Subsidy Advice Unit Report on the proposed Post Office Process Review compensation subsidy

Referred by Department for Business and Trade

22 February 2024

Subsidy Advice Unit

Part of the Competition and Markets Authority

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1. Introduction

1.1 This report is an evaluation prepared by the Subsidy Advice Unit (SAU), part of the Competition and Markets Authority, under section 59 of the Subsidy Control Act 2022 (the Act).

1.2 The SAU has evaluated the assessment of compliance from the Department for Business and Trade (DBT) of the proposed Post Office Process Review compensation subsidy (the Process Review Subsidy) with the requirements of Chapters 1 and 2 of Part 2 of the Act (the Assessment).[1]

1.3 This report is based on the information provided to the SAU by DBT in its Assessment and evidence submitted relevant to that Assessment.

1.4 This report is provided as non-binding advice to DBT. The purpose of the SAU's report is not to make a recommendation on whether the subsidy should be given, or directly assess whether it complies with the subsidy control requirements. DBT is ultimately responsible for granting the subsidy, based on its own assessment, having the benefit of the SAU's evaluation.

1.5 A summary of our observations is set out at section 2 of this report.

The referred subsidy[2]

1.6 Post Office Limited (POL) is a public non-financial corporation wholly owned by the Secretary of State for Business and Trade. Through POL, the UK government ensures the provision of a network of Post Office branches through a Service of Public Economic Interest (SPEI), delivering essential services to customers across the UK, for which it provides POL with an annual network subsidy.[3]

1.7 DBT is proposing to award the Process Review Subsidy as a grant of up to £81 million to enable POL to provide redress to postmasters affected by operational issues identified by the Post Office Process Review. This review was launched in response to the 'Common Issues Judgment' of the High Court in 2019.[4] The

[1] Chapter 1 of Part 2 of the Act requires a public authority to consider the subsidy control principles and energy and environment principles before deciding to give a subsidy. The public authority must not award the subsidy unless it is of the view that it is consistent with those principles. Chapter 2 of Part 2 of the Act prohibits the giving of certain kinds of subsidies and, in relation to certain other categories of subsidy creates a number of requirements with which public authorities must comply.

[2] Referral of the proposed subsidy by the Department for Business and Trade for Post Office Process Review compensation - GOV.UK (www.gov.uk)

[3] POL is provided with an annual 'Post Office Subsidy Award' (currently £50 million). SPEIs are essential services provided to the public that would not be provided, or would not be provided on the terms required, by an enterprise under normal market conditions (see Statutory Guidance chapter 6). Separately, in addition to the annual subsidy award, the UK government has also periodically provided 'Post Office Investment Funding' (worth £185 million between 2022/23 and 2024/25).

[4] Judgment (No.3) "Common Issues" in *Bates et al v Post Office Limited*, [2019] EWHC 606 (QB), dated 15 March 2019. Former postmasters brought litigation against POL in 2016/2017. The Common Issues Judgment was issued as a result of this litigation and included findings regarding the contracts and agreements in place between POL and its postmasters.

Process Review Subsidy is separate from POL's work in compensating postmasters for the Suspension Remuneration Review, Horizon-related shortfalls, and overturned convictions.[5]

1.8 In July 2021, a restructuring plan was prepared to address POL's liabilities connected to its Horizon IT system and workers' rights legislation relating to previous years (the 2021 Restructuring Plan). DBT explained that the Post Office Process Review originally formed part of the 2021 Restructuring Plan, but it was not possible at that time to determine the costs associated with providing the necessary compensation. Accordingly, funding for the restructuring of POL, including the Process Review Subsidy, is being provided in tranches.[6]

1.9 In 2023, the original 2021 Restructuring Plan was superseded by a modified restructuring plan (the 2023 Modified Plan) which included all elements of the 2021 Restructuring Plan, including compensation relating to the Post Office Process Review. Therefore, while the Post Office Process Review was originally part of the 2021 Restructuring Plan, it now forms part of the 2023 Modified Plan (which we refer to throughout this report).

1.10 In late 2023, the SAU published two reports in relation to separate subsidies proposed to be given to POL by DBT, one of which related to the 2023 Modified Plan.[7] In both of those reports, the SAU identified a number of areas where the assessment of compliance could be improved.

