

# Subsidy Advice Unit Report on the proposed Post Office Transformation subsidy scheme

Referred by the Department for Business and  
Trade

13 April 2026

Subsidy Advice Unit

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Part of the Competition and Markets Authority



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# 1. The Referral

- 1.1 On 20 February 2026, the Department for Business and Trade (DBT) requested a report from the Subsidy Advice Unit (the SAU)<sup>1</sup> in relation to the proposed Post Office Transformation scheme (the Scheme) under section 52 of the Subsidy Control Act 2022 (the Act).<sup>2</sup>
- 1.2 This report evaluates DBT's assessment of compliance (the Assessment) of the Scheme with the requirements of Chapters 1 and 2 of Part 2 of the Act.<sup>3</sup> It is based on the information and evidence included in the Assessment.
- 1.3 This report is provided as non-binding advice to DBT. It does not consider whether the Scheme should be implemented or directly assess whether it complies with the subsidy control requirements.

## Summary

- 1.4 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 Subsidy Advice Unit (the [SAU Guidance](#)).
- 1.5 In our view, DBT has considered in detail many aspects of the compliance of the Scheme with the subsidy control principles. In particular, the Assessment clearly describes what would be likely to happen if the Scheme was not implemented, including in respect of service delivery (Principle C).
- 1.6 However, we have identified the following areas for improvement. The Assessment should:
  - (a) better explain and evidence how the Scheme will remedy the identified equity concerns (Principle A);
  - (b) provide more analysis to demonstrate that the Scheme is the minimum level necessary to achieve the policy objective (Principle B);
  - (c) consider in greater detail whether and how the Scheme might distort competition and the significance of any impacts, particularly in markets where

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<sup>1</sup> The SAU is part of the Competition and Markets Authority.

<sup>2</sup> [Referral of the proposed Post Office Transformation Subsidy Scheme by the Department for Business and Trade - GOV.UK](#).

<sup>3</sup> 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.

Post Office Limited (POL) faces strong competition and is changing its commercial offering (Principle F); and

- (d) better explain why this Scheme is not for the purpose of restructuring an ailing or insolvent enterprise and why the proposed Scheme is not for the purpose of the provision of SPEI services given the apparent link between the Transformation Plan and the future provision of SPEI services (Other Requirements of the Act).

1.7 In addition, we note that this Scheme is one of ten<sup>4</sup> referrals to the SAU in relation to financial assistance to POL since October 2023. DBT should consider the impact of this broader landscape of financial support when conducting its assessment of this Scheme and when considering future subsidies to POL. In particular, in relation to this referral, the Assessment should consider the full package of transformation support in its assessment of proportionality (Principle B).

1.8 We discuss these areas below, along with other issues, for consideration by DBT in finalising its assessment.

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<sup>4</sup> [Network subsidy to Post Office Limited for 2026 to 2029](#) (March 2026), [Remediation Unit and Horizon IT Inquiry 2026 to 2027 and IR35 liability costs](#) (March 2026), [Transformation and Network Investment \(July 2025\)](#), [Future Technology Portfolio 2025 to 2026 \(April 2025\)](#), [Network subsidy for 2025 to 2026](#) (April 2025), [Remediation Unit and Horizon IT Inquiry](#) (March 2025), [Post Office Process Review compensation](#) (February 2024), [IT Interim Funding](#) (December 2023) and [Post Office Limited](#) (November 2023).

## The referred scheme

- 1.9 POL was constituted under the 2000 and 2011 Postal Services Act and is a public non-financial corporation, which is 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, by way of Services of Public Economic Interest Assistance (SPEIA), delivering essential services to customers across the UK.
- 1.10 DBT is proposing to create a scheme to enable POL's Transformation Plan which aims to deliver transformational activities that allow POL to operate more efficiently whilst also reducing costs. It covers two areas of funding:
- (a) Strategic Transformation Plan (STP): initiatives to ensure the POL network is fit for purpose, improve the company's commercial offer, deliver a new operating model and reset stakeholder relationships.
  - (b) Future Technology Portfolio (FTP): investment into POL's IT systems and trading platform to ensure that branches remain operational in the short term whilst modernising the technology systems and conducting a phased exit from the current Horizon contract agreements with Fujitsu.
- 1.11 Together, these form a five-year initiative designed to secure the future of POL. The Scheme will provide £483.4 million over a two-year period (financial years 2026/27 to 2027/28), with £193 million allotted for the STP and £291 million for the FTP. A further £125.9 million has been provisionally allocated for financial year 2028/29.
- 1.12 DBT explained that the Scheme is a Scheme of Particular Interest because it allows for the provision of one or more Subsidies of Particular Interest to be given.<sup>5</sup>

