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Briefing for Robert Swannell meeting with Sajid Javid – December 17th 2015



Biography: <https://www.gov.uk/government/people/sajid-javid>

It would be useful if you could seek feedback from the Minister in terms of the relationship with, and performance of ShEx.

Below is a summary of issues, and lines for you to take on a variety of matters which may be of interest to SoS.

1. UKGI - Transfer of the Shareholder Executive to UK Government Investments

The Secretary of State might be interested in the UKGI project and the transfer from BIS to HM Treasury, and specifically the forward relationship between UKGI and BIS.

Lines to take:

- ShEx provides support to BIS on various key assets/projects – including the Post Office, IRRELEVANT and will continue to do so as UKGI.
- BIS will continue to be a key customer of UKGI and officials are working together to ensure the relationship continues on an efficient and productive basis.
- Work to facilitate the transition continues to progress, and we remain on track for UKGI to be fully operational with staff transferred in to the new entity for the start of the financial year on 1 April
- It is likely that UKGI will be based in 1 Victoria street for the short term

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7. POL's accounts for 2014/15 will have to be restated by c£86m.

This has been caused by an underprovision in the exceptional charges, related to subpostmaster compensation as subpostmasters agree to exit the network. This is an accounting error – payments to subpostmasters have not been affected, there is no loss to the business, the estimated cost of the overall programme (£430m) has not changed, nor has POL's government funding position.

Lines to take:

- We are taking this issue very seriously, but it is an accounting error.
- ShEx has now met with the CFO a number of times on this matter, and he appreciates how unacceptable it is.
- The CFO is relatively new, and is part of the solution here. He identified early in his tenure that there should be better controls and is putting them in place (including a new Financial Controller). This issue came out during that process.

8. POL General/privatisation

Sajid met new chair Tim Parker late last month, who gave him his initial views of the business having been in place for just over six weeks. These included that it was likely its public sector heritage meant it had a higher cost base than it should, and that if he was approaching it from a private equity angle, or starting from scratch, the organisation could look very different. SoS has subsequently asked ShEx for their views on privatisation and any other options available to the shareholder.

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Lines to take:

- Since independence from Royal Mail, POL have already made significant progress in the last three years on reducing costs.
- For example, subsidy has come down from a peak of £210m to £130m this year, £40m of losses have been stripped out of their Crown Network, they will break even (before subsidy) towards the end of the next financial year.
- Privatisation will not be simple commercially or politically (and it would need the passing of legislation to allow it). Officials are putting together a slide deck for the SoS to consider over recess.
- But we would be keen to discuss these face to face with the SoS in the new year

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