SAU referral process

1.11 On 8 January 2024, DBT requested a report from the SAU in relation to the Process Review Subsidy.

1.12 DBT explained[8] that the Process Review Subsidy is a Subsidy of Particular Interest because its value exceeds £10 million.

[5] At a relatively late stage in our reporting period, DBT explained that a number of further areas have been identified as part of the Post Office Process Review and the intention is that these further areas should form part of the Process Review Subsidy. The SAU's report is based on the content of the referral as it was originally submitted on 8 January 2024 and does not take account of these further areas.

[6] While the assessment as it was originally submitted did not clearly address whether the condition in s20(6) of the Act has been met, DBT subsequently clarified that it does not consider that provision to be relevant given that the Process Review Subsidy forms part of an existing restructuring plan (ie the 2021 Restructuring Plan as modified by the 2023 Modified Plan).

[7] Within the Modified Restructuring Plan, DBT proposed to award POL a grant to cover the costs of acting as a core participant in the Post Office Horizon IT Inquiry and operating its Remediation Unit. That subsidy was the subject of a recent SAU report, see Referral of the proposed subsidy to Post Office Limited by the Department for Business and Trade – GOV.UK (www.gov.uk). The SAU has also recently publish a report on another subsidy to POL for interim IT funding, which is unrelated to the Modified Restructuring Plan, see Referral of the proposed subsidy to Post Office Limited for Interim IT Funding - GOV.UK (www.gov.uk).

[8] In the information provided under section 52(2) of the Act.

1.13 The SAU notified DBT on 12 January 2024 that it would prepare and publish a report within 30 working days (ie on or before 22 February 2024).[9] The SAU published details of the referral on 15 January 2024.[10]

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[9] Sections 53(1) and 53(2) of the Act.

[10] Referral of the proposed subsidy by the Department for Business and Trade for Post Office Process Review compensation - GOV.UK (www.gov.uk)

2. Summary of the SAU's observations

2.1 The Assessment uses the four-step structure described in the Statutory Guidance for the United Kingdom Subsidy Control Regime (the Statutory Guidance) and as reflected in the SAU's Guidance on the operation of the subsidy control functions of the SAU (the SAU Guidance).

2.2 We consider that DBT has articulated a clear policy objective and explained how the Process Review Subsidy is designed to achieve the equity objective. The Assessment also appropriately explains and provides evidence of how the size of the Process Review Subsidy has been calculated and how some elements of the subsidy's design could mitigate potential distortions to competition.

2.3 In our view, there are a number of areas of the Assessment which DBT could address or improve, in particular:

(a) In Step 1, it is not clear how the benefits of maintaining the SPEI are related to the policy objective of the Process Review Subsidy. This is also relevant to Step 4, given that it is unclear why those benefits are relevant to the test of balancing the benefits of the Process Review Subsidy against its negative effects.

(b) In Step 2, the Assessment could more clearly explain and provide evidence of how and to what extent the counterfactual would adversely impact POL's ability to trade and provide the SPEI.

(c) In Step 3, DBT could improve the Assessment by clearly explaining how POL's self-funding to date relates to the Process Review Subsidy and how it fits into the wider POL Restructuring Plan costs. Also, the Assessment could explain in more detail the extent of the impacts of potential distortions on competition in each of the relevant markets in which POL operates.

2.4 Our report is advisory only and does not directly assess whether the Process Review Subsidy complies with the subsidy control requirements. The report does not constitute a recommendation on whether DBT should implement the Process Review Subsidy. We have not considered it necessary to provide any advice about how the Process Review Subsidy may be modified to ensure compliance with the subsidy control requirements.[11]

[11] Section 59(3)(b) of the Act.

3. The SAU's Evaluation

3.1 This section sets out our evaluation of the Assessment, following the four-step framework structure used by DBT.

Step 1: Identifying the policy objective, ensuring it addresses a market failure or equity concern, and determining whether a subsidy is the right tool to use

3.2 The first step involves an evaluation of the Assessment against:

(a) Principle A: Subsidies should pursue a specific policy objective in order to (a) remedy an identified market failure or (b) address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns); and

(b) Principle E: Subsidies should be an appropriate policy instrument for achieving their specific policy objective and that objective cannot be achieved through other, less distortive, means.[12]

Policy objective

3.3 The Assessment states that the policy objective of the Process Review Subsidy is to ensure that postmasters who have been adversely affected by the issues identified in the Post Office Process Review are provided with appropriate compensation. It explains that achieving this policy objective will 'alleviate the distress to postmasters affected by the issue and help restore confidence in POL and the continued operation of its branch network.'