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<sup>5</sup> Within the meaning of regulation 3 of [The Subsidy Control \(Subsidies and Schemes of Interest or Particular Interest\) Regulations 2022](#) and [The Subsidy Control \(Subsidies and Schemes of Interest or Particular Interest\) \(Amendment\) Regulations 2025](#) which set out the conditions under which a subsidy or scheme is considered to be of particular interest.

## 2. The SAU's Evaluation

2.1 This section sets out our evaluation of the Assessment, following the four-step 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**

2.2 Under Step 1, public authorities should consider compliance of a subsidy with:

- (a) Principle A: Subsidies should pursue a specific policy objective in order to remedy an identified market failure or 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.<sup>6</sup>

#### **Policy objectives**

2.3 The Assessment states that the policy objective of the Scheme is to reduce inequality in access to essential services by delivering POL's Transformation Plan, including technological modernisation (see paragraph 1.10), enabling POL to continue delivering Services of Public Economic Interest (SPEI) to a consistent and reliable standard.

2.4 It goes on to explain that there are five pillars of the Transformation Plan:

- (a) Strengthen the commercial offer: building the company's resilience by developing and diversifying POL's income and improving trading performance;
- (b) Ensure that the network is fit for purpose: investment in POL's network, including for the purpose of moving to a fully franchised model and reducing costs;
- (c) Deliver a new operating model: making operations more efficient, simplifying structures and building capacity in areas as required;

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<sup>6</sup> See [Statutory Guidance](#), paragraphs 3.33–3.59 and the [SAU Guidance](#), paragraphs 3.6–3.10 for further detail.

- (d) Reset stakeholder relationships: improve relationships with key stakeholders, including postmasters (via the 'New Deal')<sup>7</sup>;
- (e) Transform technology and data: the 'Future Technology Portfolio' (FTP) element of the Scheme, involving reforms to POL's technology estate, including the replacement of the Horizon IT system.

2.5 The Assessment explains that these measures are intended to (i) sustain nationwide access to SPEI; (ii) increase operational resilience and reliability; (iii) reduce the cost of the uncommercial network by delivering efficiencies and modernising the operating model; and (iv) enable the implementation of the 'New Deal for Postmasters' to increase Postmaster remuneration.

2.6 In our view, the Assessment describes and evidences the specific policy objective of the Scheme.

### **Equity Objective**

2.7 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.<sup>8</sup>

2.8 The Assessment states that through activities set out in its Transformation Plan, POL will be able to maintain its nationwide network and seek to address inequalities in access to essential services faced by individuals and communities in remote, rural, and underserved areas in the UK.

2.9 The Assessment explains that the Post Office network plays an important role in providing a range of services<sup>9</sup> to rural communities, small and medium sized enterprises (SMEs), and for groups such as older customers and those customers who are digitally excluded. It explains that research commissioned by POL estimated that households and SMEs valued the network at £5.2 billion and £1.3 billion per annum respectively.

2.10 The Assessment states that the Scheme will not directly reduce the inequality of service access, as it does not directly fund the costs of SPEI delivery, but that transformation activities will support POL's capability to deliver SPEI nationwide. It outlines that the Transformation plan seeks to modernise the network, upgrade critical technology and enable service continuity nationwide. The Assessment

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<sup>7</sup> [Post Office Corporate](#).

<sup>8</sup> [Statutory Guidance](#), paragraphs 3.52–3.56.

