

Subject: POL Strategic Options

Attendees: Alex Chisholm, Tom Cooper, Richard Callard, Jaee Samant, Tim Jarvis, Caleb Deeks, Tony Curzon-Price, Leah Sparks, Madhav Bakshi

Time & Date: 9:00 to 9:30; Friday, 11 May 2018

Summary: The meeting looked at the potential options for the future of Post Office Limited, following Richard Callard's paper on the issue, with indications that the preferred option for the future of the organisation may be keeping it in public ownership while loosening the current restrictions in areas like borrowing and spending. There was also a brief mention of litigation being faced by POL, and whether the best policy sponsor for POL in the long term would be in the Business and Science directorate instead of Market Frameworks.

1. Long term Strategic options

- a. Alex noted that a previous discussion had seen little appetite for privatisation, while mutualisation was also seen as not being viable. The idea of a charitable trust was also seen as not being suited to the nature of the organisation, with the preferred option keeping the organisation publicly owned while giving it greater freedoms.
 - i. Jaee suggested that charity status may be suitable given that the Government was ultimately supporting the organisation for non-commercial reasons and issues had been ongoing for years.
 - ii. Alex argued that the franchise nature of the business, alongside the difficulties in securing charity status and the fact it was unlikely to receive donations, made this unsuitable. Richard noted that 90% of the business's activity was profit seeking, and there were hopes it could self-subsidise parts of the business that were loss making by 2021. Tony suggested that it was a commercial business that also had a public purpose.
- b. Tom argued that POL should be able to go to banks for borrowing, but noted that this raised problems from Treasury and government finance perspective and raises a policy ownership question. Richard noted that TfL could borrow on the market while being publicly owned, though it was unclear why. **Richard to examine TfL model and see if it could be applied here.**
- c. Richard also raised concern about in year flexibilities around the spending plans, and Alex noted the flexibilities available for BBB and GIB and suggested they could be applied here.
- d. Richard noted restrictions around spending beyond the laid out strategic plan for the business, and the delays entailed in seeking permission for this from Government. He gave the example of restrictions around hedging, which had been delayed by Treasury and thus took longer to pursue than it would have done if POL had approached banks.
- e. Alex stressed that the flexibilities couldn't allow for an "anything goes" policy on spending, which was generally recognised. Tom noted, however, that a lot of major decisions were approaching which necessitated a more open policy.
- f. Tom also suggested it would be possible to "be smarter" about how POL receives funding. Caleb also stressed the need to have an argument to present to the

Treasury, suggesting that proposals needed to aim either to reduce the subsidy or eventually privatise the business.

- i. Tom noted the role the POL could play around financial exclusion, stating that for many communities the only place to withdraw cash is the Post Office. However, Alex proposed that new partners like Square may be more suitable to provide such services in future and be a better partner for POL.
Tom to look into Square as POL partner, Madhav to provide Square info
- ii. Tom noted that digital identity could be a good option for growth, and said it was desirable to be looking into this.
- g. Alex discussed plans for a potential Cabinet Paper on this matter, noting that there was also interest from other departments like the Treasury and DWP in this area.
Madhav to send copy of last meeting notes to all attending.
- h. Tom noted that the Post Office Card Accounts contract is to renew 2022, but tender would need to start earlier. Should encourage them to come up with a different solution. However, the options would cost money as it would reduce footfall.
 - i. Tom also noted the money earned in interest when claimants and pensioners collected their benefits late through this system was currently held by POL, and suggested it would be fairer if the money were refunded to claimants. He suggested that this could also be used to help people move up financial inclusion ladder. Alex also noted this option, though Caleb suggested it would be fairer for the taxpayer to ultimately get this money back.

2. Policy Ownership

- a. Alex noted that a number of the areas related to POL are being managed by UKGI, including dealing with MPs letters or UQs, were not necessarily for them to handle. He also suggested it was important to think about who is thinking about it in BEIS itself, suggesting the current approach was somewhat reactive. He suggested that it could be paired with Royal Mail.
- b. Tim argued that POL was an odd fit for his directorate, and also noted potential issues with POL and Royal Mail being each other's biggest customers and both sitting with the same person in BEIS. He suggested the main issue came to a question of where its role was seen as most important, noting its role as a retail organisation.
- c. Alex suggested that this may best sit with communications within DCMS, but Tim suggested this may not be feasible in a narrow view. Tom and Richard argued that it was better suited within retail given that it passed on the actual communications work to Royal Mail.
 - i. Alex noted that POL also did work on the telecommunications, digital and financial services side, but Tom responded that this remained a small portion of its work.
 - ii. Tony noted that POL was suited to reach out to difficult to reach customers, especially lower income consumers, and suggested that not allocating it within consumer and competition was passing up an opportunity. He argued that it was in fact Royal Mail who could be moved to communications in the future. However, Alex argued that this side of the Department did not normally sponsor partner organisations in this way. It was also concluded that resourcing constraints would likely lead to the undesirable outcome of Royal Mail and POL being managed by the same person.

- iii. It was concluded that responsibility to POL should go to retail, while Consumer and Competition would keep Royal Mail. Alex to meet with Laura Robinson and Gavin Lambert to discuss this, followed by a meeting with Gavin, Laura, Jaee, Tim. Tom, Jeremy to provide details on what taking over POL would entail for policy team.

3. Plans for a Cabinet Paper

- a. Tom stated that there was a desire for a Cabinet Paper on the future of POL as soon as possible. He noted that POL looking at this themselves, but that it would take several weeks and that the most likely opportunity would therefore be late June – early July.
 - i. Alex explained that the aim was at first to present something to the EDS, which would then go on to be presented to ministers. He noted the cross-cutting nature of the work done by POL on a departmental level and a need for interests to be aligned. UKGI to begin preliminary work on a Cabinet Paper.

4. Litigation update

- a. Richard explained that written advice related to JFSA (Justice for Sub-Postmasters Alliance) case would be sent up that week.

5. Business Update

- a. Tom discussed the renegotiation of the deal between POL and Bank of Ireland, noting that this was a ten year deal which would expired in a few years but which they wanted to renegotiate now.
 - i. Alex suggested that this linked in to the Cabinet Paper, given that this would entail entering into ten year commitment.
 - ii. Tom explained that the Post Office wanted more freedoms, and that Bank of Ireland would likely want to exit. Alex noted that companies like Transferwise would likely be better partners for the Forex side of the business.
- b. Tom also noted that a new acquisition deal was soon to be announced, explaining that the message around this was that there was a flailing firm argument. The aim was to put firms together and create something properly competitive.