)	(16.4)	(19.3)
Net Operating Cash Flow after Interest and Tax	(2.5)	(19.4)	(14.0)
Gross Capex (Tangibles)	(0.6)	(0.1)	(0.2)
Net Operating Assets	18.7	26.5	22.4
RONA	(55.0%)	(61.7%)	(86.5%)
Shareholders' Funds	24.5	26.0	27.7

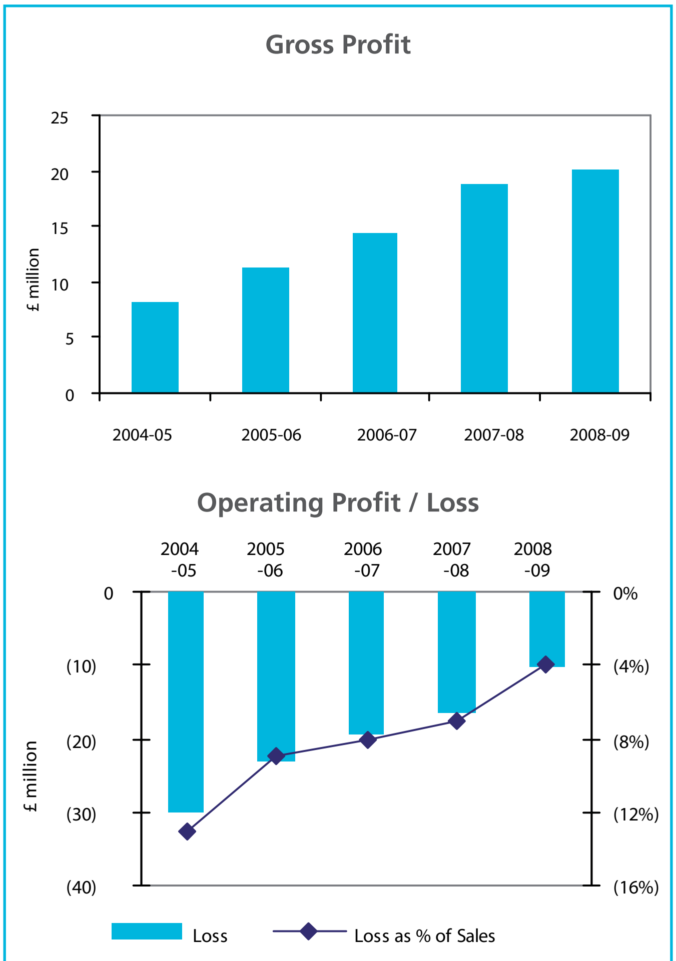
Source: NHSP annual reports (year ending March)

Financial performance is shown before any exceptional items and cost of capital charges

Comments

NHSP's financial performance has improved significantly over the last two years. Revenue for this financial year is forecast to grow by 14.7 per cent compound annual growth rate and the operating loss is forecast to fall to £5.9 million. Its restructuring has seen it reduce costs significantly, particularly through improving the business's IT capabilities and moving shift bookings for both client and flexible workers online. It has also reduced its offices and call centres to just one location in Watford.

NHSP is focused on achieving profitability supported by further, planned IT investment and efficiency improvements, including improved asset management. It is also investing in its sales and marketing capability to generate increased growth in new business. Operational improvements are continuously being implemented across the business and, combined with modest new business growth, NHSP is



Source: NHSP annual reports

forecast to breakeven during 2010-11 and generate profits thereafter.

There are risks to future financial performance principally from the reduction in shift demand from existing clients due to significant financial pressures on NHS Trusts. However, its cost saving proposition is attracting more business from both new and existing clients.

Policy Objectives

Objectives

The provision of high quality healthcare in a manner that is efficient and cost effective is a key aim of DH and the NHS. NHSP was set up to drive better practice and more reasonable pricing in the temporary staffing market. NHSP ensures the quality of its workers and minimises risks to DH, NHS and other stakeholders by employing best-practice pre-employment checking, performance monitoring, and ongoing training and development. Through these mechanisms it aims to ensure the values of the NHS are embedded within NHS work.

Considerations for policy delivery

In its deliberations about the future form and structure of NHSP, DH has been and will continue to be focused on how the principles set out above can be maintained.

Alternative Asset Options

DH has considered the optimal corporate form for NHSP and concluded that NHSP's current constitution as a special health authority is overly restrictive for a commercial business and that NHSP should transfer its operations to a limited company wholly owned by the Secretary of State for Health.

Substantial work has been undertaken to deliver this proposal since the *Operational Efficiency Programme: Final Report* was published at Budget 2009, and consultations with staff and unions are now underway. Subject to the outcome of the consultation process, it is intended that the transfer process be completed by March 2010.

A limited company structure will provide an ownership structure fit for purpose, that enables NHSP to operate more commercially, more efficiently, and undertake longer-term strategic and financial planning. It will also motivate people appropriately to drive the business forward, and ultimately contribute to improved healthcare.

Private Sector Opportunity

In the future there could be a wide range of opportunities for the private sector to work alongside, to partner or to potentially invest in NHSP. As a limited company, NHSP will be well placed to engage with the private sector.

For further information, please refer the NHSP website – http://www.nhsprofessionals.nhs.uk.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

OIL AND PIPELINES AGENCY –
GOVERNMENT PIPELINE AND STORAGE SYSTEM

The Oil and Pipelines Agency (OPA) is the Ministry of Defence's centre of excellence on transportation by pipeline and bulk fuels storage. The OPA manages the Government Pipeline and Storage System (GPSS) which comprises 2,500 km of pipeline and 46 other facilities. It is a well-maintained and robust asset base with an expected life of approximately 60 years. It has a unique and flexible route structure giving it a strong competitive position as well as a sound commercial position within the aviation fuel industry. The system is approximately 50 per cent of the total UK's oil pipeline and delivers approximately 40 per cent of its jet fuel. The majority of revenue is locked into long-term contracts.

Overview

OPA

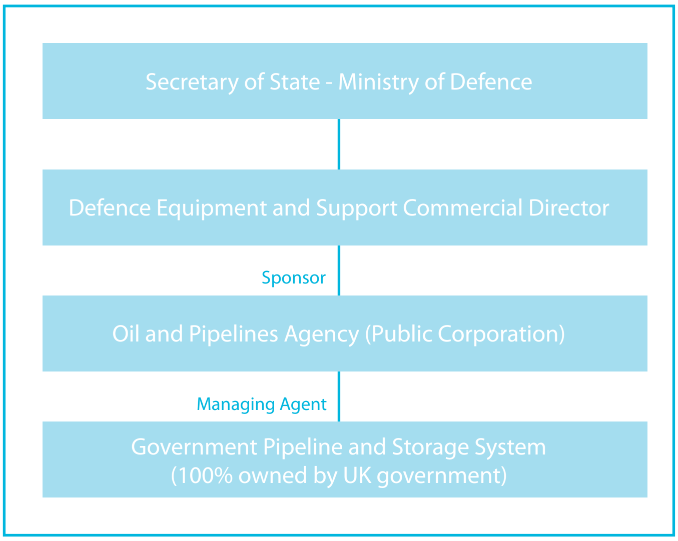
The OPA is a public corporation sponsored by the Ministry of Defence (MoD), formed at the end of 1985 by virtue of the Oil and Pipelines Act 1985. The Agency is MoD's centre of excellence on transportation by pipeline and bulk fuels storage. Its task is to provide for the safe, efficient, economic and effective management of the MoD's GPSS.

This task includes the maximum development of private sector usage of the GPSS, consistent with the Competition Act, provided this does not impinge upon its primary purpose of supplying the required fuel for defence purposes and does not require capital infusion from public funds.

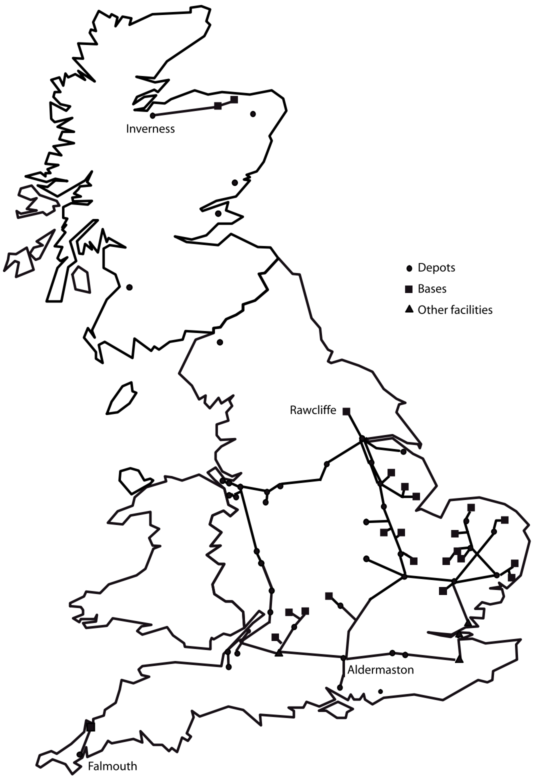
GPSS

The GPSS consists of 2,500 km of underground cross-country pipelines of differing diameters, together with storage depots, salt cavities, associated pumping stations, receipt and delivery facilities and other ancillary equipment. It receives, stores, transports and delivers light oil petroleum products for military and civil use. It equates to around 50 per cent of the total UK oil pipeline network, and the system distributes around 40 per cent of the aviation fuel within UK. Current military use equates to around 10 per cent of the GPSS peacetime throughput, and the remaining 90 per cent of peacetime throughput is used by fee-paying commercial customers, including oil majors.

Ownership and Organisational Structure



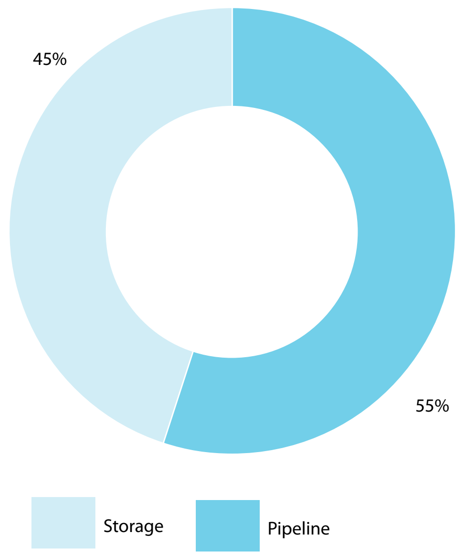
General Outline of the GPSS



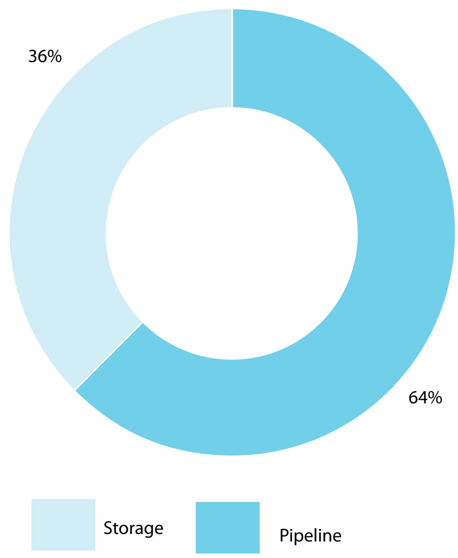
Source: OPA annual accounts

Analysis of Turnover

Military income



Commercial Income



Source: OPA comany information

Operational Information

The network consists of 2,500 km of pipeline and 46 other facilities. It is managed by 21 employees, supported by contractors.

Financial Performance

Revenue and EBITDA of the GPSS business is estimated at £32.6 million and £3.9 million respectively. The MoD currently receives its requirements at no cost.

The operation is presently maintained at a steady state of capital expenditure.

Financial performance is stable owing to a large majority of the revenue being locked in through long-term contracts.

Subject to legislative change, there is potential upside in cash generation through increased commercialisation.

Public Policy Objectives

Policy objectives

The environment has changed significantly since the GPSS was built, creating an opportunity to develop and modernise within the context of strengthening the UK's national infrastructure.

The GPSS has the potential to make a broader contribution within the downstream oil market to improve the UK's product distribution and storage infrastructure, thereby reinforcing the security of the energy supply for the UK and adding to the resilience of important parts of the nation's economic infrastructure. This is constrained by current legislation. To deliver improved value to the taxpayer it would need changes to legislation to enable the private sector to make greater use of these assets, in particular the spare capacity.

Policy considerations

While the nature of the services being offered by GPSS is strategic to the national energy infrastructure, the provision of these services is not contingent upon government ownership and hence private ownership of the GPSS is a feasible option.

Additionally, although the customers of the OPA include the UK and other international governments, it is feasible for these contracts to be maintained and carried out at similar terms under private ownership.

The current legislative framework restricts the broader commercial use of the GPSS including existing rights on the use of revenues obtained to commit capital expenditure and on its potential privatisation. Therefore, pursuing any private sector options necessitates changes to legislation.