<sup>9</sup> These services include: access to postal services; basic cash and banking facilities; payment facilities for public utility services; and, services provided on behalf of central and local government.

further explains that without the Scheme the SPEI would not be delivered according to the government's access criteria.<sup>10</sup>

- 2.11 The Assessment identifies a further equity concern, in that Postmasters have experienced income inequality, with real income declines over more than a decade. The Assessment notes that this Scheme will not directly fund increases in postmaster remuneration, but rather will put POL in a better position to be able to self-fund such increases through the 'New Deal' for Postmasters.
- 2.12 In our view, the Assessment describes the inequalities that continuing to operate the POL network seeks to address. However, the Assessment should focus on how the Scheme will remedy the concerns identified, in line with the Statutory Guidance.<sup>11</sup> It could also provide further statistics to evidence inequalities and better explain and evidence how income inequality for Postmasters constitutes an equity concern.

### **Appropriateness**

- 2.13 Public authorities must determine whether a subsidy is the most appropriate instrument for achieving the policy objective. As part of this, they should consider other ways of addressing the market failure or equity issue.<sup>12</sup>
- 2.14 The Assessment explains that DBT has considered the following means to achieve the policy objective:
- (a) Regulatory intervention: The Assessment considered regulation requiring POL to maintain nationwide SPEI access. DBT discounted this option as they concluded that it could not create the financial capacity needed to enact the Transformation Plan.
  - (b) Market-based solutions: The Assessment explains that the private sector lacks the financial incentive to replace the Horizon systems or invest in the end-of-life systems key to SPEI delivery as these activities do not produce commercial returns.
  - (c) Self-funding: POL will be co-funding the STP. However, the Assessment notes that POL is in a precarious financial position and not able to self-fund the full transformation without putting the company in further financial difficulty.

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<sup>10</sup>The UK government requires POL to deliver these SPEI services across specific access criteria. This includes maintaining a network of at least 11,500 branches and ensuring that 99% of the UK population is within three miles of their nearest Post Office outlet.

<sup>11</sup> [Statutory Guidance](#), paragraphs 3.53 to 3.65.

<sup>12</sup> [Statutory Guidance](#), paragraphs 3.57–3.59.

- (d) Loan finance: The Assessment explains that POL taking out a loan on commercial terms is not an appropriate option;<sup>13</sup> as repayment obligations would result in profits being diverted from the policy objective.

2.15 In our view, the Assessment demonstrates that DBT has considered other ways of achieving its policy objective and explains and evidences why a subsidy scheme was the most appropriate option.

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

2.16 Under Step 2, public authorities should consider compliance of a subsidy with:

- (a) Principle C: Subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change should be something that would not happen without the subsidy and be conducive to achieving its specific policy objective; and
- (b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.<sup>14</sup>

### **Counterfactual**

2.17 In assessing the counterfactual, public authorities should consider what would likely happen in the future – over both the long and short term – if no subsidy were awarded (the ‘do nothing’ scenario).<sup>15</sup>

2.18 The Assessment states that in the absence of the Scheme, POL’s trading performance is forecast to decline further which, in the long term, could result in the company becoming insolvent. The Assessment notes that alternatively, to avoid insolvency, the UK government would need to step in and seek to increase network subsidy funding.

2.19 The Assessment explains that in the absence of the Scheme, POL would seek to pause or wind down all but non-essential activity and focus their resources on maintaining ageing branch technology and software licensing, leaving no capacity for transformation.

2.20 The Assessment further explains that operationally, POL would be unable to deliver cost saving initiatives in the transformation plan and that the costs of

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<sup>13</sup> In order to access external finance, POL must seek the approval of DBT’s Secretary of State as POL’s sole shareholder, as in its Articles of Association.

<sup>14</sup> See [Statutory Guidance](#), paragraphs 3.60–3.74 and the [SAU Guidance](#), paragraphs 3.11–3.13 for further detail.

<sup>15</sup> [Statutory Guidance](#), paragraphs 3.63–3.65.

operations and running the network would go up over time, which would have a knock-on effect of increasing the network subsidy requirements.

