EXPLANATORY MEMORANDUM TO

THE POST OFFICE NETWORK SUBSIDY SCHEME (AMENDMENT) ORDER 2024

2024 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.

2. Purpose of the instrument

2.1 This instrument will raise the current legislative cap placed on funds, that can be provided to Post Office Limited in any period of twelve months beginning on 1st April by The Department for Business and Trade under the Post Office Network Subsidy Scheme. The instrument will set a new cap on spending at a figure of £750 million.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is all of the United Kingdom.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is all of the United Kingdom.

5. European Convention on Human Rights

5.1 The Parliamentary Under Secretary of State for Enterprise, Markets and Small Business, Kevin Hollinrake MP, has made the following statement regarding Human Rights:

"In my view the provisions of the Post Office Network Subsidy Scheme (Amendment) Order 2024 are compatible with the Convention rights."

6. Legislative Context

6.1 Section 103 of the Postal Services Act 2000 provides the Secretary of State for Business and Trade with a power to make, by order, a scheme for the making of payments to Post Office Limited to support the provision of the Post Office network. Pursuant to this power, the Post Office Network Subsidy Scheme was established by the Post Office Network Subsidy Scheme Order, S.I. 2007/962. This sets out the conditions under which Government may award funding to Post Office Limited, and also caps subsidy to the company, which was set at £160 million in any one period of twelve months beginning on 1st April. This cap was then raised in 2011, to £500 million by the Post Office Network Subsidy Scheme (Amendment) Order, S.I. 2011/98.

6.2 This legislation will amend the Post Office Network Subsidy Scheme Order, S.I. 2007/962.

7. Policy background

What is being done and why?

7.1 Post Office Limited delivers services across all four nations of the UK through the network of 11,500 branches and the Government-set access criteria. These essential services benefit both individuals and SME businesses in urban and rural areas across the UK. These include mail, parcels, cash, basic banking, utility bill payment facilities and Government and public services. Government therefore provides funding to support the network, without which, many post office branches across the UK would be unsustainable. This funding is provided through the Post Office Network Subsidy Scheme.

7.2 A cap, placed on the level of funding that can be provided to Post Office Limited via the existing Post Office Network Subsidy Scheme, allows £500 million to be paid in any one period of twelve months beginning on 1st April i.e., in each financial year.

7.3 Recent events arising from the Horizon scandal, have led to increased costs for Post Office Limited. These costs, in addition to broader economic conditions, increase the possibility that the appropriate or necessary level of funding required by Post Office Limited may exceed the existing £500 million cap. It is essential that, in these circumstances, Government maintains the flexibility to provide sufficient funding to the company when needed. Raising this cap allows it to ensure there is no legislative barrier to providing essential funding to maintain the functions of the Post Office, while sufficient funding is also provided to enable the victims of the Horizon scandal to be compensated. This instrument will therefore raise the cap from £500 million to £750 million.

Explanations

What did any law do before the changes to be made by this instrument?

7.4 Prior to the laying on this instrument, funding could be provided to Post Office Limited under the Post Office Network Subsidy Scheme, but this was capped at a figure of £500 million in each financial year.

Why is it being changed?

7.5 The current cap of £500 million may not be sufficient to allow The Department for Business and Trade to provide the level of funding through the Post Office Network Subsidy Scheme forecast as required to meet the future needs of the company. An increased cap ensures that there will be no legislative barrier to appropriate funding being provided where required.

What will it now do?

7.6 Any payments made under the Post Office Network Subsidy Scheme will be limited to £750 million in each financial year.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 The Department does not intend to consolidate the 2007 or 2011 Order.

10. Consultation outcome

10.1 No consultation has been undertaken other than with Post Office Limited. The company has been consulted in order to best forecast its future funding requirements and to calculate an appropriate figure at which to cap spending.

11. Guidance

11.1 No guidance is required for this instrument.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 There is no, or no significant, impact on the public sector.

12.3 A full Impact Assessment has not been prepared for this instrument because it relates only to a single business to support their existing functions and therefore does not have a sufficient impact to require an assessment.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The approach to monitoring of this legislation is the Department for Business and Trade regularly monitors Post Office Limited's financial performance.

14.2 The instrument does not include a statutory review clause [and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015 Parliamentary Under Secretary of State for Enterprise, Markets and Small Business has made the following statement:

It is not proportionate to include a review clause in this instrument because it would not be proportionate to the impact of the legislation, as set out at paragraph 12.

15. Contact

15.1 Ed Baird at the Department for Business and Trade Telephone: 07827 903017 or email: ed.baird@businessandtrade.gov.uk can be contacted with any queries regarding the instrument.

15.2 Beth White and Eleanor Brooks, Deputy Director for Post Office Policy at the Department for Business and Trade can confirm that this Explanatory Memorandum meets the required standard.

15.3 Kevin Hollinrake, Parliamentary Under Secretary of State for Enterprise, Markets and Small Business at the Department for Business and Trade can confirm that this Explanatory Memorandum meets the required standard.