3.4 The Assessment further explains that in 2021, POL was identified as an 'ailing entity', and the 2021 Restructuring Plan was put in place to address liabilities associated with certain matters connected with its Horizon IT system and workers' rights legislation. As explained above (paragraph 1.9), the Post Office Process Review subsidy originally formed part of the 2021 Restructuring Plan, which has now been superseded by the 2023 Modified Plan.

3.5 In our view, the policy objective of the Process Review Subsidy has been clearly explained.

[12] Further information about the Principles A and E can be found in the Statutory Guidance (paragraphs 3.32 to 3.56) and the SAU Guidance (paragraphs 4.7 to 4.11).

Equity objective

3.6 The Statutory Guidance sets out that equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.[13]

3.7 The Assessment explains that the Process Review Subsidy is intended to address an inequity that would arise if affected postmasters were not to receive compensation. Without the Process Review Subsidy, POL could not fund the costs associated with compensating postmasters for the detriment they experienced. Therefore, the Assessment explains that the Process Review Subsidy is intended to ensure that those affected receive compensation in a timely manner.

3.8 The Assessment further explains the range of SPEI[14] which will be maintained by providing the Process Review Subsidy. It explains that POL would be unable to fund the compensation payments without increasing the likelihood of POL entering into administration. Providing the Process Review Subsidy will therefore ensure the continued operation of POL and its provision of the SPEI.

3.9 In our view, the Assessment clearly explains the inequity it seeks to address and describes how giving the Process Review Subsidy will enable the equity objective to be achieved. While the Assessment refers to the UK government's separate objective associated with the SPEI, it is not clear how this is linked to the policy objective of this subsidy which relates to the provision of compensation to affected postmasters.

Consideration of alternative policy options and why the subsidy is the most appropriate and least distortive instrument

3.10 In order to comply with Principle E, public authorities should consider why the decision to give a subsidy is the most appropriate instrument for addressing the identified policy objective, and why other means are not appropriate for achieving the identified policy objective.[15]

3.11 The Assessment sets out several alternative means of achieving the policy objective that DBT considered. These options included (i) an examination of the capacity of POL to absorb these costs internally alongside cost reduction strategies, (ii) the potential for the UK government to provide the compensation directly, and (iii) the possibility of POL funding the compensation by way of loans.

3.12 It explains that following financial due diligence undertaken by independent consultants, DBT concludes that POL cannot further fund compensation costs in

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[13] Statutory Guidance, paragraphs 3.49-3.53.
[14] These include; Access to post services, access to basic cash and banking facilities, universal payment facilities for public utility services, and provision of services on behalf of central and local government.
[15] Statutory Guidance, paragraphs 3.54-3.56.

financial years 2023/24 and 2024/25, that cost reduction strategies/self-help are not viable and that additional funding is required.

3.13 The Assessment also considers whether the UK government could step in to deliver the compensation directly. However, it concludes that this proposition is not viable for legal, administrative, and procedural reasons.

3.14 Finally, DBT considered whether costs could be met through loans. It concludes that loans would not be viable as the relevant costs are not considered a commercial proposition for POL to raise debt finance.

3.15 In our view, the Assessment demonstrates that several options for achieving the policy objective were considered and explains why DBT concludes the Process Review Subsidy is the most appropriate means of addressing the policy objective.

Step 2: Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change

3.16 The second step involves an evaluation of the assessment against:

(a) Principle C: First, subsidies should be designed to bring about a change of economic behaviour of the beneficiary. Second, that change, in relation to a subsidy, should be conducive to achieving its specific policy objective, and something that would not happen without the subsidy; and

(b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.[16]

Counterfactual assessment

3.17 In assessing the counterfactual, the Statutory Guidance explains that public authorities should assess any change against a baseline of what would happen in the absence of the subsidy (the 'do nothing' scenario').[17] This baseline would not necessarily be the current 'as is' situation (the 'status quo') but what would likely happen in the future – over both the long and short term – if no subsidy were awarded.

3.18 The Assessment states that without the Process Review Subsidy, POL would remain subject to its liabilities but could not afford to meet them. We sought clarification from DBT regarding POL's liabilities, in response to which DBT confirmed that it believes POL is legally obliged to pay the compensation to affected postmasters.