- 2.21 The Assessment concludes that a ‘do nothing’ scenario would threaten the ability of POL to operate and meet its legal and regulatory commitments through the loss of its core trading platform, harming POL and Government’s public standing as well as thousands of postmasters and their communities. The Assessment states that this is not a feasible option due to the likely societal impact.
- 2.22 The Assessment also considers three alternatives to the counterfactual scenario that were considered within the business case for the Scheme. These are:
- (a) Baseline – Business as Usual: POL delivers only already funded or legally unavoidable work, with no capacity for structural reform.
  - (b) The “Do Minimum”: this involves making only partial improvements – selective commercial tweaks, limited network optimisation and modest operating model changes.
  - (c) Future Technology Portfolio: POL replaces only the most critical end-of-life systems, continues life-extension of ageing infrastructure and undertakes only basic cyber and data upgrades.
- 2.23 The Assessment states that across all scenarios POL would not be able to modernise at the required pace, maintain the network in line with Government expectations, nor address the systemic failings identified in Step 1 resulting in a failure to deliver the organisational transformation and ultimately the equity objective.
- 2.24 The Assessment sets out the impact of no-subsidy in the short, medium and long term. It notes that in the absence of the Scheme, POL would still be required to adhere to government policy requirements and deliver the SPEI but would lack the financial capacity to progress the transformation necessary, and to do so sustainably, and would expose both the organisation and the government to escalating financial, operational and reputational risk.
- 2.25 The Assessment also considers service delivery in the event the Scheme is not awarded and notes detrimental impacts on mail services, banking and cash services, government services and bill payment services. It explains that, should POL be unable to deliver the SPEI across the access criteria, this would cause social hardship as critical services would no longer be widely accessible, disproportionately impacting older and more vulnerable individuals that rely on the services of the Post Office.
- 2.26 In our view, the Assessment clearly describes what would be likely to happen if the Scheme was not implemented, including in respect of service delivery. In

particular, it explains the impact in the short, medium and long term and considers other potential counterfactual scenarios and explains why DBT does not consider these alternative scenarios to be credible.

### **Changes in economic behaviour of the beneficiary and additionality**

- 2.27 Subsidies must bring about something that would not have occurred without the subsidy.<sup>16</sup> They 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 ('additionality').<sup>17</sup> For schemes, this means that public authorities should, where possible and reasonable, ensure the scheme's design can identify in advance and exclude those beneficiaries for which it can be reasonably determined would likely proceed without subsidy).<sup>18</sup>
- 2.28 The Assessment explains that the Scheme will change POL's economic behaviour by allowing it to implement full scale transformation including building a modern and resilient replacement for Horizon, a refresh of branch technology across the entire network, and full modernisation of back-office systems, which will, in turn, ensure that POL can continue to deliver the SPEI according to the Government-set access criteria.
- 2.29 Specifically, the Scheme will strengthen POL's commercial offer, enabling it to generate sustainable revenue, drive wider efficiencies across the network, devise a new operating model, reset relations with key stakeholders following the Horizon IT issues, provide the foundation for POL's New Deal for Postmasters and enable an overhaul of POL's outdated technology estate.
- 2.30 In terms of compensating costs, the Assessment states that the Scheme is justified for the following reasons:
- (a) Over the medium to long term POL cannot commercially fund the costs of maintaining the mandated network; the Scheme compensates for unavoidable costs necessary to maintain full-service provision and is strictly limited to time-bound transformation rather than business-as-usual run costs.
  - (b) Historically POL has self-funded a portion of the costs associated with providing SPEI and will be required to continue to meet some of the costs of the uncommercial network. Without the Scheme, POL would be unable to sustain the breadth of SPEI required or invest in technology that underpins delivery.

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<sup>16</sup> [Statutory Guidance](#), paragraph 3.67.

<sup>17</sup> [Statutory Guidance](#), paragraphs 3.66–3.70.

<sup>18</sup> [Statutory Guidance](#), paragraphs 3.71–3.73.

- (c) If POL were operating as a normal commercial enterprise without the obligations attached to Government policy, it would not maintain services to the same scale or density as required under the SPEI access criteria as it is not commercially viable.
- (d) The policy objective to address equity concerns by ensuring nationwide access to essential services through technological modernisation and transformation is directly advanced by compensating POL for these unavoidable costs.
- (e) The Scheme is strictly limited to the additional, transformation-related costs required to maintain the viability of the SPEI in the medium and long term. These activities sit outside normal operations and would not occur without targeted public intervention.

