

From: Barnett, David - UKGI [GRO]
Sent: Fri 11/02/2022 11:13:05 AM (UTC)
To: Permanent Secretary [GRO]; Submissions Distribution List [GRO]
Cc: Creswell, Carl (Services Directorate) [GRO]; Brooks-White (Jobshare) [GRO]; Beal, Eleanor (Services Directorate) [GRO]; Heath, Daniel (Finance) [GRO]; Wones, Eleri (BEIS) [GRO]; Patel, Amisha (BEIS) [GRO]; Emerson, Edward - UKGI [GRO]; Cooper, Tom - UKGI [GRO]; Mackie, Robert - UKGI [GRO]
Subject: [OFFICIAL COMMERCIAL] Submission on Release of POL withheld funding
Attachment: 2022.02. DRAFT POL release of withheld funding due before 31.3.22 FINAL.docx
Attachment: ANNEX B - 2021.09.27 POL funding due 1 October.docx
Attachment: ANNEX C - 2021.06.02 POL 2021-22 budget.docx
Attachment: ANNEX D 2021.12.14 POL funding due 1 January.docx
Attachment: ANNEX E - POL HMBU BUDGET 2021 2022 21.1.22V5.0.docx

Johanna,

As mentioned in previous catch ups and submissions earlier in the year, please find attached advice on the release of funding withheld from POL due to legal cost issues.

Based on the progress made to date we are in a position to recommend the release of the withheld funds, which total £101.5m, but with clear messaging to POL that there remains significant work to do and the Shareholder remains dissatisfied with the current state of play.

This advice requires approval from Sarah and is for noting by Minister Scully.

Please see below headlines from the submission. (Previous subs and related paper from POL attached as separate annex documents):

Summary

1. As part of the Funding Agreement entered into to fund POL for 2021/22, Network Investment and Network Subsidy payments are due to be paid periodically in-year from BEIS to POL.
2. £101.5m of funding due to POL has been withheld in 2021/22, following the recommendation of officials in May 2021, because of the absolute scale, inadequate control and forecasting of legal costs. The £101.5m includes: Network Investment (£64m, due 1/10/21) and Network Subsidy (3 payments of £12.5m due 1/7/21, 1/10/21 and 1/1/22, 2022). For prior submissions on this matter, please see Annexes A-D.
3. BEIS and UKGI officials have been working intensively together with the company to challenge and improve POL's legal cost controls and forecasting such that POL can

present a 2021/22 budget that could be approved by BEIS. After considerable effort and engagement some reductions in legal costs have been obtained, albeit offset by other unforeseen costs, and there has been some improvement in POL's oversight.

4. The position remains unsatisfactory however and this note puts forward options for dealing with the funding that has been withheld in the current financial year and the legal costs issue. It is recommended that POL's budget for 2021/22 is approved so that funding can be released before the end of the financial year.

Recommendation

5. **To release the £101.5m of withheld funds to POL** alongside clear commitments from Management about the further work and collaboration needed in managing legal cost. Options 2 and 3 at paragraphs [30] and [31] of the submission document set out different approaches to this.

Timing

6. A decision by close 23 February is requested allow orderly payment in line with the BEIS cash forecasting assumption (payment on 8 March 2022) and avoid potential cash forecasting penalties. POL must receive funds by mid-March 2022 in order to remain a Going Concern.

Many thanks,
Dave

David Barnett, CFA, ACA | Assistant Director

UK Government Investments

M: **GRO**
E:

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