[16] Further information about the Principles C and D can be found in the Statutory Guidance (paragraphs 3.57 to 3.71) and the SAU Guidance (paragraphs 4.12 to 4.14).
[17] Statutory Guidance, paragraphs 3.60-3.62.

3.19 The Assessment explains that, in the absence of the subsidy, POL would be unable to fund the compensation without increasing the likelihood of it entering administration. Furthermore, as set out in paragraph 3.8, given that POL delivers the SPEI, should POL's likelihood of entering into administration increase, its network of post offices would be adversely impacted, severely impairing the provision of the SPEI.

3.20 It further explains that POL cannot begin making compensation payments to postmasters without being confident that it can afford the whole liability, which requires government support.

3.21 The Assessment considers and discounts three alternatives to the counterfactual:

(a) POL divesting its assets: DBT explained that this would not be possible given that POL has already undertaken asset sales in recent years, and there are limited opportunities for further disposals.

(b) POL reducing its SPEI to cut costs: DBT explained that it would be costly and time-consuming (eg there would be a requirement for a consultation process) to pursue this approach and that any savings would only be generated over the longer term.

(c) UK government undertaking to pay the compensation and thus taking away the costs (ie liabilities) from POL: DBT submitted that it is not a realistic counterfactual as set out above in paragraph 3.11.

3.22 In our view, the Assessment adequately explains that POL could not achieve the policy objective in the counterfactual scenario. The Assessment also sufficiently considers alternative counterfactual scenarios and explains why none are credible.

3.23 However, the Assessment could more clearly explain and provide evidence of how and to what extent POL's network of post offices and its provision of the SPEI would be adversely impacted in the counterfactual scenario.

Changes in economic behaviour of the beneficiary

3.24 The Statutory Guidance sets out that subsidies must bring about something that would not have occurred without the subsidy.[18] In demonstrating this, public authorities should consider the likely change or additional net benefit.

3.25 The Assessment states that the Process Review Subsidy changes POL's economic behaviour by enabling it to fund the compensation costs that would otherwise not be paid to the postmasters.

[18] Statutory Guidance, paragraph 3.64.

3.26 In our view, the Assessment adequately explains the change in POL's behaviour compared to the stated counterfactual. However, the impact of the counterfactual scenario could have been more clearly articulated (see paragraph 3.23).

Additionality assessment

3.27 According to the Statutory Guidance, 'additionality' means that subsidies should not be used to finance a project or activity that the beneficiary would have undertaken in a similar form, manner, and timeframe without the subsidy.[19]

3.28 The Assessment explains that POL is a large-sized enterprise and has contributed £347 million of its funds to the costs of the activities within the 2023 Modified Plan (as well as the costs of the Group Litigation Order), including the compensation arising from the Post Office Process Review. The Assessment notes that this is a significant contribution in light of POL's financial position, and it has undertaken cost-reduction initiatives and asset sales (see paragraph 3.21), leaving it with insufficient funds to meet the full costs of the Process Review Subsidy.

3.29 In our view, the Assessment demonstrates why the Process Review Subsidy does not finance the compensation payments that would have been undertaken in a similar form, manner and timeframe without the subsidy.

Step 3: Considering the distortive impacts that the subsidy may have and keeping them as low as possible

3.30 The third step involves an evaluation of the assessment against:

(a) Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it; and

(b) Principle F: Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom.[20]

Proportionality

3.31 The Assessment explains the extent to which POL has self-funded costs to date, as well as identifying and implementing cost reductions for which all meaningful activities have been identified and/or released.

3.32 The Assessment explains how POL plans to reduce the actual cost of administering the compensation scheme by 'standing up' the activity for the Post

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[19] Statutory Guidance, paragraphs 3.63 to 3.67.

[20] Further information about the Principles B and F can be found in the Statutory Guidance (paragraphs 3.72 to 3.108) and the SAU Guidance (paragraphs 4.15 to 4.19).

Office Process Review within the Post Office, including self-administering the compensation scheme and using in-house legal support to reduce costs.

3.33 The Assessment explains in detail how the size of the subsidy has been calculated. It provides estimates and sensitivity analysis of how the £81 million figure was arrived at, noting that this is the maximum funding envelope based on high-range estimates.

3.34 The Assessment also details a number of strategic reasons for implementing the compensation scheme, such as mitigating legal risk, and it is designed in a way that reduces cost and delivery risk, speeds up the compensation process and ensures consistency with previous compensation schemes.