2.31 In our view, the Assessment explains how the subsidy would change the beneficiary's economic behaviour and that the Scheme brings about changes that would not have occurred in the absence of the Scheme.

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

2.32 Under Step 3, public authorities should consider compliance of a subsidy with:

- (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.<sup>19</sup>

### **Proportionality**

2.33 The Assessment notes that the Scheme will be time limited to three years, with funding agreed so far for financial years 2026/27 and 2027/28. It explains that as part of POL's multi-year Transformation Plan, further funding will be required in the future. The Assessment outlines that for the STP, POL is expected to self-fund a significant proportion of costs for the financial years 2026/27 and 2027/28. It states that while a request for a third tranche of funding may be made at a later date, no further external funding is envisaged for the STP as from this point onwards POL expects to self-fund all activity. The Assessment outlines that for the FTP, further subsidy funding will be required.

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<sup>19</sup> See [Statutory Guidance](#) paragraphs 3.75–3.112 and the [SAU Guidance](#), paragraphs 3.14–3.18 for further detail.

- 2.34 The Assessment is supported by business cases for both the STP and FTP which provide an annual breakdown of spend over a five-year period and a breakdown of funding requirements.
- 2.35 The Assessment states that the Scheme represents ‘the minimum necessary investment to achieve the transformation objectives while delivering value for money’. It explains funding requests are based on detailed cost modelling and options appraisal conducted through the business case process. The Assessment explains that POL will partially fund the STP ensuring that the Scheme is limited to what is necessary beyond POL's own capacity.
- 2.36 In our view, the Assessment details how aspects of the Scheme design contribute to demonstrating compliance with Principle B. However, the Assessment should provide more reasoning to demonstrate that the Scheme is set at the minimum level necessary to achieve the policy objective (as opposed to being the ‘minimum necessary to achieve the best value for money’, which is not, in itself, part of the stated policy objective). Drawing on this fuller analysis, it should then explain how the Scheme is proportionate to the policy objective.
- 2.37 While the Assessment details that POL will self-fund a proportion of the STP, it should provide further explanation on how this co-funding contribution was determined including how POL will source these funds given its financial position. In addition, given that the Assessment explains that the final tranche of funding is not yet approved and therefore the estimated grant requirements could change, it could benefit from explaining how it will still ensure proportionality and the minimum necessary in relation to future changes.
- 2.38 Looking more broadly at the context of the Scheme, the Assessment should take into account other subsidies given to POL for similar purposes within the timeframe of the Scheme, and potential future funding requirements for the same and/or similar activities.<sup>20</sup> For example, it should take into account the full package of transformation support (including past STP and FTP subsidies) in its assessment of proportionality.

### **Design of subsidy to minimise negative effects on competition or investment**

- 2.39 The Assessment states that the Scheme has been designed to minimise distortions to competition. It details certain design elements, such as competitive procurement (particularly in the FTP, the use of commercial-off-the-shelf solutions for the FTP, subsidy duration, ringfencing, and payment through reimbursement mechanisms). It explains why a direct grant is the most effective option to achieve

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<sup>20</sup> See [Statutory Guidance](#) paragraph 3.95.

the policy objective, whilst recognising that a direct grant has a higher potential to distort competition.

- 2.40 The Assessment sets out the regular monitoring and evaluation processes that are in place across both STP and FTP (including monthly and quarterly reporting processes).
- 2.41 The Assessment explains that limiting the Scheme to POL as the sole beneficiary is both proportionate and appropriate given that POL is the only organisation with responsibility for delivering SPEI in the context of postal services.
- 2.42 In our view, the Assessment explains how some of the features of the Scheme are designed to minimise any negative effects on competition or investment within the United Kingdom. However, the Assessment should include specific information relating to design features contained within the funding agreement between DBT and POL and then explain more systematically how these features minimise potential distortions to competition. For instance, it could explain whether the funding agreement includes scheme design features that would help enforce performance criteria (such as clawback provisions).

