

Asset Protection Agency

Business Plan

2011-12



I. Introduction

This is the Asset Protection Agency's (APA) third Business Plan.

The APA is now in its second year of existence having been established as an executive agency of HM Treasury on 7 December 2009. The main function of the APA is to operate the Asset Protection Scheme (APS/the Scheme) on behalf of HM Treasury.

2. Values

The APA seeks to conduct itself and deliver its objectives in accordance with the highest possible standards. Consistent with its values, the APA aims:

- To act as professional asset managers, seeking to be fact based value investors where it comes to making decisions delegated to the APA; to look for hard facts, accurate projections and insightful scenario analysis; to recognise that good credit and recovery decisions are the foundations for sound analysis of cashflow, for understanding the motivations of all involved parties, and for proper diligence.
- To add value; to use the APA's interventions and interactions with RBS to reduce risk for the taxpayer and to benefit the recovery value of the covered assets - and so support RBS itself.
- To communicate openly and directly; to have frank dialogue with all our stakeholders and staff; and to challenge constructively with a focus on value added resolution.
- To be collaborative and supportive in the workplace; to recognise that APA jobs are demanding and to support colleagues.
- To listen and learn; to be open to new ideas; to recognise that, in operating a scheme of great complexity with little precedent, the APA will need to learn and adapt continuously to make the APS successful; to acknowledge issues when they occur, as they inevitably will; to learn lessons from mistakes, and to move on quickly.

3. Vision, objectives and targets

Vision statement

The APS is the virtual bad bank scheme created by the UK Government in 2009 as a result of the global economic downturn. The APA's function is to operate the APS on behalf of HM Treasury, in effect creating and maintaining the virtual bad bank and ensuring that it is managed as effectively as possible.

To help the APA to fulfil its responsibilities, the Agency focuses its resources on achieving defined operational objectives and corresponding targets; these are set out in the following sections of this document.

Achievement of the APS's objectives will result in three major outcomes: first, the APS will have played an important role in restoring financial stability to the UK banking sector which will again be thriving and supporting the real economy without government help; secondly, the Government will have been remunerated for its risk in the APS and RBS will have successfully exited the Scheme; and lastly, the APA will have played its part in reducing potential losses on APS covered assets and in protecting the public interest.

Recognising the temporary nature of the Scheme, the APA aims to build a lean organisation, seeking cost-efficient outsourcing and leveraging RBS infrastructure, documentation and processes wherever possible.

Agency objectives for 2011-12

The Agency's overriding objective is to protect the taxpayer's interest by ensuring that the objectives of the Scheme are achieved. In line with this overall objective, the APA has the following operational objectives for 2011-12:

1. To be proactive and timely in exercising HMT's rights, to maximise the value of the assets in the Scheme and reduce the probability of payouts under the Scheme.
2. To provide timely, robust and independent forecasts of expected losses on covered assets and potential payments to be made by HMT under the Scheme.
3. To provide a valuation of the APS for inclusion in HMT Annual Report and Accounts.
4. To achieve accurate, valid and appropriate verification of losses on covered assets.
5. To determine appropriate asset management strategies for covered assets with RBS.
6. To ensure consistent and proper determination of expected loss credits for disposal of non-triggered assets.

7. To provide timely and accurate management reporting to HMT on the activities of the APA.
8. To maintain appropriate systems and processes to administer the APS, making use of those of RBS where appropriate.
9. To communicate clearly and openly with stakeholders.
10. To operate within budget with a strong focus on efficiency and value for money.
11. To provide swift and helpful responses to public enquiries.
12. To foster a supportive organisational culture with an emphasis on personal development.

Agency targets for 2011-12

1. To agree a focus list with RBS of priority large assets and update this regularly; to conduct reviews of all assets on the focus list by 31 March 2012; to provide RBS with timely decisions where required minimising delays; to avoid occasions (target >95%) in connection with Conduct Requiring Approval where, through lack of APA response within five business days, RBS is able to invoke the “snooze/lose” provisions.
2. To provide robust APS loss forecasts to HMT, both on a quarterly basis by no later than 6 weeks after receipt of Quarterly Statement data from RBS, and also in line with agreed timetables for fiscal events.
3. To produce an auditable valuation of the APS that complies with International Financial Reporting Standards and in line with appropriate accounting policies, in accordance with agreed timelines for inclusion in HMT’s Annual Report and Accounts and Parliamentary Estimates.
4. To progress the APA’s programme of verification of data reported by RBS to provide evidence to support losses claimed, the data used to prepare the loss forecasts and determine whether a selection of Scheme rules have been complied with. To test the ten priority data fields for the top 20 per cent of assets, by value of Covered Amount, by 31 March 2012.
5. To monitor the implementation of APS adviser recommendations made in respect of asset management strategy for RBS business units managing covered assets.
6. To process all loss credits for disposal of non-triggered assets within one month of receipt of all relevant information.

7. To provide full and accurate reporting to HMT's APS Team and HMT Group Finance, within agreed timelines and taking account of Parliamentary reporting requirements and targets agreed with HMT.
8. To conduct APA operations in accordance with Government data handling, IT use and security policies.
9. To operate within budget and in line with HMT Group policies including on financial and commercial management.
10. In line with HMT Group policies to provide HMT with relevant information in a timely manner to enable HMT to meet operational, contractual and statutory deadlines when responding to Parliamentary Questions and Freedom of Information requests.