Alternative Asset Options

The following options are being considered as part of the Operational Efficiency Programme (OEP) review:

Further commercialisation under government ownership

This option requires a change in legislation that enables the GPSS capacity to be commercialised and increased to meet other opportunities. The current ownership and funding structure remain unchanged. This option may be extended to include the management of pipelines and fuel storage to a wider range of assets than at present. Key factors under consideration are:

- commercialisation options for spare capacity and storage; and
- options for increased capital expenditure that would lead to greater capacity and potential for private sector involvement.

Full privatisation subsequent to a change in primary legislation

This option also requires a change in legislation that enables the divestment of GPSS to a third party. Key advantages are the capital inflow to the government upon sale providing benefit to the taxpayer and transference of government's risk and capital investment liabilities. Key factors under consideration are:

- maintenance of current MoD and other government contracts; and
- value attributed to the asset by third parties such that it weighs attractively against loss of receipts and any annual charge to be paid by the government for its usage of the GPSS.

The OEP review has determined that in the future maintaining the current business model does not offer best value, nor provide the opportunity to fully exploit the asset. It recognises that the GPSS does not necessarily need to be owned by government, provided assured access is maintained. It recommended pursuing legislative changes that will allow greater commercialisation and the potential sale of the GPSS subject to a full assessment of long-term costs, opportunities, risks, and market testing to deliver best value for money.

Other Considerations

Upside potential for revenues

Subject to a change in legislation, there is potential for enhanced revenues if the asset base is strengthened through increased capital expenditure.

Private Sector Opportunity

There are potential opportunities for private sector partnership with or without complete government ownership.

Ideas may include a change in ownership, increased commercialisation opportunities with government ownership, or opportunities around sharing of risks and opportunities through specific capital expenditure programmes.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

ORDNANCE SURVEY

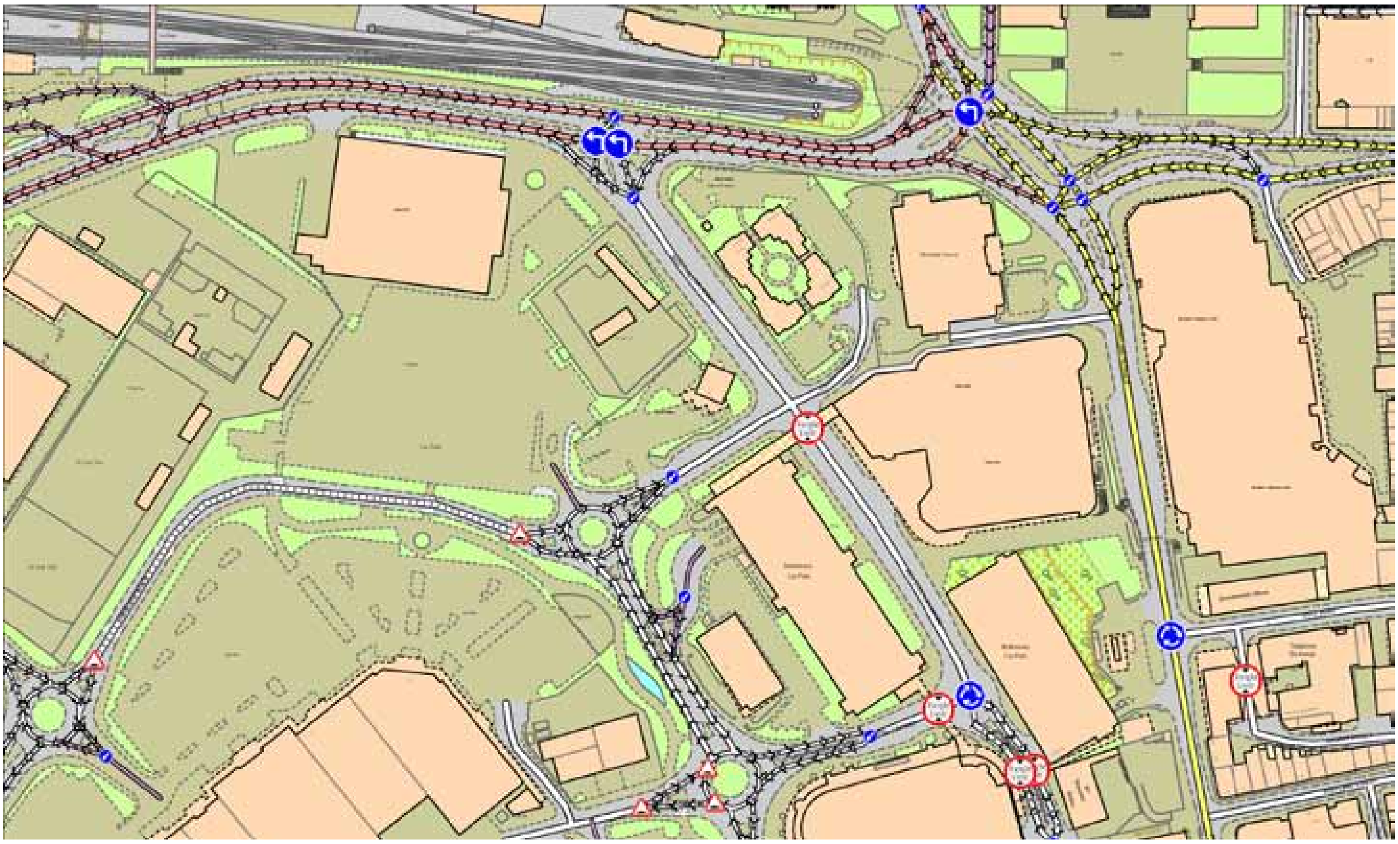
A brand recognised internationally for its quality, with national coverage in business to government, business to business and business to customer markets. Ordnance Survey boasts industry leading data collection and capture techniques implemented by a pool of highly experienced and specialist staff with bespoke technology and processes. Its financial performance is stable, with the scope to accelerate its ongoing efficiency programme to enhance returns and organisational flexibility. There are also significant opportunities for growth in adjacent and downstream markets.

Overview

Ordnance Survey is Great Britain's national mapping agency. It is an independent government department and an executive agency responsible to the Secretary of State for the Department for Communities and Local Government (CLG). The business is 100 per cent owned by government and has operated as a trading fund since 1999.

Ordnance Survey is responsible for collecting and maintaining the national large scale "Master Map" of Great Britain, as well as a series of other geospatial datasets.

Ordnance Survey earns revenue by licensing its data and services to end-users, both directly and via distributors and value-added partners.



Customers include central and local government, private sector businesses and consumer markets.

Ordnance Survey has for some time made some of its datasets available for free via its web-based innovation platform OS OpenSpace. OS OpenSpace supports developers, non-commercial community groups, and charitable organisations. Licensing the re-use of government data is in accordance with the principles embedded in the Information Fair Trader Scheme which is administered by the Office of Public Sector Information.

In July 2009, the Prime Minister announced the "Making Public Data Public" initiative under the leadership of Sir Tim Berners-Lee. This initiative has led to a fundamental examination of information policies across government generally,and in relation to Ordnance Survey in particular. As a result, CLG has been conducting a wide-ranging review of options from the existing licenced-based revenue model through to a fully free-to-use subsidised model. The role of government as a customer of information has been a key element of the work.

On 17 November 2009, the Prime Minister announced that Government proposes to make certain datasets from Ordnance Survey available for free, including information about administrative boundaries, postcode areas and mid-scale mapping. There will be a public consultation on these proposals from December 2009, with implementation of any change from April 2010.

The consultation will also cover other issues around the interaction of Ordnance Survey with the market – particularly the regulatory environment and the governance structure around the free offering.

Market studies have identified significant growth opportunities across the geographic information (GI) market, as data is made more available and new technologies are used to support innovation and greater use of GI data and services. The outcome of the consultation above may affect the opportunities available to Ordnance Survey in some of these growth areas and the alternative asset options outlined below. It may also open up new opportunities to work more closely with other parts of the public sector to realise efficiency savings, for example in local government resource planning and deployment, or working more closely with the Land Registry. Similarly there may be an opportunity to collaborate with local government and Royal Mail to provide a definitive addressing solution for Great Britain.

Ordnance Survey core activities are the collection, collation and distribution of digital and paper geospatial data products and services. Ordnance Survey's products are available in large, medium and small scales, and cover the following market segments:

- digital topographic – a national product covering natural and man-made topography with additional overlays covering postcodes, addressing, roads and routing information;

- paper maps – Landranger and Explorer paper maps with strong Ordnance Survey-branded cartography; and
- OS OpenSpace – web-based service supporting innovation by developers and access to GI data for non-commercial use.

Ordnance Survey's products are used in a variety of applications including:

- land division and registration (e.g. boundary making);
- resource planning (e.g. by local authorities);
- revenue / benefits (e.g. farm subsidies);
- land and property, planning and transactions;
- risk assessment (e.g. flood risk modelling);
- telematics / fleet management (e.g. incident command and control);
- asset management (e.g. documentation of network infrastructure);
- business contextualisation (e.g. visual representations);
- consumer location and identification (e.g. store location);
- personal navigation devices (e.g. in-car satellite navigation); and
- paper maps (e.g. leisure route planning).

The UK and international markets for GI data and services are experiencing a period of significant change and growth, driven by changes in Government policy, new technologies and increased competition from new market entrants.

The size of the UK market is estimated to be approximately £1 billion. The likely drivers for future market growth are expected to lie in the rapid development and expansion of mobile applications and services that include a GI element. Further developments are also expected in the planning and provision of local services and infrastructure construction and management, and the provision of services to government.

Operational Performance

	2009	2008	2007
Address Listed and Geographically Pinpointed (million)	27.5	27.4	27.0
Data Currency (real world features >6 months old)	99.9%	99.9%	99.8%
Data Supply (timelines of supply of data to customers)	99.6%	99.6%	99.1%
Internet Business (no. of transactions)	106,806	109,501	93,721
Headcount	1,609	1,617	1,687

Source: Ordnance Survey annual reports (year ending March)

Financial Performance

£ million	2009	2008	2007
Turnover	117.2	118.7	116.2
EBITDA	19.6	27.3	23.3
Operating Profit	16.3	22.5	17.5
Net Profit	17.3	23.8	18.0
Net Operating Cash Flow after Interest and Tax	13.7	27.5	17.3
Gross Capex (Tangibles)	(18.6)	(10.4)	(14.0)
Net Operating Assets	71.1	61.4	55.6
Shareholders' Funds	78.6	75.7	62.0

Source: Ordnance Survey annual reports (year ending March)

Financial performance is shown before any exceptional items and cost of capital charges

Comments

Revenue and profitability have been relatively stable and are supported by long-term collective agreements with local and central government and the utilities.

Significant ongoing programme of investment (systems, processes and product development) is funded from operating cash flows.

Public Policy Objectives

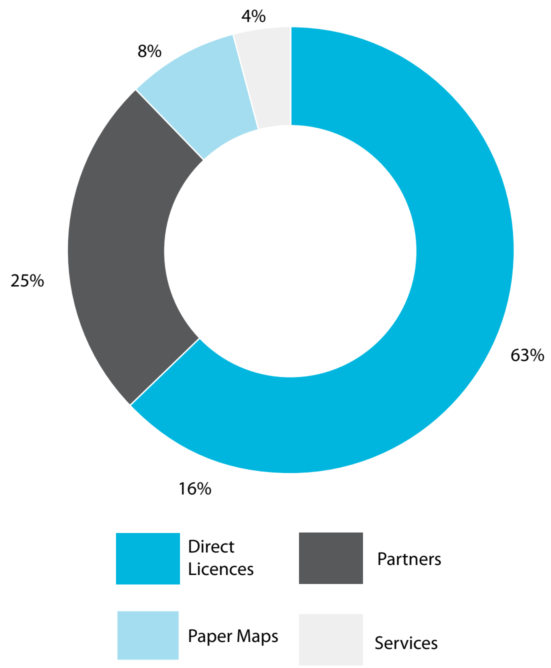
Ordnance Survey's public policy objectives are to:

- collect and maintain uniform national geographic datasets to provide nationally consistent mapping;
- maintain a definitive three-dimensional satellite based geodetic reference framework to enable correct positioning of mapping and other data against the National Grid;
- ensure that its data is capable of supporting the principles underlying the Digital National Framework, to allow integration and association with other geospatial information;
- make the content of its datasets widely available in forms that are accessible to all customers for wider benefit, and to charge its customers for the licensing and use of its products; and
- conduct its activities efficiently and effectively to maximise the broader economic value of its data, while complying with trading fund requirements and creating long-term shareholder value.

At Budget 2009, the Government announced a new business strategy for Ordnance Survey, and confirmed that Ordnance Survey would continue to self-finance its activities by charging for the use of its data and services. An important element of this announcement included a recognition that Ordnance Survey would increase the ease of access to, and use of, its data for innovation in the UK economy.