### **Assessment of effects on competition or investment**

- 2.43 The Assessment identifies and provides information about the relevant markets in which POL is commercially active, namely (i) letters; (ii) parcels and Pick up and Drop Off services (PUDO); (iii) cash & banking; (iv) Government services; and, (v) bill payments. It identifies relevant competitors and, for certain markets, the market shares. In supporting material, it identifies some areas where competition distortions may occur and concludes that the impact on competition in the relevant markets compared to their current state would be negligible. The Assessment explains that the risk of market distortion is limited because the Scheme supports activities that no rational commercial operator would undertake - and which do not displace existing commercial competition.
- 2.44 The Assessment states that the Scheme's impact on the market will be minimal as funding is targeted to bring POL up to the market level. It states the expected negative effects are limited because:
- (a) POL does not operate as a significant competitor in most markets it touches; it instead acts as an access platform for postal, parcel, banking, and government service providers.
  - (b) Much of POL's activity is non-commercial, mandated by Government access criteria, and not provided under normal market conditions. The subsidy funds some activities that no commercial operator would undertake, particularly the maintenance of uncommercial branches in rural and deprived areas. For

services where competition exists (e.g., parcels, PUDO), POL enables greater competition by offering a neutral access point for multiple carriers.

- (c) The Scheme does not subsidise POL's competitive pricing, nor does it support commercial expansion into contestable markets.

2.45 The Assessment states that POL does not trade internationally so there is no expected impact on international trade or investment.

2.46 In our view, the Assessment considers the markets that POL operates in and provides some arguments as to why there may be minimal impacts on competition as a result of the Scheme. However, while the Assessment sets out reasons as to why impacts may be limited, the Assessment should consider in greater detail why the Scheme might distort competition - and the extent of any impacts - arising from subsidised improvements to POL's commercial offer, cost base and efficiency which are identified as part of the policy objective. Such a fuller analysis could consider in fuller detail those relevant markets and geographic areas in which POL operates and receives a subsidy, where impacts are likely to be more significant (for example where POL has strong competition or greater overlap with alternative providers), as a result of improving its commercial offering. It could also consider impacts on competition of POL as a competitor as well as an access platform (see paragraph 2.44(a)), as it is possible that POL could be both.

#### **Step 4: Carrying out the balancing exercise**

2.47 Under step 4 (Principle G), public authorities should establish that the benefits of the subsidy (in relation to the specific policy objective) outweigh its negative effects, in particular negative effects on competition or investment within the United Kingdom and on international trade or investment.<sup>21</sup>

2.48 The Assessment sets out that the Scheme will enable POL to maintain nationwide access to SPEI through the delivery of the STP and FTP. Direct benefits<sup>22</sup> outlined in the Assessment include: maintaining long-term access to essential services; improving long-term SPEI delivery; preventing branch closures; strengthening operational resilience; supporting a more financially sustainable operating model; and, enabling a New Deal for Postmasters.

2.49 The Assessment then discusses indirect benefits of the Scheme including:

- (a) the enhancement of the UK's cash infrastructure; including the provision of economic infrastructure for SMEs;

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<sup>21</sup> See [Statutory Guidance](#), paragraphs 3.113–3.121 and the [SAU Guidance](#), paragraphs 3.19–3.21 for further detail.

<sup>22</sup> The Assessment states that benefits from other subsidies to POL have been excluded from the balancing exercise.

- (b) support of social value – particularly for digitally excluded customers;
- (c) preservation of competition in adjacent markets by providing neutral multi-carrier access points for PUDO; and,
- (d) the provision of benefit certainty, arising from a new resilient technology estate able to continue providing benefits, given current uncertainty as some of POL’s technology estate is approaching end-of-life and becoming increasingly unstable and given Fujitsu’s stated intention to withdraw support.

2.50 The Assessment then discusses potential negative effects of the Scheme including the expected negative effects on competition or investment in the UK, as considered under Step 3 (see paragraphs 2.43 to 2.45). The Assessment describes these effects as limited, and only applicable to the parts of the network where competitors to POL operate, further explaining that many of the sectors in which POL operates are declining or non-commercial.