3.35 The Assessment details a number of subsidy design elements that help demonstrate how the Process Review Subsidy is proportionate, including ringfencing the funding to cover only the relevant compensation payments, payments being made in arrears as liabilities crystallise, and putting in place thorough eligibility criteria. It also outlines the subsidy's ongoing monitoring and evaluation mechanisms, including a complete Monitoring and Evaluation Plan. This includes regular interaction between DBT and POL, ongoing monitoring of costs, and delivery of relevant activities against key performance indicators.

3.36 In our view, the Assessment appropriately explains how the size of the Process Review Subsidy was calculated and evidences how DBT has satisfied itself that these figures are as accurate as possible given the information available. The Assessment also reasonably explains how design elements of the Process Review Subsidy are intended to work in practice.

3.37 We consider that the Assessment could be improved by clearly explaining how POL's 'self-funding' (ie its contribution to the cost of restructuring) to date relates to the total cost of implementing the 2023 Modified Plan. In particular, we consider that such an explanation should take account of the extent to which the Process Review Subsidy might increase the total cost of the restructuring, and the impact that this would have on the total proportion of costs funded by the various subsidies given to POL relative to the total restructuring costs.

Design of subsidy to minimise negative effects on competition and investment

3.38 The Assessment states that POL does not trade internationally, and therefore, any impacts on competition would only impact competitors in a domestic setting.

3.39 It further explains that the Process Review Subsidy will not have a distorting effect on competition in the markets in which POL operates, as funding is limited and ringfenced to cover specific compensation payments that do not relate to POL's commercial activities or how it operates in the relevant commercial markets.

3.40 The Assessment explains why a direct grant is the most effective option to achieve the policy objective whilst highlighting that this type of intervention (direct grant) has a higher potential to distort competition. It also outlines that by ringfencing the Process Review Subsidy to specific costs and introducing monitoring of both costs and delivery against key performance indicators, any potential distortions to competition should be limited.

3.41 In our view, the Assessment appropriately explains why a grant is the most effective option, even though it has a higher potential to distort competition in principle. The Assessment also explains how elements of the Process Review Subsidy's design would mitigate potential distortions to competition.

Assessment of effects on competition or investment

3.42 The Assessment identifies relevant commercial markets that POL operates in, including: (i) mails, (ii) banking, (iii) government services and (iv) bill payment markets, including identifying relevant competitors and, for certain markets, the market shares and trends. DBT concludes that over time some competitors could expand to serve customer demand, but there is not currently a comparable competitor that could provide the same range of services and geographical spread as POL.

3.43 The Assessment also states that there could be an indirect distortionary impact on competition from ensuring the continued existence of POL as a competitor in a number of commercial markets. Should the counterfactual (as described in paragraph 3.18 - 3.19) be realised, this could potentially benefit competitors in the commercial markets in which POL is active. In those markets, the absence of POL as a competitor could allow other competitors to increase their market share. However, this is less likely in certain relevant markets where the number of competitors is limited, and in geographic areas where it is not commercially attractive. It also considers the potential positive impacts on competition from retaining POL as a competitor, especially in markets where there are a limited number of competitors.

3.44 In our view, the Assessment clearly identifies the relevant markets in which POL is commercially active. It also appropriately considers potential distortions to competition from the continued existence of POL as a competitor in a number of commercial markets. However, the Assessment could be strengthened by considering in more detail the extent of the impacts of potential distortions of competition in each of the relevant markets in which POL operates, as well as any impacts on investment by competitors as a result of the subsidy.[21]

[21] See also the conclusion of the SAU's evaluation in the report published on 29 November 2023 (Referral of the proposed subsidy to Post Office Limited by the Department for Business and Trade – GOV.UK (www.gov.uk)).

Step 4: Carrying out the balancing exercise

3.45 The fourth step involves an evaluation of the assessment against subsidy control Principle G: subsidies' beneficial effects (in terms of achieving their specific policy objective) should outweigh any negative effects, including in particular negative effects on: (a) competition or investment within the United Kingdom; (b) international trade or investment.[22]

3.46 The Assessment sets out the direct benefits of the Process Review Subsidy. These include compensating postmasters who have been affected by 'unreconciled losses and any related consequential losses' and therefore delivering on the UK government's policy commitment to compensate all affected postmasters

3.47 The Assessment also sets out that the subsidy will allow POL to maintain the provision of its existing SPEI and therefore gives rise to associated benefits, such as ensuring reasonable equity of access for UK consumers to Post Office services, including vulnerable customers and those in rural and deprived areas.