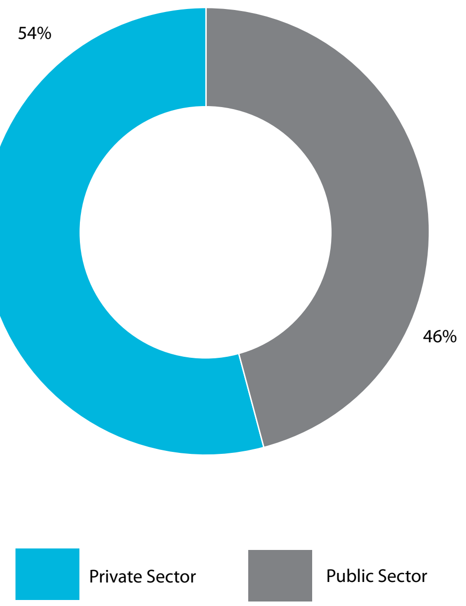
Analysis of Turnover

By Product



Source: Ordnance Survey annual report (year ending March)

By Sector



Source: Ordnance Survey annual report (year ending March)

As a result, a number of strategic initiatives were agreed and have been implemented:

- enhanced OS Openspace service – more data, free entry level access, and expanded developer community;
- simplification of pricing and licensing framework;
- facilitation of greater collaboration across public sector customers;
- the creation of an innovative incubator unit; and
- an efficiency programme to reduce costs by five per cent per annum for five years.

The outcome of the consultation on the proposal to release certain mid- and low-scale Ordnance Survey datasets without charge will affect how these initiatives are taken forward.

Alternative Asset Options

In the short-term, Ordnance Survey's focus will remain on implementation of the existing strategic initiatives depending on the outcome of the consultation. In the medium term, further consideration of a number of options would be helpful.

Accelerated business transformation

The transformation programme currently underway within the business is expected to drive a series of changes over a three- to five-year implementation period. The pace and nature of transformation may increase as a result of the consultation above; however, all options could potentially benefit from the assistance and experience of the private sector.

Accelerating the rate of change would require significant additional expenditure which, in turn, would require Ordnance Survey to have access to further sources of funding other than its existing revenues and government-provided debt facilities.

Business separation

A separation of data collection and processing capabilities from certain product and service capabilities is a possible structural response to the consultation. This has similarities with the approach followed by regulators in the utility sector. An alternative option that regulators have followed is separation accounting.

Joint ventures, partial sale and/or full sale

Access to new markets and the development of new services could be accelerated by the introduction of partners to Ordnance Survey. Working collaboratively, a partner or new owner could bring access to new technologies, new capabilities and new markets. In addition, access to private sector capital may increase the pace of innovation within Ordnance Survey as private capital is better able to identify and respond to new market opportunities.

Outsourcing

As the transformation programme develops, a range of existing business activities will be considered for outsourcing. This could include support functions e.g. property, HR, finance and/or existing core services such as downstream services and paper maps. Opportunities exist to interact differently with other parts of government; these include the opportunity to outsource to Ordnance Survey the mapping and GI capabilities currently with the Land Registry.

Vesting

A number of the options above would require a full or partial vesting process. Vesting is a change in the legal status from a trading fund to a Companies Act company 100 per cent owned by government.

Any options would require careful consideration of how government's ability to access and re-use data – both for itself and on behalf of the public – would be maintained, especially given the proposal for change under "Making Public Data Public".

Other Considerations

As a public body, Ordnance Survey data is subject to Crown copyright and the Re-Use of Public Sector Information Regulations, which are overseen by the Office of Public Sector Information.

The Cabinet Office's "Making Public Data Public" initiative has the potential to bring significant opportunities, and/or changes to Ordnance Survey's existing business model. A geographic representation of many public data sets considerably broadens their accessibility and utility for local government, business and citizens.

The European Union Directive INSPIRE and the Location Strategy both highlight the growing importance of a definitive and high quality geospatial information infrastructure. Ordnance Survey's industry leading data capture and processing capabilities provide an interesting platform for realising these ambitions across Europe and elsewhere.

As a trading fund, the ability to raise finance is limited. The availability of new sources of funding – free from public sector debt classification – would be beneficial.

Private Sector Opportunities

There are a growing number of commercial market opportunities, particularly around value-added services using geospatial information, which Ordnance Survey is not currently well placed to exploit.

A private sector investor and/or partner might bring expertise, new market access or additional capital for innovation. This could accelerate the development and delivery of these opportunities more quickly and successfully than Ordnance Survey operating alone.

For further information, please refer the Ordnance Survey website – www.ordnancesurvey.co.uk.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

PUBLIC FOREST ESTATE ENGLAND

Forestry Commission England

The Public Forest Estate is the largest single land holding in England with a total of 258,000 hectares of land. This represents two per cent of the land and 18 per cent of the woods and forests in England. The Public Forest Estate is the largest producer of timber in England with approximately 1.4 million cubic metres sold a year and, the largest single provider of countryside recreation with 40 million visits a year in England. It is also the largest manager of land in protected areas (National Parks, Areas of Outstanding Natural Beauty, Sites for Special Scientific Interest), and a significant provider of ecosystem services. There is a realistic potential for 490MW of unexploited wind power reserves on the estate.

Overview

The Public Forest Estate is owned by the Secretary of State for Environment, Food and Rural Affairs. Its management is entrusted to the Forestry Commission with day-to-day activities undertaken by its agency, Forest Enterprise.

The estate was originally established in the first half of the twentieth century to help provide a strategic reserve of timber after woodland cover fell to less than five per cent during the First World War.

Over the last 20 years the Forestry Commission has transformed the estate and its management arrangements to serve multiple objectives across government and provide a wide range of public services within a strong sustainable development framework. The estate combines a highly diverse mixture of forests and woodlands across England, 40 per cent of which is priority habitats including ancient woodland, heathland, and bogs.

Existing Commercial Activities

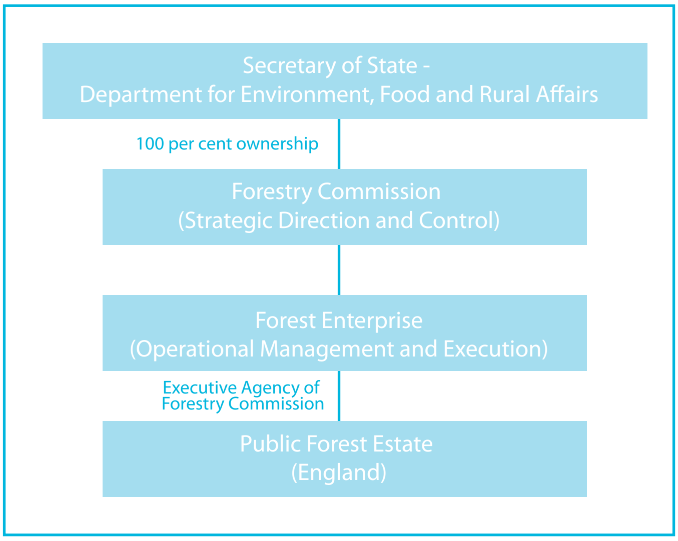
The Forest Estate covers 258,000 hectares (20 per cent of England's woodlands) and is the largest individual land holding in England. The sale of forest products and services currently fund approximately 70 per cent of the programmes on the estate. Also, approximately 70 per cent of operations are undertaken by the private sector as contractors or joint venture partners.

Approximately 1.4 million cubic metres of timber is sold every year meeting approximately 60 per cent of the demand from indigenous timber producers in England.

In-house management of leisure activities is supported by a wide range of joint ventures with private sector business providing value-added services.

Additionally receipts are generated from the estate through the sale of surplus assets, housing and other built development, mineral exploitation, and sites for mobile communication masts.

Ownership and Organisational Structure



The Forestry Commission is the government department responsible for advising ministers on forestry policy. The Forestry Commissioners are statutorily responsible for the stewardship of the estate.

Operational Performance

	2009	2008	2007
Total Area of Land Managed in England (000s hectares)	258	259	258
% Woodland Independently Certified for Sustainable Forest Management	100	100	100
% SSSIs in Favourable Condition	95	90	85
Volume of Timber Sold (cubic metres)	1,392,000	1,491,000	1,489,000
Headcount[1]	954	959	969

Source: Forestry Commission England – Corporate Plans (year ending March)

[1] Refers to headcount of Forest Enterprise England

Financial Performance

£ million	2009	2008	2007
Turnover	49.1	51.3	44.2
EBITDA	(19.2)	(17.8)	(15.5)
Operating Profit / (Loss)	(21.4)	(19.9)	(17.6)
Net Profit / (Loss)	(21.4)	(19.9)	(17.6)
Net Operating Cash Flow After Interest and Tax	(20.1)	(19.2)	(23.5)
Gross Capex (Tangibles)	(4.3)	(5.8)	(5.8)
Net Operating Assets	767.8	611.5	507.2
RONA	(2.8%)	(3.3%)	(3.5%)
Shareholders' Funds	764.8	608.5	504.0

Source: Forest Enterprise England annual report (year ending March)

Financial performance is shown before any exceptional items and cost of capital charge

Comments

The Public Forest Estate is required to fulfil a number of policy objectives set by Ministers. A number of these objectives are non-commercial and are not paid for by recipients of the services.

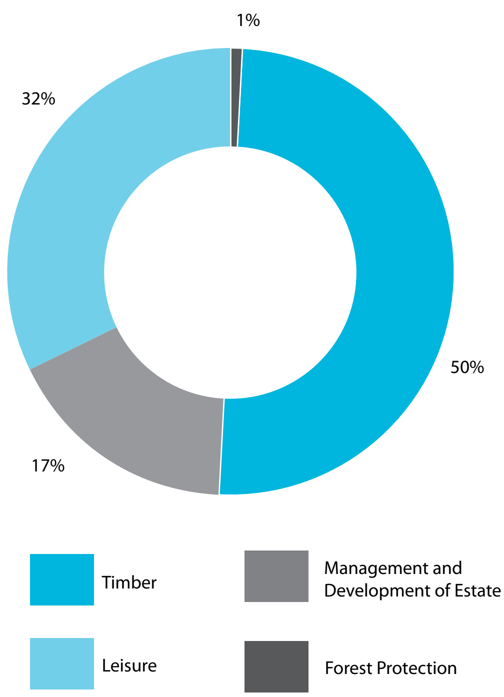
These policy objectives require Forest Enterprise to incur expenditure towards forest protection and maintenance, as well as towards recreation, conservation and heritage.

To maintain the public benefit sustainably (i.e. reduced reliance on the public purse), Forest Enterprise is focusing on developing new lines of income for the future. This is in addition to focusing on extracting efficiency savings from existing operations, including:

- planning for renewable energy options to exploit the wind resource on its land – this has the potential to derive substantial revenues after an initial gestation period;
- focusing on improved models for timber management and commercial leisure operations to deliver efficiency savings; and
- portfolio analysis of the entire Forest Estate to show how individual woods help deliver the Government's objectives and contribute financially, and where they offer new commercial opportunities.

Analysis of Turnover

By Business Segments



Source: Forestry Enterprise England annual report (year ending March 2009)

Policy Objectives

Overall objective

The strategic direction as set by the Department for Food, the Environment and Rural Affairs ministers is, "To secure a healthy environment in which we and future generations can prosper."

Sustainable resource

To provide in England, a resource of trees, woods and forests in places where they can contribute most in terms of environmental, economic and social benefits now, and for future generations.

Climate change

To ensure that existing and newly planted trees, woods and forests are resilient to the impacts of climate change, play a role in adapting rural and urban environments to those impacts, and contribute to their mitigation.

Natural environment

To protect and enhance the environmental resources of water, soil, air, biodiversity and landscapes (both woodland and non-woodland), and the cultural and amenity values of trees and woodland.

Quality of life

To increase the contribution that trees, woods and forests make to the quality of life for those living in, working in or visiting England.

Business and markets

To improve the competitiveness of woodland businesses and promote the development of new or improved markets for sustainable woodland products and ecosystem services where this will deliver identifiable public benefits, nationally or locally, including the reduction of carbon emissions.

Regeneration and tackling deprivation

To provide new green space around cities, regeneration and growth areas.

Sustainable rural communities

To provide the infrastructure and a supportive framework for hundreds of micro, small and medium scale enterprises (particularly involving tourism and the timber industry).

Considerations for policy delivery

The Public Forest Estate today is the largest means available for the Government to engage directly in land management to deliver its objectives.

The Government is committed to retaining a publicly owned forest estate and wishes to sustain public benefits irrespective of future management arrangements.

Under current legislation the government is able to dispose of land for any purpose provided the Public Forest Estate continues to occupy a substantial proportion of England's forest resource. Additionally private sector investment in commercial opportunities is possible through joint ventures and equivalent vehicles.

Ministers are currently undertaking a study to consider the future long-term sustainable role for the Public Forest Estate.

Alternative Asset Options

There may be scope to generate greater commercial benefit from existing opportunities such as timber and leisure and/or new and innovative opportunities such as renewable energy.

Alternative means for funding operations include:

- long-term lease;
- funding from long-term partners in commercial activities in a joint venture or special purpose vehicle; and
- funding from long term partners in ecosystem services.

Other Considerations

The scope of the estate is constrained by reduced public spending, and obligations to Government policies which are increasing net operating costs.

The recession is having an impact on timber business which is currently the largest source of commercial income.

There is a need to further diversify away from timber and expand into other promising areas like renewable energy, leisure, housing and other built development. However, there is limited public finance available to fund increased investments required to pursue new commercial opportunities.

