

OFFICIAL – SENSITIVE: COMMERCIAL

Date: 6 March 2020

Director General: Sarah Munby

Director: Carl Creswell

Lead Official: Beth White **GRO**

Recipient	To Note / Comment	To Approve / Decide
Secretary of State	X	
Minister Scully	X	
Lord Callanan	X	
Permanent Secretary	X	
Special Advisers	X	

POST OFFICE: WHAT CONTROLS DO WE HAVE TO ENSURE POST OFFICE BEHAVE PROPERLY?

Following the call on the Post Office on 4 March, you asked for further information on the controls that BEIS has in respect to the Post Office.

1. The Government already has a number of controls in place to oversee the performance of Post Office Ltd (POL) as a public corporation:
 - As the sole shareholder, BEIS Ministers oversee appointments to the POL Board, Chair and CEO and have approval rights for the company's remuneration levels and bonus frameworks;
 - UK Government Investments represents BEIS's interests through a Non-Executive Director who sits on the POL Board, as well as on their Audit & Risk Committee and their Litigation Sub-Group;
 - BEIS approves POL's business plan and sets the overall targets for the organisation;
 - We hold quarterly meetings with the POL Chair and Chief Executive to review POL's performance and assess their progress on key issues;
 - The BEIS Permanent Secretary writes an annual letter to the POL Chair to outline the Government's expectations of the company;
 - BEIS also has to agree payment of subsidy, (and previously, investment funding) against performance as detailed in the Funding Agreement. UKGI scrutinise information provided by POL and this led to a delay in the provision of funding last year. Any future subsidy would be subject to a new Funding Agreement, which could have the addition of a new lever associated with change.
2. We have been taking various steps over the last year to further enhance our grip on the company's performance. These include expanding BEIS's policy and sponsorship capacity by creating new Director and new Deputy Director roles. The UKGI Director has also taken a more assertive approach to the role, since he joined two years ago.

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3. We have also developed the first ever Framework Document, which – in line with sponsorship best practice – will publicly set out responsibilities between BEIS, UKGI and POL. It includes provisions to require POL to share information proactively with the Department. The Permanent Secretary's recent (annual) letter to POL's Chair outlines our expectation that POL delivers on what it promised during the Horizon mediation and that it changes its culture in relation to postmasters.
4. The main areas where we could go further include:
 - **Performance reviews:** BEIS Ministers could start to attend the quarterly performance reviews that officials currently hold with the POL Chair and CEO. We know that POL would welcome this.
 - **Bonuses:** in 2019, BEIS insisted on a 20% reduction of part of the bonus pot for POL senior staff. We are currently considering their framework for 2020/2021 which will provide a greater emphasis on successfully delivering POL's change plan than the previous approach.
 - **Appointments:** most of the POL Board has changed over the last year. BEIS has agreed the appointment of two new Non-Executive Directors and the new CEO (Nick Read). We could ask members of POL's Board to consider their positions, though this would largely affect POL's Chair (Tim Parker), who has been in place since October 2015. Any attempt to dismiss POL senior staff would require careful consideration of the unfair dismissal rules and provisions within the terms of their contracts.