3.48 The Assessment lists the potential negative effects of the subsidy on competition and investment in the UK concerning the counterfactual position. It explains the likelihood of occurrence and the size of the impact, whilst stating that any impact on competition in the relevant markets would be minimal.

3.49 As set out in paragraph 3.38, the Assessment states that POL does not trade internationally and therefore, any impacts on competition would only impact competitors in a domestic setting.

3.50 In our view, DBT could improve the Assessment by setting out why it is appropriate to include in the balancing test the wider benefits relating to the provision of SPEI, given that it has not been explained under Step 1 of the Assessment how those benefits are related to the policy objective of the Process Review Subsidy.

Other Requirements of the Act

3.51 This step in the evaluation relates to the requirements and prohibitions set out in Chapter 2 of Part 2 of the Act, where these are applicable.[23]

Section 20: Restructuring

3.52 DBT considers the Process Review Subsidy to be a restructuring subsidy. The Statutory Guidance explains that restructuring subsidies can be granted by public

[22] See Statutory Guidance (paragraphs 3.109 to 3.117) and SAU Guidance (paragraphs 4.20 to 4.22) for further detail.
[23] Statutory Guidance, chapter 5.

authorities to ailing or insolvent enterprises, provided certain conditions are met, such as a requirement that the recipient has prepared a credible restructuring plan based on realistic assumptions that look to return the enterprise to long-term viability within a reasonable period.

3.53 In the case of a large enterprise, the recipient must make a significant contribution to the cost of the restructuring. The public authority must also be satisfied that the subsidy contributes to an objective of public interest, such as preventing job losses, or that the circumstances are exceptional.

3.54 Subsidies for restructuring ailing or insolvent enterprises are prohibited under section 20(1) of the Act unless certain conditions set out in section 20(2)-(5) are met. These are discussed in turn below.

s.20(2)-(3) The public authority is satisfied that there is a restructuring plan which is credible, based on realistic assumptions, and prepared to ensure a return to long-term viability within a reasonable time period[24]

3.55 The Assessment states that DBT is satisfied that the 2021 Restructuring Plan (as modified by the 2023 Modified Plan) is credible, based on realistic assumptions and is prepared to ensure POL's return to long-term viability by the end of the financial year 2024/25, with most compensation delivered by that point or close to completion. The Assessment bases this view on POL's draft three-year forecast. The 2023 Modified Plan is prepared with a view to providing POL with a route to address its current significant legal liabilities associated with Horizon and contractual issues. DBT states that once addressed, POL can focus its resources and efforts on the core business, bringing it back to long-term viability.

3.56 In our view, DBT could have explained more precisely, with supporting evidence, how POL would be returned to long-term viability by this subsidy alongside other subsidies identified in the 2023 Modified Plan.

s.20(4) Contribution to the cost of the restructuring

3.57 The Statutory Guidance states that the Public Authority's support should be limited to the smallest amount necessary to make the restructuring possible.[25]

3.58 DBT sets out that POL is a large-sized enterprise and has contributed significant funds (£347 million) to the costs of the activities within the 2023 Modified Plan, and explains that this contribution has been funded by POL's operating activities and asset sales.

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[24] Sections 20(2) and 20(3) of the Act.
[25] Statutory Guidance, paragraph 5.56.

3.59 In our view, the Assessment adequately explains that POL has contributed to the restructuring costs to the extent its financial position allowed.

s.20(5) The public authority is satisfied that it contributes to an objective of public interest by avoiding social hardship or preventing severe market failure[26]

3.60 The Statutory Guidance states that the Public Authority should be satisfied that the subsidy contributes to an objective of public interest by avoiding social hardship or preventing severe market failure.[27]

3.61 The Assessment states that the Process Review Subsidy contributes primarily to an objective of public interest in avoiding social hardship by ensuring that compensation is paid to affected postmasters. It also explains that the subsidy will ensure the continued delivery of essential SPEI that would otherwise be difficult to replicate.

3.62 In our view, the Assessment adequately explains how the subsidy contributes to the objective of avoiding social hardship.

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[26] Section 20(5) of the Act.
[27] Statutory Guidance, paragraph 5.62.