There is a a mix of long- and short-term contracts already in place with indigenous timber processors currently sourcing the majority of their timber requirements from Public Forest Estate timber.

Private Sector Opportunity

It is envisaged that the public and private sectors can work together while maintaining current policy objectives and benefits to the public. Public Forest Estate offers a potential opportunity for private sector investors to generate long-term stable returns while maintaining a socio-economic balance within the mix of its activities through:

- participation in existing commercial opportunities (e.g. timber, leisure) via a joint venture or lease;
- participation in the development of new renewable energy business via a joint venture; and
- investment opportunity in forest estate via a special purpose vehicle to benefit from non-volatile and low-risk nature of the underlying assets.

For further information, please refer the Forestry Commission website http://www.forestry.gov.uk *– England section.*

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

PUBLIC SECTOR SPECTRUM HOLDING

Radio spectrum is an essential resource for all mobile communication technologies and is used for a wide variety of other applications including fixed communications infrastructure. The public sector is a heavy user of spectrum. The 2005 Independent Audit of Spectrum Holdings by Professor Martin Cave tentatively valued public sector holdings at between £3 billion and £20 billion.

In line with existing policy, the Government, in conjunction with the Office of Communications (Ofcom – the independent regulator responsible for managing non-military use of radio spectrum in the UK), is keen to understand the private sector's interest in all parts of public sector spectrum.

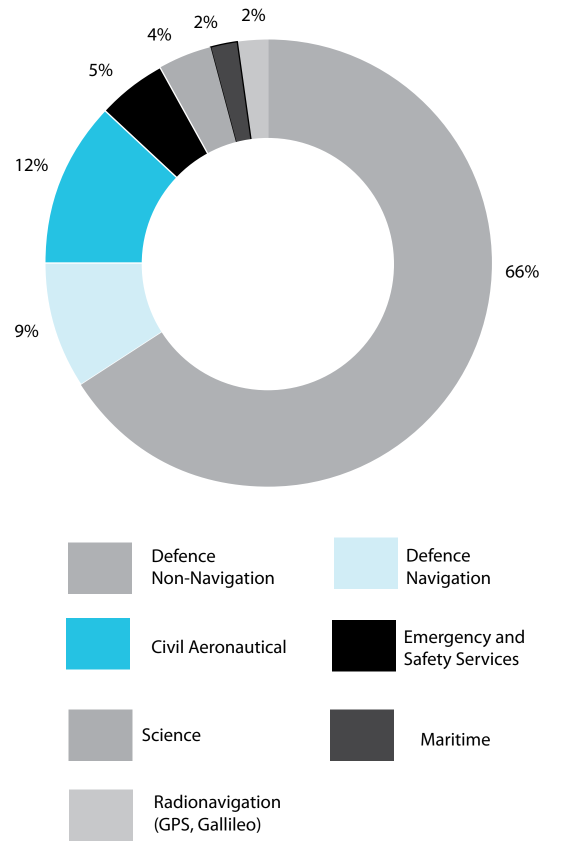
The Ministry of Defence (MoD) published a spectrum release programme statement in 2008 – *An implementation Plan for Reform.*[1] The Government and Ofcom are also interested in hearing views on whether this programme adopts an appropriate scope and timetable, and where else in the public sector this approach might be applied.

Ofcom is responsible for granting Recognised Spectrum Access (RSA) and operating the regulatory framework for departments to trade their spectrum holdings.[2]

Overview

In 2005, the public sector accounted for just under half of all spectrum use below 15GHz. The breakdown is shown in the graph below.

Composition of Public Sector Spectrum Holdings Below 15GHz



Source: Independent Audit of Spectrum Holdings

Historically, government policy has been to move the management of spectrum from a command-and-control based approach to a system in which spectrum is managed via market-based mechanisms.

It is intended that a market-based approach will encourage the public sector to optimise the efficiency of its spectrum use and that this will, in turn, free up certain bands for new uses.

[1] http://www.mod.uk/NR/rdonlyres/40622FC9-DC7B-40FC-B48A-90408F6F7676/0/spectrumstatement_051208.pdf

[2] For more details see Ofcom's *Spectrum Framework Review: the Public Sector.* http://www.ofcom.org.uk/consult/condocs/sfrps/sfrps.pdf

Ownership

Public sector spectrum is allocated to, and in some cases controlled and managed by specific government departments. The Audit identified that RSA, granted by Ofcom, would provide a mechanism to formalise departments' spectrum holdings in a form that they could benefit from, through trade to commercial users. Ofcom has so far made regulations to allow this in the 406.1 - 430 MHz band and in certain radio astronomy bands. It has also said that, subject to consultation, it would in principle extend those regulations if requested to support departments' plans to release spectrum on commercial terms.

Policy Objectives

The Government supports Ofcom's long-standing policy of promoting greater efficiency in the use of spectrum via market mechanisms. The Audit identified major spectrum holdings used in the defence, aeronautical and maritime sectors for release in both the short and medium term. A subsequent detailed audit by MoD revealed that less spectrum than had been anticipated was available, making it particularly important that the structure and utility of this scarce resource is matched to commercial, as well as public requirements.

Policy considerations

Spectrum is a critical resource for parts of the public sector in fulfilling various policy objectives, including those related to defence, transport and the emergency services. The scope to release public sector spectrum is therefore dependent on future requirements to achieve these policy objectives, and international obligations.

The Government, in conjunction with Ofcom, is looking to the private sector for input (beyond that previously supplied to MoD to inform UK Defence Spectrum Management – *A Statement on: An Implementation Plan for Reform*[3]) on prioritising the release of spectrum to achieve the correct balance between economic efficiency and public policy outcomes.

Forward Look – A strategy for Management of Major Public Sector Spectrum Holdings[4] published in April 2009 sets out progress to date and milestones for the next two years.

Alternative Asset Options

The Government is interested in views on alternative ways to exploit public sector spectrum holdings such as short-term leasing, release in limited geographic areas, band sharing or any additional options for commercialisation.

The Government would also welcome indications, which could be on a confidential basis, of how released spectrum might be used and the benefits that would be generated.

Private Sector Opportunity

An opportunity exists for the private sector to indicate an interest in particular parts of public sector spectrum for commercial use, and to express an opinion on how departments should prioritise their release plans. The Audit lists the frequency bands currently allocated to the public sector, defining these bands widely to include civil aviation and maritime use.

[3] http://www.mod.uk/NR/rdonlyres/40622FC9-DC7B-40FC-B48A-90408F6F7676/0/spectrumstatement_051208.pdf
[4] http://www.berr.gov.uk/files/file46420.pdf

The Government welcomes suggestions on ways public sector spectrum for release can be better organised or packaged to best meet the needs of potential commercial users.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

THE QUEEN ELIZABETH II CONFERENCE CENTRE

The Queen Elizabeth II Conference Centre provides conferencing and meeting facilities. It is located in the heart of Westminster and specialises in events for 40 to 1,300 attendants with some of the finest conference and event facilities, cutting-edge technical, presentation, communications and catering facilities.

Overview

The Queen Elizabeth II Conference Centre (QEIICC) was opened by Her Majesty the Queen in 1986. Trading fund status was granted on 1 April 1997.

An executive agency of the Department for Communities and Local Government (CLG), QEIICC is uniquely situated in the shadow of Big Ben, Westminster Abbey and the Houses of Parliament. Its role is to provide conference facilities for national and international meetings up to the highest level and to market its facilities commercially as a high quality venue for both government and private sector use.

QEIICC facilities

The QEIICC offers 26 conference and event spaces across seven floors, including:

- a plenary room for up to 1,300 attendants;
- over 2,000 m^2 exhibition space on one floor;
- four large conference rooms for over 300 attendants;
- a further six meeting spaces for over 100 attendants;
- 12 syndicate rooms for up to 78 attendants;
- numerous additional offices, speakers' lounges and catering areas;
- comprehensive range of in-house support services; and
- wireless internet, digital signage and high-definition audio-visual equipment.

Clients

The QEIICC hosted 384 events throughout the year 2008-09. Core clients include a wide range of government and public service organisations, major professional associations from both the UK and overseas, and many large corporations.

Site redevelopment study

Work has recently concluded to assess opportunities for the potential development of the facility in a way that builds on the strengths of the existing conference business and is sympathetic to the property's unique location.

The study concluded that given the current market conditions the existing value of QEIICC's use could be enhanced through business improvements.

The study also recommended a number of steps to explore with the relevant planning authorities the opportunities for a redevelopment of the property that are sympathetic to the location of the building and wider planning considerations.

In line with the study's recommendations, management will:

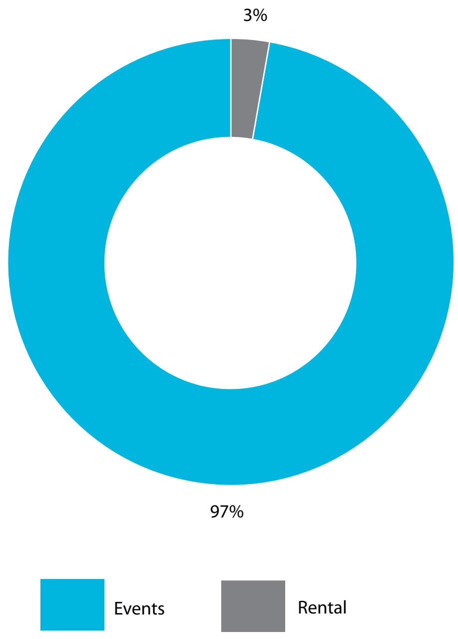
- optimise the performance of the conference business;
- show clean title, securing vacant possession when needed;
- agree to appropriate pre-sale expenditure on the building; and
- maintain the QEIICC brand, forward bookings and marketing momentum.

Ownership

The QEIICC is 100 per cent owned by UK government. The property is on CLG's balance sheet, all other assets are held by the QEIICC.

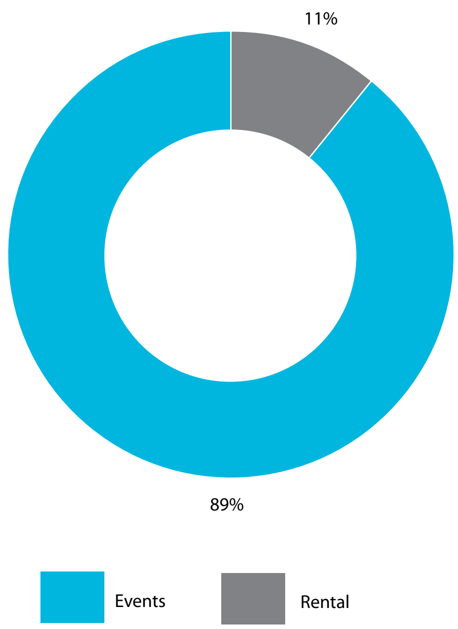
Analysis of Turnover and Operating Profit

Turnover by Category



Source: QEIICC annual report

Operating Profit by Category



Source: QEIICC annual report

Operational Performance

	2009	2008	2007
Capacity Utilisation[1]	73.5%	69.3%	69.6%
Number of Events Hosted in the Year	384	368	380
Number of Complaints per 100 Events	0.52	0.82	0.74
Headcount	50	50	51

Source: QEIICC annual reports (year ending March)

[1] Capacity utilisation of QEIICC is the relationship between the annual room hire revenue and a theoretical annual maximum expressed as 241 days hire of the whole QEIICC in a leap year and 240 days in a normal year

Financial Performance

£ million	2009	2008	2007
Turnover	11.6	10.8	10.4
EBITDA	3.8	2.8	2.6
Operating Profit	2.9	1.9	1.7
Net Profit	3.1	2.3	2.0
Net Operating Cash flow after Interest and Tax	3.8	3.8	3.1
Gross Capex (Tangibles)	(1.2)	(1.6)	(0.3)
Net Operating Assets[1]	30.6	30.2	29.9
RONA	9.5%	6.4%	5.8%
Shareholders' Funds	6.3	7.9	7.0

Source: QEIICC annual reports (year ending March)

Financial performance is shown before any exceptional items and cost of capital charges

[1] Net Operating Assets include the value of QEIICC property shown in CLG accounts (£28.8 million)

Public Policy Objectives

The QEIICC does not need to be retained under public ownership. The Government will ensure the continued effective operation of the business until its eventual sale. This will be done by focusing on "business as usual" and keeping all parties fully informed of the progress of the exercise.

Alternative Asset Options

In line with the recent study's conclusions, there is an opportunity to explore redevelopment options that are sympathetic both to the continued development of the existing conference business and to the building's prominent location.

There is also an opportunity to dispose of the Government's interest in the business during the next spending review period.

Private Sector Opportunity

The Government is considering disposing of its interest in the business in the next three years. There are opportunities to make returns from the existing conference business and from the potential future redevelopment of site – subject to planning permission.

For further information, please refer the QEII CC website – http://www.qeiicc.co.uk.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

THE ROYAL MINT

The Royal Mint is responsible for the manufacture and distribution of coins and blanks in the UK, and is the world's leading exporting mint. The Royal Mint has secured major international contracts in circulating and the commemorative coin market, and is the exclusive supplier of official commemorative coins for the London 2012 Olympic and Paralympic Games. The Royal Mint is currently being vested into a 100 per cent government-owned company.

