



Kevin Hollinrake MP
Parliamentary Under Secretary of State

Department for Business and Trade
Old Admiralty Building
Admiralty Place
Whitehall
London
SW1A 2DY

Henry Staunton
Chair
Post Office Limited
Finsbury Dials
20 Finsbury Street
London
EC2Y 9AQ

29 June 2023

Dear Henry,

STRATEGIC PRIORITIES FOR 2023/24

I write to you to set out the key priorities on which the Department would like you to focus on in the coming year. I appreciate that this is a difficult time for the Post Office and that you are facing significant headwinds and immediate challenges.

I am pleased to note that, as of June 2023, over 99% of eligible applicants under the Historical Shortfalls Scheme have received an offer and that POL is working to make offers to the rest, as well as late applicants, as soon as possible. With regard to the 86 claimants whose historical convictions have been overturned to date, most have now received an interim payment of £163,000, and 53 non-pecuniary claims are settled and paid. This progress has been hard won and I am pleased to note the collaborative approach between our respective teams.

POL's Board has now made its funding ask for the remaining two years of the Spending Review. This reflects increasing costs primarily driven by the New Branch IT programme, as well as the growing complexity of the Inquiry and historical matters. I am also aware of the current forecast that, without additional Government funding, POL will be in breach of its financial covenant during the fiscal year 23/24. We will consider the funding request carefully to ensure it aligns to policy priorities and delivers value for the taxpayer. It will clearly require hard choices both by POL and by HMG. I have asked DBT officials to work with yours on improving good governance around business planning, cost control and remuneration.

I look to you continuing to lead the Board and provide support and challenge to the Chief Executive and management team in stewarding the company through this challenging period. For reference, UKGI's standard governance expectations of a Chair are at Annex A.

Specifically, I would like you to focus on the following priorities, and align the reward package to the shareholder priorities:

1. Effective financial management and performance, including management of legal costs, to ensure medium term viability

For FY23/24, POL should:

- Manage financial performance effectively against the agreed business plan and annual budget (noting that an agreed position on the 3 Year Plan will need to be reached to facilitate this);
- Provide robust options for the Shareholder to consider with regards to NBIT, so informed difficult choices about risk, cost and value for money can be made as part of the 3-year plan;
- Ensure that we agree a pipeline of upcoming approvals for spend above the £50m threshold, so that alignment with Shareholder objectives can be considered when developing the spend proposal;
- Maintain stringent cost control, and maintain a clear focus on value for money and efficient delivery, across the cost base, including:
 - NBIT and IT projects;
 - Legal costs;
 - Accelerating the network strategy;
 - Funding of DMBs; and
 - Other measures aimed at reducing central costs wherever possible.
- Ensure robust ongoing monitoring of financial performance including investment spending and liquidity monitoring with early and transparent flagging of risks to the Shareholder.

2. Address POL's historic failures and set the business up for success in the future.

For FY23/24, POL should:

- Continue to engage positively with the Post Office Horizon IT Inquiry on a timely basis and in a demonstrably open, transparent and efficient manner;
- Demonstrate, with the support of external assurance where appropriate, the company's conformance to the CIJ and HIJ rulings;
- Provide fair compensation to those affected by its historic failures and, in particular, inject pace into its delivery of compensation for those with overturned convictions; and
- Ensure that lessons from the past failures are incorporated into the successful delivery of the Strategic Platform Modernisation Programme in terms of both the development of the technology and the roll-out to postmasters.

3. Maintain and improve POL's capacity, capability, and resilience at all levels of the organisation

For FY23/24, POL should:

- Ensure the Board is providing effective challenge and scrutiny to management proposals;
- Support and challenge the CEO's efforts to improve the expertise, depth, and resilience particularly at the Group Executive team to ensure the team is capable to deliver the business plan presented; and
- As part of building POL's resilience, update the Shareholder on how cultural transformation is being incorporated and embedded into the organisation.

4. Facilitate the sharing of information with UK Government Investments ("UKGI") and the Shareholder in an open and transparent manner

For FY23/24, POL should:

- Proactively share information with UKGI and the Shareholder on material issues in an open and transparent manner;
- Robustly challenge the invocation of any restrictions on information sharing (including pursuant to undertakings made in connection with the POL Horizon IT inquiry) as to their applicability and whether they prevent all information on the relevant matter being shared with the Shareholder; and
- If and to the extent possible, provide the Shareholder with an explanation if such restrictions cannot be avoided and a confirmation from the Chair or the CEO that they have received legal advice which supports the invocation of such restrictions.

I would be grateful if POL could keep the Department updated on your progress against these priorities through the regular 1:1s between the DBT Permanent Secretary/Chair and DBT Director General/CEO. I would also ask that you and the CEO provide a signed written report on progress in advance of each Quarterly Shareholder Meeting (QSM) ahead of a standing agenda update against priorities at the QSM. The progress update should include commentary on key personnel risks and contingencies at both the Board and Group Executive level.

I look forward to seeing you soon and continuing to work with you on delivery of a successful and sustainable Post Office.

