



Department for  
Business, Energy  
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Dear Tim

As you know it is our standard approach to periodically write to the Chair of each of our businesses within the UKGI portfolio to help provide clarity about the Government's expectations for the businesses it owns.

The recent announcement of the provision of up to £370m of funding by the Government for the three years from April 2018 provides an opportune moment to follow up on my previous letter of 30 March 2017, which covered interim funding arrangements, and my letter of the 25 July which set out our proposed investment funding and subsidy arrangements for the Post Office. This letter sets out the strategic priorities for Post Office from the shareholder's perspective, and provides final confirmation of the funding arrangements for the next three financial years.

### Strategic Priorities

I recognise the considerable progress that Post Office has made over recent years, including the business breaking even for the first time in 16 years. Under your leadership and that of the senior management team, combined with the funding Government has made available, we expect Post Office to continue to strengthen its financial and operational performance in the future, with the aspiration to remove the need for taxpayer subsidy beyond March 2021. In addition, we also expect Post Office to:

- Maintain a network of at least 11,500 branches across the UK, meeting the Access Criteria that has been re-affirmed in the recent response to Government's consultation on Post Office. This will meet the Government's manifesto commitment to safeguard the post office network and the services it provides;
- Lead by example with regard to good corporate governance, particularly in light of the Government's recent response to the BEIS Select Committee's enquiry. This includes following, and indeed setting, best practice on executive pay and its reporting, employee representation and feeding in to the Financial Reporting Council's consultation in to corporate governance;

- Work with UK Finance to make a concerted effort to boost awareness of Post Office's Banking Framework amongst customers and stakeholders, following the recommendations of the review undertaken by Professor Griggs on access to banking, and the Lords Financial Exclusion Select Committee's report on this matter, and;
- Continue to provide to its shareholder regular, timely, clear and consistent reporting of financial performance and commercial matters, including the progress made by Post Office in relation to all business cases approved by the Post Office Board, both in terms of the delivery of individual projects and their performance post implementation.

## Funding

On behalf of the Government, I confirm the funding arrangements for the forthcoming financial years 2018/19 to 2020/21, following discussions with HM Treasury.

Government is making available a total of up to £210m of investment funding across 2018/19 and 2019/20, with a maximum of 80% of that total (£168m) being available in 2018/19. I understand that POL will be providing a more detailed investment plan to Government prior to the start of the next financial year which will set out the proposed quarterly drawings for 2018/19. As you have discussed with UKGI, I am keen that Post Office does not draw funding in advance of need, and uses that funding prudently and efficiently in accordance with the objectives of the three-year strategic plan, that will be approved formally by Government as part of our signing of the new Funding Agreement to March 2021.

I understand that as a commercial business, investment projects in any given year can sometimes get delayed. Therefore, there should be regular reporting of progress against the investment plan from POL to BEIS and UKGI to enable timely discussions to take place on any proposed changes to the agreed schedule of quarterly drawings.

As confirmed in my letter previously, subsidy payments totalling £160m will be made available over the next three years, with £60m payable in quarterly instalments in the first year, with £50m paid in quarterly instalments in each of the following two years.

Clearly the above arrangements are subject to achieving State aid approval from the European Commission, and finalising the Funding Agreement on acceptable terms.

I hope that the above clarifies my strategic priorities and the funding position sufficiently for you, and I look forward to seeing the progress that Post Office continues to make in the coming years.

*Best wishes*  
**GRO**

**MARGOT JAMES MP**

Minister for Small Business, Consumers & Corporate Responsibility