Overview

The Royal Mint has been operating as a trading fund since 1 April 1975. It is the world's leading export mint with a market share of around 15 per cent, making coins and medals for an average of 60 countries a year. It also makes and distributes UK circulating coins, commemorative coins and official medals.

The Royal Mint operates from a 35-acre site in Llantrisant, South Wales. Ministry of Defence police oversee the security of the site, which operates round-the-clock for 52 weeks a year. The Royal Mint can produce 90 million coins and blanks a week – almost five billion coins a year.

The Royal Mint's activities consist of:

- the manufacture and distribution of UK circulating coins for HM Treasury;
- the manufacture and supply of circulating coins and blanks for overseas central banks, issuing authorities and mints;
- the manufacture, marketing and distribution of UK and overseas commemorative coins and medals;
- the manufacture and supply of official medals, seals and dies; and
- the marketing of technical services and advice related to the manufacturing of coins and blanks.

UK circulating coin forms approximately 20 per cent of the total business, as measured by contribution, with commemorative coins and overseas coins each providing 40 per cent.

Since 2006, the Royal Mint has pursued a more diversified and commercial strategy resulting in it gaining a wide range of new overseas contracts and a marked improvement in its profitability compared to previous years.

Ownership

The Royal Mint is currently a trading fund and executive agency of HM Treasury, and is 100 per cent owned by UK government. The business is preparing for vesting into a government-owned limited company on 31 December 2009.

Operational Performance

	2009	2008	2007
Issues of UK Circulating Coins (million)	1,297	1,319	1,587
Issues of UK Circulating Coins (face value £ million)	164	132	203
Headcount	861	765	861

Source: The Royal Mint annual reports (year ending March)

Financial Performance

£ million	2009	2008	2007
Turnover	159.0	131.8	120.9
EBITDA	12.1	14.1	12.8
Operating Profit	8.2	9.6	8.7
Net Profit	7.9	8.5	7.6
Net Operating Cash Flow after Interest and Tax	9.1	22.1	10.8
Gross Capex (Tangibles)	(3.8)	(1.3)	(1.4)
Net Operating Assets	53.3	55.9	68.1
RONA	15.4%	17.3%	12.8%
ROCE (as per Royal Mint methodology)	7.1%	9.2%	2.7%
Shareholders' Funds	55.9	58.2	55.5

Source: The Royal Mint annual reports (year ending March)

Financial performance is shown before any exceptional items and cost of capital charges

Comments

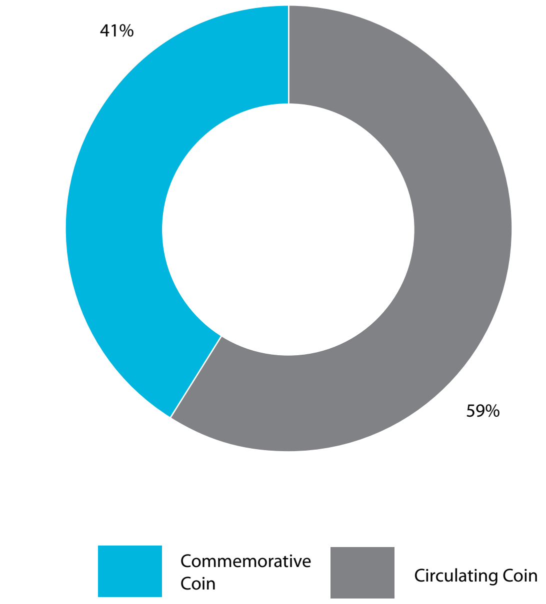
The Royal Mint's financial performance continued to be strong in 2008-09 with a pre-exceptional operating profit of £8.2 million, enabling it to pay a dividend of £4 million, a slight increase on the previous year. The return on average capital employed of 7.1 per cent was above the ministerial financial target of 5.1 per cent.

Despite a fire in the manufacturing plant and continued lower demand for UK coins, circulating coin performance was helped by strong performance overseas. In its commemorative coin business, the Royal Mint is continuing to enhance its operating model and productivity levels as it expands production significantly to meet demand for the London 2012 Olympic and Paralympic Games.

Turnover increased in 2008-09 due to strong sales growth in overseas markets and a very strong performance by commemorative coins, which increased sales by 41 per cent. Despite this the Royal Mint saw some fall in operating profit which was predominantly attributable to large falls in the price of copper and nickel in the second half of the fiscal year, as well as some switch towards higher value, lower margin gold bullion products. The variation in cash flow compared to the last financial year was mainly due to the particular balance of creditors and debtors at year end.

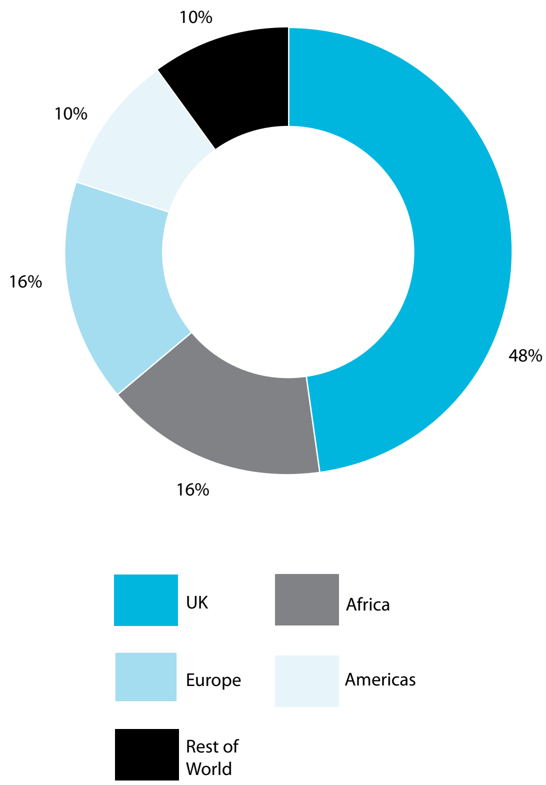
Analysis of Turnover

Turnover by Business Segment



Source: Royal Mint annual report

Turnover by Destination



Source: Royal Mint annual report

Public Policy Objectives

The Government's objectives for the Royal Mint are for it to:

- deliver a commercial return on capital employed, while remaining within the constraints of these objectives more generally;
- ensure a secure and timely supply of UK circulating coins;
- provide expertise to the Government on coin and minting issues; and
- meet all relevant legislative requirements.

Only the first of these is a commercial objective. The others provide HM Treasury with security of, and expertise to manage, the UK coin supply and ensure that legislative and statutory obligations are properly discharged.

Alternative Asset Options

Over the past few years the Royal Mint has developed significantly and expanded its business beyond the UK circulating coin contract.

Vesting will enable the business to enjoy the benefits of becoming a company. Clarity of governance will give the Board clearer purpose, responsibility and liability, and an arm's length relationship with government as a customer will drive more commercial decision making. A company structure is more likely to sustain a high quality management team because of an increased arm's length relationship with government and is also more likely than a trading fund to find willing partners for any profitable joint ventures or partnerships.

The Government's priority for the Royal Mint beyond vesting will be to facilitate further growth to better secure the sustainable success

of the business for its staff and customers, and also to secure value for money for the taxpayer.

The *Operational Efficiency Programme: Final Report*, published alongside Budget 2009, noted there was a strong case for the introduction of private capital into the Royal Mint. It argued that this could best allow the business to pursue further commercial opportunities and growth, and to take advantage of the resources and opportunities which come from access to private capital.

The Government has not taken a decision on the introduction of private capital into the Royal Mint, and is focusing on delivering vesting on 31 December 2009.

Other Considerations

The Royal Mint is currently increasing production significantly, in advance of the 2012 Olympic and Paralympic Games for which they are the official supplier of commemorative coins.

Private Sector Opportunity

Subject to future ministerial decisions, there is a possible opportunity for private sector investment.

For further information, please refer the Royal Mint website – http://www.royalmint.com.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

STUDENT LOANS PORTFOLIO

The student loans scheme was introduced by the Education (Student Loans) Act 1990 and the Education (Student Loans) (Northern Ireland) Order 1990. The value of the current income contingent loan book stands at £25 billion (2008-09). It is a diverse loan portfolio and provides a long-term secure income stream, currently running at £800 million a year. The Student Loans Company (SLC) is responsible for the administration of financial support coupled with a reliable servicing mechanism through HM Revenue and Customs' systems for income tax collection.

Overview

The Government proposes to sell part of the existing student loan portfolio for England when market conditions are favourable.

The gross value of the current Income Contingent Repayment (ICR) loan book, at the end of 2008-09 for English-domiciled borrowers and European Union borrowers studying at English institutions is £25 billion.[1]

At Budget 2007, the Chancellor of the Exchequer announced that a programme of sales of ICR student loans would start in 2008-09 and continue indefinitely. The Department for Business Innovation and Skills (BIS) is responsible for implementing the programme of sales.

The Sale of Student Loans Act 2008 came into force on 21 July 2008 and provides the Secretary of State for BIS with the power to sell tranches of the student loan book. Analysis was undertaken at this time on the potential to execute a sale transaction through the securitisation markets. However, in light of market conditions this programme was suspended in March 2009. The Government remains open to this option but would also like to actively consider alternatives.

BIS wishes to be in a position to begin sales once an attractive monetisation option is identified, and the relevant market conditions are judged to be appropriate to deliver good value for money.

The loan sale programme will operate alongside the Independent Review of Higher Education Funding and Student Finance, which was launched on 9 November 2009. The review will examine the balance of contributions to universities by taxpayers, students, graduates and employers. Options proposed by the loan sale programme will need to be compatible with the review's recommendations.

Student loans explained

Eligible English-domiciled students attending a higher education institution are entitled to a student loan. In 2009-10, students living away from home and studying in London could get a maximum maintenance loan of £6,928 a year paid termly, (there are smaller loans for students studying outside London or living at home) and a tuition fee loan of £3,225 a year paid directly to

[1] http://dcsf.gov.uk/rsgateway/DB/SFR/5000854/index.shtml

Financial Information on Student Loan Book

Financial years	2006-07	2007-08	2008-09
	Income Contingent Loans	Income Contingent Loans	Income Contingent Loans
Academic Year Interest Rate (APR)	2.4%	4.8%	1.5%
Total Amount Outstanding (beginning of year, incl. interest) (£ million)	14,101	17,046	20,982
Plus Amount Lent During Financial Year (£ million)	2,954	3,905	4,204
Minus Amount Repaid, Including Interest (£ million)	359	494	788
Minus Amount Cancelled in Respect of Repayment Teachers Loan Scheme (£ million)	15	18	15
Minus Amount Cancelled or Written Off (£ million)	1.5	1	19.7[1]
Plus Amount of Interest Added (£ million)	365	545	726
GIVES Total Amount Outstanding at the End of the Financial Year, including Loans Not Yet Due for Repayment. (£ million)	17,046	20,982	25,090

Source: Statistical First Release, SLC, 25 June 2009.

Student loan outlay and repayments – Publicly owned debt: financial years 2006-07 to 2008-09

English-domiciled students studying in the UK and EU students studying in England

[1] In 2008-09, the SLC put in place a process that enabled them to deal with outstanding write-offs from previous financial years. This means that a number of the write-offs that, under normal circumstances, would have been shown in other years than 2007-08 and 2008-09 are actually shown under these two years. Further detail can be found at – http://www.slc.co.uk/pdf/slcsfr022009.pdf.

the higher education institution. Everyone on an eligible course qualifies for the tuition fee loan and 72 per cent of the maximum maintenance loan for a particular location and year of study, regardless of income; the remaining 28 per cent is income-assessed on household income.

The loans normally accrue interest in line with the Retail Price Index but the interest rate cannot exceed the Bank of England base rate of interest plus 1 per cent. At present the interest rate is 0 per cent. This effectively means that the amount repaid has the same value as the amount borrowed in real terms.

Loan repayments are mostly collected by employers and repaid through HM Revenue and Customs and the income tax system. Repayments begin after the student has left higher education and is earning over £15,000, (with repayments being 9 per cent of the amount over the threshold). This system of collection is known as Income Contingent Repayment, because repayments are directly related to the income of the account holder above the threshold. If after 25 years the loan is yet to be repaid then the government will write it off. The repayment conditions for the loans are set out in regulations approved by Parliament and are determined by policy.

The loan book for English-domiciled students and EU students studying in England is owned by BIS. Loans are paid through SLC, a non-profit making organisation, which maintains loan accounts. The SLC is a Company limited by shares; it was designated a non-departmental public body on 1 April 1996.

Policy Objectives

The vision for the Student Loan Sales (SLS) Programme is:

"To create and deliver a business model that will provide Government with the sustainable capability to sell BIS-owned Income-Contingent Repayment student loans at a good value for the Government and at a time of its choosing, dependent on operational readiness and market conditions".