Yours sincerely,



GRO

KEVIN HOLLINRAKE MP

Parliamentary Under Secretary of State – Department for Business and Trade

Annex A: Governance Expectations of the Chair

This annex, produced by UK Government Investments (“UKGI”), sets out the standard governance expectations of Chairs within its portfolio. This is not an exhaustive list of the duties of a Chair, and should be read together with the covering letter, which has been tailored to the needs of Post Office Limited (“POL”) and outlines the specific priorities and expectations of both DBT and UKGI, acting as shareholder. This document does not supersede or alter any responsibilities as set out in POL’s Framework Document, Articles of Association or Funding Agreement.

UKGI, acting as shareholder on behalf of Departments, expects the Chairs of its Assets to lead the Board in an effective and collegiate manner, and adhere to best practice corporate governance standards where possible in undertaking their roles. It is your responsibility, as Chair of POL to lead the Board, and ensure that it undertakes all of its responsibilities as set out in POL’s Articles of Association and Terms of Reference, Managing Public Money and the Corporate Governance Code. The Chair should set the tone from the top of the POL and promote an effective and appropriate culture in both the Boardroom and the wider organisation.

Your responsibilities are to act in accordance with the highest standards of corporate governance, and are complemented by requirements and expectations of you by HM Government. Below is a list of some of the core governance expectations of UKGI regarding your duties as Chair encompassing both of these elements. This list is not intended to be exhaustive, and does not supplant any responsibilities set out in the POL’s governing documentation:

Set the Board’s agenda

You should set the POL’s Board’s agenda in good time ahead of a Board meeting. There should be sufficient visibility of items for forthcoming meetings to allow Board members, Executives, and stakeholders as necessary to prepare and engage with the Board. The agenda should focus upon the POL strategy and any policies as set by BEIS. In addition, the Board’s agenda should interrogate the POL’s ongoing performance, culture, and value for money, all while being cognisant of its overall accountability to the Secretary of State, and ultimately, the taxpayer.

Encourage engagement from Board members

You should encourage Board members to engage with POL both within Board meetings, through active participation in discussions and decisions, and more widely. You should encourage Board members to join Board committees where they can add value. You should support Board members to contribute their expertise where relevant to POL on an ongoing basis. You should foster effective relationships based on trust, mutual respect, and open communication between Board members and the Executive team, both inside and outside of the Boardroom. You should monitor and manage conflicts of interest among Board members in order that the Board may function appropriately, in accordance with the conflicts of interest policies of DBT and POL.

Foster relationships between the Board and stakeholders, including Government

You should be the principal point of contact between stakeholders and the Board. You should foster constructive relationships with all relevant stakeholders to POL, including postmasters and employees. You should also maintain a constructive relationship with DBT and UKGI in the course of your work.

Develop a strong working relationship with the Chief Executive

Your relationship with the Chief Executive is key to the long-term success of POL. You should provide support and advice to the Chief Executive, while respecting their executive responsibility. You should work with the Chief Executive to consider the strength of the broader executive team. Under your leadership, the Board should consider executive succession planning on a regular basis.

Work with HM Government on the composition of the Board, and the appointment of new Board members

You should consider the composition of the Board in line with the requirements of POL on a continual basis, providing regular feedback to DBT and UKGI as appropriate. You should work with DBT and UKGI to consider appointments to the POL Board. You should engage in the appointment process as appropriate as per the agreed framework, and in compliance with rules or regulations governing appointments to the POL Board.

Provide mentoring and an induction to new Board members

You should lead the induction to new Board members on behalf of POL. You should make sure new Board members are introduced to all relevant people both within POL and among stakeholders. This should be done in cooperation with DBT and UKGI. The induction process should familiarise new Board members with POL and its overall governance framework.

You should encourage Board members to develop their knowledge and skills

You should continually consider the knowledge and skills that the Board requires to discharge its duties to POL, this should be considered in conjunction with UKGI. Where the Board would benefit from additional knowledge and skills, which can be met without the need to recruit new or additional Board members, you should encourage Board members to undertake relevant training and education where possible.

Lead the annual evaluation of the Board, which should be externally facilitated at least every three years

You should ensure that a review of the Board's effectiveness is undertaken on an annual basis. This should be facilitated by an external provider at least every three years. Where the evaluation is not externally facilitated, you should lead the process, gathering feedback from Board members regarding the Board's functioning. You should also consider how stakeholders, such as DBT and UKGI, can input into the review, to provide comment upon the Board's effectiveness in engaging with Government and stakeholders. You should be responsible for overseeing the implementation of any recommendations arising from a review as necessary.

Evaluate the performance of non-executive Board members at least annually

You should undertake a review, at least annually, of the performance of non-executive Board members. This review should consider their contributions to the Board, and the value they add to POL. You should write these reviews and be prepared to share them with DBT and UKGI in an appropriate manner. A written review of performance may be necessary to support any reappointment decisions for Board members.

Be subject to an annual performance evaluation

You should engage with an evaluation of your performance on an annual basis. You should allow the Senior Independent Director to gather feedback on your performance from the perspective of Board members. DBT and UKGI shall gather feedback from Government and other stakeholders. This will be collated by UKGI and provided to the Principal Accounting Officer in an appropriate manner. A written review of your performance may be necessary to support any reappointment decision.