



Department
for Business
Innovation & Skills

Martin Donnelly CMG

Permanent Secretary

1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5544
E perm.sec@bis.gsi.gov.uk

www.gov.uk/bis

13 October 2015

The Rt Hon Sajid Javid MP
Secretary of State
Department for Business, Innovation and Skills

Dear Secretary of State

ROYAL MAIL EMPLOYEE SHARES

Following consideration of advice from officials about the process for gifting further shares to Royal Mail's UK employees, you have indicated that you wish to implement a one percent allocation (i.e. 10 million shares) from the Government's remaining fourteen percent of shares in the company. At the time of your previous decision to award shares free of charge to Royal Mail employees, I set out in a note my position as Accounting Officer.

As I said in my letter of 11 June, it is my personal responsibility as Accounting Officer to ensure that an organisation's use of resources achieve good value for money. *Managing Public Money* advises that I should seek a written direction from you if, for example, an alternative proposal or doing nothing would deliver better value for money, such as a cheaper, higher quality or more effective outcome for the Exchequer as a whole.

There are good policy reasons to cement employee ownership in Royal Mail. These were recognised in the legislation which stipulated that a minimum of 10% of Royal Mail shares should be allocated to employees. This was to ensure continued employee constructive engagement with and commitment to the company, and to recognise that wider share ownership was a good in itself. The further gift of 1% of the company to UK employees, under a direction from you, built on this decision.

I therefore concluded that while a Ministerial decision to allocate shares to Royal Mail staff was an entirely legitimate policy decision, it did not provide a tangible return to the taxpayer and so was not value for money as defined in the legislation.

This was on the basis there was insufficient evidence to enable a business case to be constructed that showed that the impact of the employee shareholdings on the company's performance justifies the taxpayers' expenditure involved in a free allocation of shares to employees.

I have considered the position again and reached the same conclusion in relation to this proposed gifting of shares.

I recognise your right to take a broader view. If that is your decision, I will proceed accordingly but I require your written instruction to do so. I will then ensure the necessary steps are taken to carry forward your instruction without delay. I will alert the Comptroller and Auditor General, who will inform the Public Accounts Committee, in line with the standard procedure for handling all directions, who may then conduct an enquiry.

yours ever

Martin Donnelly,

MARTIN DONNELLY