The SLS Programme is underpinned by the following set of objectives:

- define and develop a sustainable business model that will provide Government with the capability to sell ICR student loans;
- significantly reduce the risk to the Government associated with holding a growing portfolio of ICR student loans on the Government's balance sheet;
- ensure that any transaction is structured in such a way that sufficient risk and control will be transferred from the Government's balance sheet at the point of sale;
- ensure that the value for money decision-making process for each sale achieves a good value for money outcome for the Government;
- ensure that knowledge and expertise are developed to maximise the potential to generate a market for the sale of BIS-owned ICR student loans;
- ensure that borrowers experience no material change to their terms and conditions as a result of a loan sale; and
- agree servicing arrangements to ensure that the sold ICR student loans will be serviced by SLC and HMRC.

Policy Considerations

There should be as few changes to the existing processes as possible. In particular, from a borrower's perspective, for the purposes of those loans that were to be sold there should be no material difference between the sold loan and an equivalent loan held by government. Repayment through the UK tax system should remain the norm, and accounts should continue to be administered by the SLC.

There should not be a cherry-picking of loans – purchasers may be offered particular classes of loans, but would not be able to select individual loans to purchase.

Transactions should represent genuine risk transfer and this should be reflected within BIS's financial statements and UK national accounts.

The approach must facilitate a sustainable programme of sales that would enable BIS to transfer risk associated with existing and future loans.

The approach must be considered alongside the work of the Independent Review of Higher Education Funding and Student Finance and recommendations for long-term affordability and sustainability of student support.

The Sale of Student Loans Act 2008 allows for the sale and risk transfer of the loans and ensures that, among other things, HMRC may continue to collect repayments from borrowers whose loans are sold and can pass them to a third party (including indirectly via BIS and SLC). Additionally the terms and conditions of the loans that have been sold may be set in line with regulations made by the Government, and remain in line with the terms and conditions of the loans that remain unsold.

Alternative Asset Options

Analysis has previously been undertaken on the potential to execute a sale transaction through the securitisation markets. The Government remains open to this option but, in light of changed market conditions, it would like actively to consider alternatives.

Other Considerations

Alternatives for long-term financing of new student loans are also relevant and attractive to the Government and will need to take into account the Government's objectives for higher education and student finance, and the link to the Independent Review of Higher Education Funding and Student Finance. Third party origination of new loans would present a permanent de-risking of the Government's balance sheet.

Private Sector Opportunity

There is an opportunity to monetise some or all of the student loan portfolio which would result in the transfer of risk from the government to the private sector.

The Government would like to achieve a full risk transfer and therefore believes that an outright sale of the assets will be required. The Government would also like to understand potential routes to market which could provide a realistic alternative to securitisation.

Although government has control over loan policy and structure, there is little flexibility on the policy considerations outlined in this chapter and therefore options presented should be structured so as to offer a viable route to market while maintaining the current loan structure.

For further information, please refer the Student Loans Company website – http://www.slc.co.uk.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

THE TOTE

The tote is one of the country's principal betting organisations. It is the fifth largest bookmaker in the UK with presence at 60 racecourses. It has over 0.6 million registered clients and retail operations over 500 shops. The tote has exclusive rights to run pool products on horseracing in the UK.

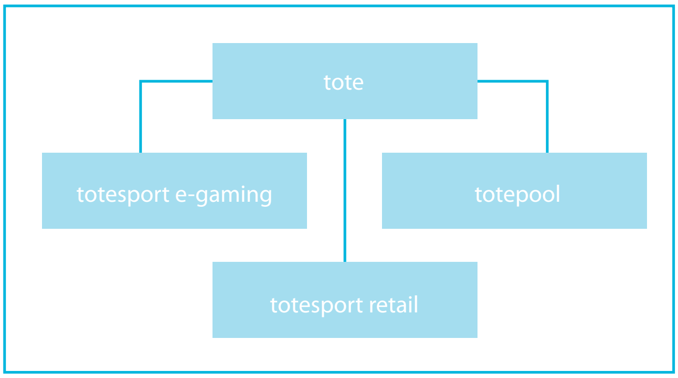
Overview

The tote was established as a statutory authority by Act of Parliament in 1928 and is now the fifth largest bookmaker in the UK. Its original purpose was to offer on-course pool betting on horseracing as an alternative to starting price betting with bookmakers, and to contribute to racing out of profits for "purposes conducive to the improvement of breeds of horses or the sport of horseracing." It now offers a wide range of betting activities through a variety of routes.

An intention to sell the tote was announced by the Prime Minister on 12 October 2009. The current intention is that the sale process will start in summer 2010, and is due to be completed by March 2011.

Organisational Structure

The tote is structured into three business divisions: totepool, totesport retail and totesport e-gaming (telephone and internet betting).



Services Offered

Totepool is present on all racecourses in Britain and is the only pool betting operation on horse racing in the country. It has a unique range of horseracing betting products and pool has an off-course presence across 98 per cent of UK retail and online operators.

Totesport retail and totesport e-gaming offer a comprehensive multi-channel means of betting on sports from across the globe through shops, internet and telephone. They have over 0.5 million registered clients and covers horse racing as well as other sporting events.

Ownership

The tote is a public corporation which distributes its profits to racing. Governance responsibility for the tote is held by the Secretary of State for the Department of Culture Media and Sport, who appoints all tote board members. The Horserace Betting and Olympic Lottery Act 2004 gives government the power to sell the tote.

Operational Performance

	2009	2008	2007
Headcount	3,531	3,583	4,775
totepool (tote Direct)			
Aggregate Pools (£ million)	376	355	324
On-course Betting (% of total pool turnover)	27.2%	32.2%	36.0%
Off-course Betting (% of total pool turnover)	72.8%	67.8%	64.0%
Off-course Coverage of UK Retail Market	98.0%	96.5%	95.0%
totesport retail			
Number of Shops	516	537	533

Source: tote annual reports (year ending March)

Financial Performance

£ million	2009	2008	2007
Turnover	2,911.9	2,803.4	2,475.5
EBITDA[1,2]	32.1	37.6	36.7
Operating Profit[2,3]	22.3	27.3	26.8
Net Profit	4.9	8.5	5.7
Net Operating Cash Flow after Interest and Tax	25.1	30.9	30.8
Gross Capex (Tangibles)	(8.2)	(11.1)	(15.7)
Net Operating Assets	157.0	159.7	160.4
RONA	14.2%	17.1%	16.7%
Profit and Loss Reserve	91.5	83.8	70.2

Source: tote annual reports (year ending March)

[1] EBITDA and Operating Profit are shown before any exceptional items

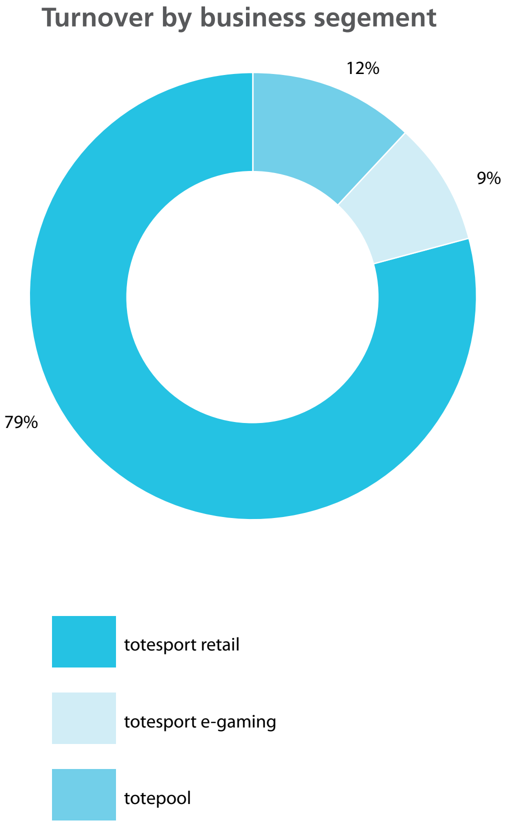
[2] EBITDA is calculated using pre-exceptional operating profit from continuing operations plus depreciation and amortisation

Comments

At £2.9 billion, the tote's turnover in 2008-09 showed an increase of 3.9 per cent compared to the previous year. The increase in turnover reflects growth in retail, internet and off-course pools that more than offsets the fall in on-course pools and telephone betting.

Despite the increase in turnover, gross win (turnover less amounts payable to winning customers) fell by 2.9 per cent, reflecting reduced on-course turnover, adverse effects from high-staking customers and fewer shops. This led to operating profit before exceptional items falling by 18.3 per cent compared to 2007-08. The tote has responded to this by driving its three main areas of activity and by improved management of operating and central costs.

Analysis of Turnover



Source: tote annual report (year ending March)

Public Policy Objectives

The tote is a public corporation which does not have pure public policy objectives. It is currently the only organisation licensed to run a pool betting operation on horse racing in the UK.

Alternative Asset Options

The Government's priorities for the tote while in public ownership have been for it to succeed commercially, in order to provide ongoing support to racing from its profits, and to create the strongest possible business in advance of a sale in order to optimise proceeds for racing and for the taxpayer. However, as there is no public policy rationale for the tote to remain in public ownership, its value will be realised through a sale.

The main alternative to selling the tote was for it to remain wholly or part in public ownership. However, there are no strong policy arguments for this.

Private Sector Opportunity

There is an opportunity to buy the business when a sale process is launched in 2010.

For further information, please refer the tote website – http://corporate.totesport.com.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

TRUST PORTS

Trust ports are independent statutory bodies, each governed by its own, unique, local legislation and controlled by an independent board. There are around 50 trust ports in England and Wales.

Overview

Trust ports do not have shareholders or owners. Any surpluses are put back into the port and managed by the board for the benefit of the port. In 2001 the Office for National Statistics reclassified the net borrowing of the major trust ports as public expenditure.

The Ports Act 1991 provides powers for the compulsory privatisation of trust ports whose annual turnover exceeds £5 million in 1991 prices (currently approximately £7.6 million). There are six such ports in England and Wales. The table below sets out the annual turnover for each of these six trust ports.

	Turnover (£ million)
Port of Dover	60.8
Port of Tyne	48.6
Harwich Haven	18.6
Milford Haven Port	18.5
Port of Poole	9.5
Shoreham Port	8.1
Source: Trust ports' annual accounts (2008)	

Policy Objectives

Ports continue to support national economic competitiveness and growth, by delivering reliable and efficient transport networks. The Government wishes to identify opportunities to enhance trust ports' efficiency and get value from their assets and to facilitate further investment in trust ports to meet increased demand.

Alternative Asset Options

Major trust ports in England and Wales have been invited to explore options for the commercialisation of their assets. They are currently looking at alternative business models, commercialisation, and new market opportunities.

Under current legislation, trust ports can bring forward voluntary privatisation schemes where they believe such a scheme would be favourable. Any scheme brought forward for voluntary privatisation would need to be approved by the Secretary of State for Transport based on its merits at that point.

Other Considerations

Borrowing by the major trust ports is currently classified as spending by public corporations, and so their planned borrowing would need to be reflected in the Department for Transport's spending plans.

Any potential purchaser of a trust port would need to take into account the interest of all stakeholders including users, employees and the local community. The Government may also consider the desirability of encouraging allocation of equity in trust port successor companies to managers and/or employees.

Private Sector Opportunity

As part of *Modernising Trust Ports*,[1] the Government has encouraged all the major trust ports to review their corporate structure. To the extent that trust ports bring forward proposals for voluntary privatisation, there may be an opportunity for private sector investors to purchase part or all of the entity being sold. Any incoming private sector investor will need to take into account the interests of all stakeholders.

In responding to this request several of the major trust ports are developing commercialisation options. The largest trust port, the Port of Dover, is the furthest advanced.