2.51 The Assessment states that DBT does not expect any impact on international trade or investment, as the Post Office network operates exclusively within the UK and the Scheme does not affect cross-border markets nor internationally-traded services.

2.52 The Assessment considers negative geographical impacts, judging there to be none and stating that the Post Office network generates substantial and evenly distributed economic and social value nationwide, also noting that geographical harms would result without the Scheme. The Assessment then concludes that the benefits of the Scheme outweigh the negatives.

2.53 In our view, the Assessment clearly sets out the positive effects of the Scheme in relation to the policy objectives, its geographic impacts, as well as potential negative impacts, and conducts a balancing exercise between them in line with the Statutory Guidance.

## **Other Requirements of the Act**

2.54 This step in the Assessment relates to the requirements and prohibitions set out in Chapter 2 of Part 2 of the Act, where these are applicable.<sup>23</sup>

## **Restructuring**

2.55 The Assessment states that the Scheme is not for the purpose of restructuring and therefore does not engage section 20 of the Act. The Assessment explains that the counterfactual is not that POL is or will become ailing or insolvent in the short

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<sup>23</sup> The [Statutory Guidance](#) explains at paragraph 5.2 that before giving a subsidy a public authority must ensure that it is not prohibited and meets any specific conditions for particular subsidies.

to medium term, as defined in section 24 of the Act, but rather that the absence of the Scheme will result in a sustained deterioration in POL's trading performance. This is likely to increase the cost to the UK government for maintaining the SPEI and impact POL's ability to meet its equity objectives (paragraphs 2.8 to 2.11).

- 2.56 The Assessment also explains that this Scheme can be distinguished from the restructuring support that POL is receiving, as the restructuring subsidies are focused on addressing the historical liabilities related to the Horizon IT issues and associated actions that POL was required to take in response.
- 2.57 By contrast, the purpose of the Scheme, according to DBT, is to fund optional activities undertaken by POL to improve its overall financial stability and delivery of its services, such as investing in branch modernisation.
- 2.58 The Assessment indicates that DBT has considered whether section 20 applies and concluded that it does not.
- 2.59 In our view, the Assessment should better explain why the Scheme is not for the purpose of restructuring an ailing or insolvent enterprise.<sup>24</sup> In order to do so, it could:
- (a) explain in more detail why POL is no longer an ailing or insolvent enterprise following POL's 2023 restructuring plan (as modified in 2025);<sup>25</sup> or
  - (b) more clearly explain why DBT considers the activities set out in the Transformation Plan funded by the Scheme do not constitute restructuring support; for instance, by explaining how continued investment in the transformation of POL differs from restructuring.

## **Services of public economic interest**

- 2.60 The Assessment states that the Scheme does not engage section 29 of the Act, as the Scheme does not directly fund the provision of SPEI services. It is instead for the purpose of delivering the transformation and technology necessary to maintain and improve the delivery of SPEI services (see paragraph 2.10)
- 2.61 In our view, the Assessment should explain more clearly why the proposed Scheme is not for the purpose of the provision of SPEI services given the apparent link between the Transformation Plan and the future provision of SPEI services.

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<sup>24</sup> Paragraph 5.6 of the [Statutory Guidance](#) explains there is no wider prohibition against giving subsidies that are not rescue or restructuring subsidies to ailing or insolvent enterprises. Further, we note that there has recently been a decision of the Competition Appeal Tribunal which considers the scope of rescue and restructuring subsidies, [1740/12/13/25 Bristol Airport v Welsh Ministers](#).

<sup>25</sup> For a reference to the restructuring plan, see the SAU's [report in relation to the proposed restructuring subsidy to POL](#) dated 29 March 2023, the [report on the proposed subsidy to Post Office Limited \(Remediation Unit and Horizon IT Inquiry\)](#) dated 26 March 2025 and the [report on the proposed Post Office Remediation Unit and Inquiry and IR35 liability costs subsidy](#).

For example, DBT could explain more clearly why the categories of costs funded by this Scheme are different in type from the categories of costs directly funded by POL's Network subsidies.<sup>26</sup>

**13 April 2026**

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<sup>26</sup> For example of Network funding, see the [report on the proposed network subsidy to Post Office Limited for 2026 to 2029](#).