Port of Dover

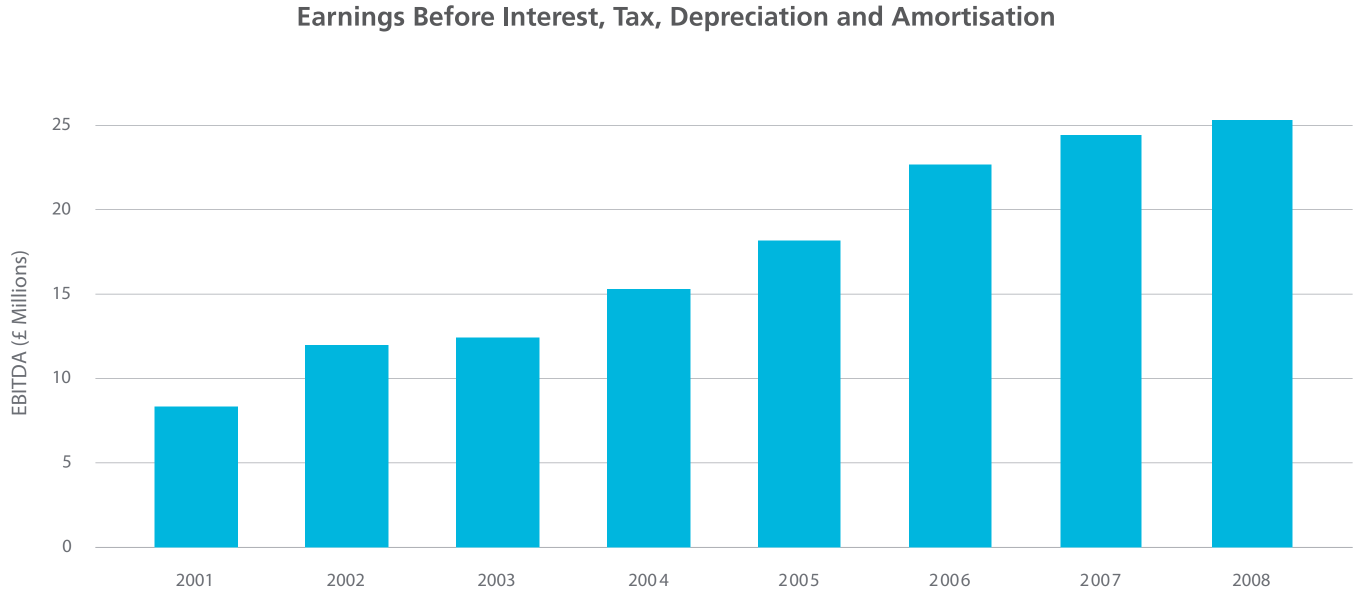
The Port of Dover is the UK's busiest roll-on/roll-off port in Britain and the largest passenger ferry port in Northern Europe. Most of the trade passing through the port consists of ferry and cruise passengers, roll-on/roll-off passenger and freight vehicles. The Port of Dover is also the UK's second busiest cruise terminal with about 274,000 cruise passengers and 144 cruise calls in 2008. Other port activities include general cargo of fresh produce, grain and aggregates and the provision of marina facilities with 400 berths.

Port of Dover – Operational Performance

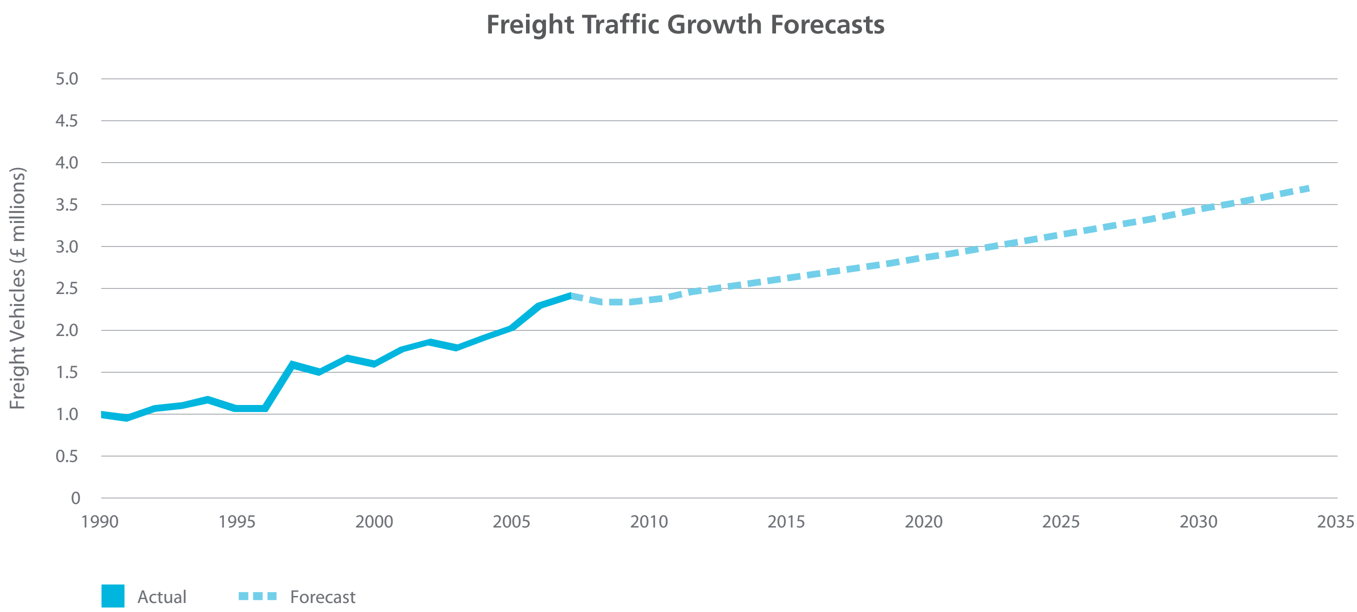
Year	Passengers	Tourist Cars	Coaches	Road Haulage Vehicles
2000	16,232,191	2,594,824	148,285	1,618,184
2001	16,002,464	2,554,931	136,702	1,771,826
2002	16,442,680	2,632,182	147,549	1,854,234
2003	14,681,003	2,581,573	125,224	1,782,857
2004	14,333,663	2,506,667	128,464	1,980,662
2005	13,348,829	2,554,772	107,541	2,045,867
2006	13,797,874	2,647,060	105,774	2,324,598
2007	14,287,318	2,837,559	105,336	2,363,583
2008	13,893,118	2,830,238	97,851	2,307,821

Source: Port of Dover annual report

[1] http://dft.gov.uk/pgr/shippingports/ports/trust



Source: Port of Dover annual report



Source: Dover Harbour Board revised forecasts 2008

Port of Dover – Financial Performance

£ million	2008	2007	2006
Turnover	60.8	57.7	56.7
EBITDA	25.3	24.8	23.1
Operating Profit	15.1	14.8	13.3
Net Profit	11.5	19.8	10.3
Net Operating Cash flow after Interest and Tax	22.6	19.5	19.3
Gross Capex (Tangibles)	(8.7)	(5.8)	(7.1)
Net Operating Assets	132.5	137.8	144.1
RONA	11.4%	10.7%	9.2%
Shareholders' Funds	160.3	161.6	143.3
Source: Port of Dover annual report (year ending December 2008) *Financial performance is shown before any exceptional items and cost of capital charge*			

Port of Dover – Analysis of Turnover and Profitability

The majority of income is derived from that associated directly with the ferry activity and then this is supplemented by other commercial activities such as cruise, cargo, property and marina.

The income for current and previous years is summarised as follows.

	2008 (£ million)	2007 (£ million)	% change
Ferry	44.3	42.7	3.7%
Cruise	4.9	3.8	28.9%
Cargo	2.0	2.5	(20.0%)
Property	5.9	5.7	3.5%
Marina	0.8	0.8	0.0%
Other	2.9	2.2	31.8%
Total	**60.8**	**57.7**	**5.4%**
Source: Port of Dover annual report (year ending December 2008)			

The Port of Dover has developed a master plan to increase capacity and deal with future growth. The Port of Dover expects freight traffic in particular to double over the next 30 years and believes investment in future capacity and facilities will be necessary in order to retain its position as the UK's primary roll-on/roll-off ferry port. The proposals include the construction of a new terminal with four new berths, a commercial development and traffic regulation measures to ease congestion on the road network around the Port and in the town of Dover.

For further information, please refer the Port of Dover website – http://www.doverport.co.uk.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

URENCO

URENCO is a leading global provider of enrichment and technology services to the nuclear generation industry worldwide. It focuses on providing safe, cost effective and reliable uranium enrichment services for civil power generation, and it operates in a pivotal area of the nuclear fuel supply chain for the generation of electricity for consumers around the world. The UK government has a one-third shareholding in URENCO.

Overview

URENCO is a leading global provider of uranium enrichment and technology services to the nuclear generation industry worldwide. It is involved in the front-end of the nuclear supply chain, enriching uranium using gas centrifuges to provide fuel for nuclear power utilities. Its centrifuge technology is currently the leading technology for uranium enrichment. URENCO serves customers all over the world, providing enrichment services to 25 per cent of the global market.

URENCO's operations are managed through two divisions – Uranium Enrichment Company (UEC) and Enrichment Technology Company (ETC).

UEC operates centrifuge enrichment plants to provide toll enrichment services to nuclear utilities. It operates from three facilities in Europe; a fourth facility, based in the US is under construction and is due to open in early 2010. All sites are 100 per cent owned by URENCO.

ETC develops, manufactures, supplies and installs centrifuges for uranium enrichment (currently to URENCO and Areva). Since 2006, it is a 50:50 joint jenture with Areva.

URENCO's existing enrichment facilities are based in the UK, Netherlands and Germany. At the end of 2008, their enrichment capacity stood at 11,000 tonnes of separative work per annum (tSW/a).

URENCO has grown its market share significantly in recent years. This has been achieved in a growing market and supported by capacity expansion at a time when competitors are undertaking the lengthy transition to centrifuge technology. URENCO continues to expand capacity to respond to customers' needs within a growing nuclear sector. It is focused on the successful execution of its expansion programmes in Europe and the US, with particular focus on the new enrichment plant, the National Enrichment Facility in the US being ready to start operations in early 2010. With the opening of URENCO's US facility and its other expansion projects, the company is aiming to achieve an enrichment capacity of approximately 18,000tSW/a by 2015 – a 60 per cent increase.

URENCO has long-term contracts with nuclear utility companies located worldwide for the provision of enrichment services. It has an order book of over €18 billion extending beyond 2030 and the average length of its contracts with customers is now almost 10 years.

Ownership and organisational structure

URENCO is a UK registered private limited company in which the UK government has a one third shareholding. The other shareholders are the Dutch government with one third, and the German utility companies RWE Power AG and E.ON Kernkraft GmbH, with one third between them.

URENCO's operations are overseen by its Board of Directors. This includes six non-executive directors appointed by each of the shareholders (proportionally).

URENCO is also governed by the Treaty of Almelo which was signed by the UK, Netherlands and Germany when URENCO was created. The Treaty sets out the basis of the three countries' collaboration in the development of uranium enrichment for civil uses. It established a Joint (tripartite) Committee of the three governments which ensures URENCO's compliance with the Treaty. The company is also governed by the Treaties of Cardiff and Washington, which follow on from the Treaty of Almelo.

Operational Performance

	2008	2007	2006
Order Book (£ billion)	18.0	17.5	140
Installed Capacity (tSW/a)	11,000	9,600	9,000
Source: annual reports (year ending December)			

Financial Performance

£ million	2008	2007	2006
Turnover	898	755	609
EBITDA	520	400	359
Operating Profit	366	261	241
Net Profit	202	176	147
Gross Capex (Tangibles)	(653)	(382)	(223)
Net Operating Assets	2,212	1,751	1,347
RONA	16.6%	14.9%	17.9%
Shareholders' Funds	520	638	491

Source: URENCO annual report (year ending December)

Financial performance is shown here before any exceptional items

URENCO reports in euro. These figures are converted into sterling using average exchange during the year

Comments

URENCO has demonstrated a strong operating performance in recent years – with significant increases in enrichment capacity, and strong growth in revenues and operating profits. Its revenues and profits have grown significantly, driven by the additional volumes sold. These volumes sold and the revenues generated by URENCO are underpinned by its long-term contracts.

Public Policy Objectives

The Government's objective is to support URENCO and its future development, to ensure that the company remains a leading supplier of global enrichment and technology services, and maintains its position as a reliable, long-term supplier with future business based on long-term contracts.

The Government is also keen to see the business successfully execute its expansion programmes and capital investments, exploiting the opportunities presented to it by the revival of nuclear power generation, and drive profitable and sustainable long-term growth.

In any of its deliberations about URENCO, it is of paramount importance to the Government to protect its non-proliferation and security interests.

Alternative Asset Options

The Government is exploring options to realise value from its one-third shareholding in URENCO. This has been a Government intention for some time, but any decision taken in relation to the shareholding will be subject to non-proliferation and security issues being fully addressed. As it is an important objective of the Government to actively support URENCO and its future development, it would like to find a way to realise value which also best promotes a successful future for the company.

For further information about the company, please refer to the URENCO website – http://www.urenco.com.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

ANNEX A – ASSET MANAGEMENT FRAMEWORK

The Government intends to put in place a new framework of sequential tests to support decisions on which delivery route is appropriate for any given public activity. A summary of this framework is set out below.

Delivery Options

The Government will, over a period of time, review the way in which public services are delivered, applying specific tests to help evaluate whether an activity should be provided by the State directly, through business structures or through alternative models such as cooperatives or community-owned entities. These tests will incorporate the factors that have informed the Government's framework for raising public sector productivity[1] including the need for clear objectives, well-designed incentive systems and appropriate provision of information if activities are to be delivered at arm's length.

For the majority of activities, where management as a business is not appropriate, the Government will use parallel criteria to determine how well the public sector option is working, how it can be improved, and whether alternative delivery structures such as cooperatives or third sector entities, would offer greater value, including social return, for citizens and taxpayers, particularly how they join up with other public services. These criteria will be developed by Budget 2010.

Within these different delivery structures, the Government will assess how public sector assets can be better used to build a greater link to users and the community, for example through sharing unused space with civic organisations. This will include looking at how civic organisations could be given new rights to access unused spaces. This will be taken forward through the work announced in *Putting the frontline first: smarter government* to explore new ways for civic organisations and local public services to work together. As part of the Public Value Programme (PVP) review of arms length bodies, Government is also investigating appropriate criteria, as well as other changes necessary to improve user value and drive value for money.

Business Assets

For activities that a review recommends should be operated as a business, Government will separate shareholder responsibility from its policy, customer and other responsibilities in relation to that asset. Shareholder responsibility for these government businesses – as opposed to the policy outcomes they enable – will be exercised by the Shareholder Executive in line with the Public Accounts Committee recommendation of 2007. This separation will ensure that any remaining conflict and lack of clarity between policy and commercial drivers is reduced, enabling clear and timely decision making and action.

[1] As set out in *Public Services: Meeting the Productivity Challenge* published by HM Treasury, April 2003

The Government will generally require business activities to be vested into a conventional company structure at arm's length from Government, with all customer relationships expressed contractually. The company structure provides a proven, standard model that works well, that employees and the public understand, and that gives the maximum flexibility for future development and growth.

Value Realisation

Finally, the Government recognises that in seeking to deliver services more effectively with limited resources, there may be advantages in some cases to adopting alternative forms of ownership. It will therefore consider, on a case-by-case basis for all businesslike assets, whether it would be desirable to dispose of all or part of the asset and, if so, when and how. In considering the appropriateness of sale of an asset, Government will consider a range of factors. Some of these will be of general application, but others are likely to be specific to each individual asset. General factors will include:

- whether it is possible to ensure continued delivery of high-quality services and high-quality services and other policy goals with different ownership (for instance by contract or regulation);
- whether there is or could be a satisfactory degree of competition to provide the service or product in the private sector;
- the extent to which the sale could be expected to increase investment, potentially through reduced constraints on borrowing, or enhance efficiency or quality; and
- the feasibility of sale in terms of market appetite and the value for money likely to be achieved.

ANNEX B – OTHER EXISTING AND NEW OEP ASSETS

Existing OEP Assets

The *Operational Efficiency Programme (OEP): Final Report*,[1] published at Budget 2009 presented a further shortlist of assets to be considered in the next phase of its work. Below is an update on this work for those assets which are not presented above.

Defence Estate's Security Services Group and Defence Animal Centre

The OEP Reviews on MoD's Defence Animal Centre and Security Services Group have identified opportunities for greater efficiency through cross-government collaboration, as a number of departments have similar requirements but operate separately. The OEP reviews have not identified potential privatisation options. The next phase of work will focus on developing the greater efficiency opportunities further.

Central Office of Information

Work under the OEP on the Central Office of Information (COI) has found scope to deliver greater efficiencies and savings by rationalising marketing frameworks across government and aggregating more activity through COI and its frameworks. This will also support improved effectiveness, planning and evaluation of government communications. The next phase of activity will take place within the OEP work on collaborative procurement and professional buying organisations, with support from both the Office of Government Commerce (OGC) and the government communications profession.

Emergency Planning College

The OEP has continued to examine the potential for further commercialisation of the Emergency Planning College, focusing on outsourcing. This process is ongoing, with a decision on the winning outsourcing bid due to be announced early 2010.

National School of Government

The OEP study on the National School of Government has focused on addressing the issues surrounding commercialisation of the School. In the next phase, work will continue on developing solutions to these issues.

Olympic Park Legacy Company

Progress has been made on structural and financial arrangements towards the establishment of the Olympic Park Legacy Company (OPLC). The Shareholder Executive and HM Treasury are engaging with OPLC's founder members – primarily the Department of Communities and Local Government, to ensure that there is sufficient commercial input into and oversight of the company's business case and governance arrangements.

New OEP Assets

In line with the OEP recommendation a further set of assets have been identified for review in the coming months. Reviews will be conducted in the same way as previously – collaboratively, considering a full set of appropriate options and with no preconceived outcomes. In the next phase of work the Shareholder Executive

[1] http://www.hm-treasury.gov.uk/vfm_operational _efficiency.htm

will work with departments and agencies to consider the potential to develop alternative business models, commercialisation, new market opportunities and, where appropriate, alternative ownership structures. The assets to be reviewed are outlined below.

NHS Shared Business Services and NHS Fractionated Plasma Products Supply Chain

Working with the National Health Service and the Department of Health on opportunities for the further commercialisation for some of its disciplines, including its Shared Business Services joint venture, and its fractionated plasma products supply chain.

Royal Fleet Auxiliary

Looking at the Royal Fleet Auxiliary's business delivery model to consider options for the future and establish if there is scope to enhance efficiencies and deliver greater value for money.

Building Schools for the Future Investments Ltd

Working with the Department for Children, Schools and Families and Partnerships UK to review the ownership structure and central government equity stakes in local Building Schools for the Future projects.

NHS Local Improvement Finance Trust (LIFT) / Community Health Partnerships

Working with the Department of Health to review central government equity stakes in NHS LIFT companies.

ANNEX C – BBC WORLDWIDE

BBC Worldwide is the main commercial arm and subsidiary of the British Broadcasting Corporation (BBC). In the financial year 2009, BBC Worldwide generated revenues of £1 billion (including joint ventures). It has a growing business with strong profitability, robust track record and immense brand recognition. Significant growth opportunities have been identified and initiated across the full range of its businesses and markets including opportunities to exploit access to new capital and partnerships.

Overview

BBC Worldwide is the main commercial arm, and a wholly owned subsidiary, of the BBC. Its mission is to create, acquire, develop and exploit media content and brands around the world in order to maximise the value of the BBC's assets for the benefit of the UK licence payer.

The BBC has recently published a review of BBC Worldwide's mandate, strategy and governance within its current ownership structure. In line with the *Digital Britain*[1] report published in June 2009 the Government continues to encourage the BBC Trust to look at the options for greater financial and operational separation for BBC Worldwide, including a sale or partial sale, perhaps as part of the BBC's ongoing strategic review of its existing activities.

The company has seven core businesses:

- Channels;
- Sales and Distribution;
- Magazines and Children's and Licensing;
- Content and Production;
- Home Entertainment;
- Digital Media; and
- Global Brands.

A key source of value is the "first-look agreement" between the BBC and BBC Worldwide, under which BBC Worldwide has exclusive rights to exploit BBC content.

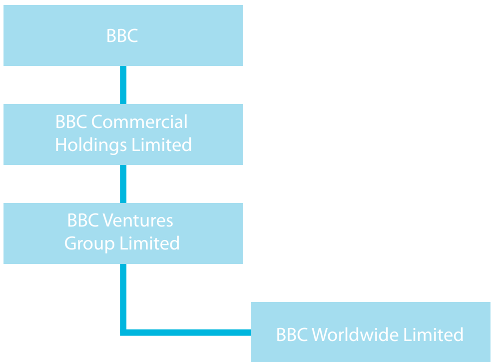
The company is currently in the third year of its current five-year growth plan. On 24 November 2009 the BBC Trust published the outcome of a review of the mandate, strategy and governance arrangements for BBC Worldwide. This review concluded that the Trust should bring greater clarity to the direction, parameters and strategic priorities of BBC Worldwide's commercial activities, to ensure that they align with the BBC's public purposes. However the review was clear that this need for direction and parameters should not cut across the ambition that BBC Worldwide should maintain and develop its commercial vigour and strength.

The BBC Trust announced a new governance framework for BBC Worldwide in September 2009, as part of this review. BBC Worldwide will now develop a more detailed three-year strategy, subject to approval by the BBC Trust

[1] http://www.culture.gov.uk/what_we_do/broadcasting/6216.aspx

and Executive, which will show the more specific changes to its activities that will need to be made to bring these new principles and boundaries into effect. Further details are available from the BBC Trust website.[2]

Ownership and Organisational Structure



The ultimate parent undertaking and controlling party is the BBC which is incorporated in the UK by Royal Charter.

Operational Performance

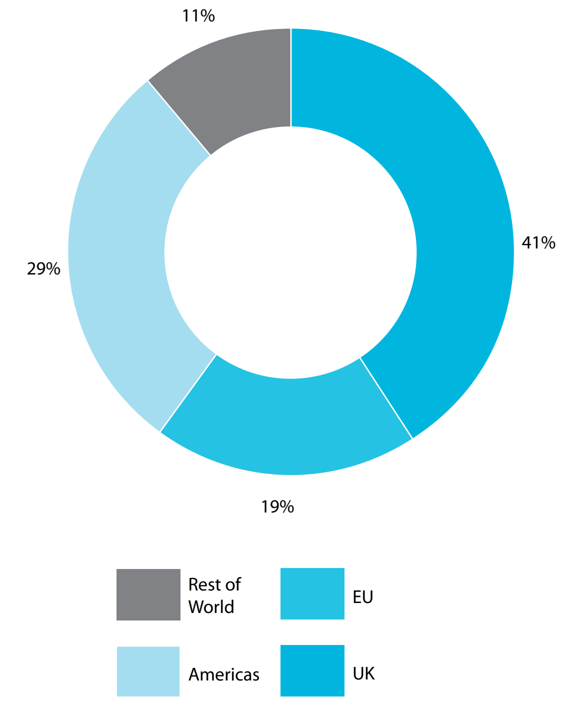
	2009	2008	2007
Overseas Revenues as a % of Total[1]	51.3%	48.6%	46.0%
Online Revenues as a % of Total	4.6%	2.7%	1.1%
BBC Branded Channels[1]	44	29	n/a
Content and Production Business Revenues (£ million)	88	74	50
M&A Trackrecord	29	91	6
Headcount	2,580	2,019	1,613

Source: annual report (year ending March)

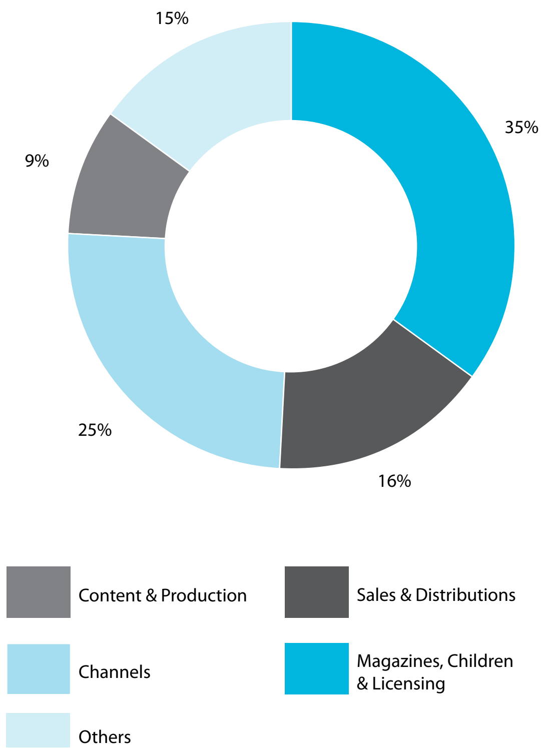
[1]Including joint ventures

Analysis of Turnover (excluding joint venture)

By geography



By business segment



Source: BBC Worldwide annual report

[2] http://www.bbc.co.uk/bbctrust/assets/files/pdf/our_work/commercial/commercial_review.pdf

Financial Performance

£ million	2009	2008	2007
Turnover[1]	704.6	641.7	571.9
EBITDA	210.0	231.9	214.5
Operating Profit	102.6	117.7	100.6
Net Profit	40.8	77.6	70.5
Net Operating Cash Flow after Interest and Tax	153.3	175.2	136.5
Investment in Programmes for Future Sale	(88.2)	(100.8)	(109.5)
Net Operating Assets	277.2	225.8	130.8
RONA	37.0%	52.1%	76.9%
Shareholders' Funds	138.0	116.4	118.8

Source: BBC Worldwide annual report (year ending March).

Financial performance is shown before any exceptional items.

[1]Excluding joint ventures

Public Policy Objectives and Constraints

BBC Worldwide has a clear objective to maximise the value of the BBC's assets for the benefit of the UK licence payer. To this end it aims to balance short-term returns to the BBC parent with investment in long-term growth of the business.

BBC Worldwide currently operates under a number of specific BBC Charter and Agreement conditions, which set out commercial constraints (fit with BBC mission, commercial efficiency, reputation and market distortion) as well as borrowing limits set by the Government. To date these have not significantly constrained the ability of BBC Worldwide to grow.

As set out in *Digital Britain*,[3] the Government continues to encourage the BBC Trust to consider proposals to achieve greater separation, which could include the sale of a part of BBC Worldwide, while maintaining the rationale for the "first-look agreement" and protecting the quality of the BBC brand around the world. As detailed above, the BBC has recently set out the conclusions of its review into the mandate, strategy and governance arrangements for BBC Worldwide within its current ownership structure. The Government now expects the BBC to look more widely at the options for greater financial and operational separation, including a sale or partial sale.

Alternatives to sale or partial sale might also include other structures that would potentially enable the introduction of external capital, broadening ownership of the asset and yet retaining the link to the BBC.

Any ownership or alternative commercial options for the business would need to be considered in this context.

For further information, please refer the BBC Worldwide website – http://www.bbcworldwide.com.

Any enquiries can be directed to the Shareholder Executive at shex.oep@bis.gsi.gov.uk.

[3] http://www.culture.gov.uk/what_we_do/broadcasting/6216.aspx

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