



POST OFFICE LIMITED BOARD REPORT

Title:	Strategic Platform Modernisation Programme (SPMP) Funding Request	Meeting Date:	26 September 2023
Author:	Samantha Swann – Head of Transformation Portfolio	Sponsor:	Tim McInnes – Director of Strategy and Transformation

Input Sought: Decision

To **approve and delegate** authority to IADG (via GE) release of up to [IRRELEVANT] for the continuation of the soon to be re-combined (and materially scaled back) SPMP Programme to end-March 2024. This also includes provision for the cost of the Accenture-led assurance review which will be reporting to Board in October 2023.

Executive Summary

A. Funding Approvals to Date

Date	Period covered	Stream	£m	£m Cumul.
Mar-21	Mar-21 to Jun-21	SPM		
Jul-21	Jul-21 to Dec-21	SPM		
Nov-21	Jan-22	SPM		
Jan-22	Feb-22 to Mar-22	SPM		
Mar-22	Apr-22 to Jun-22	SPM		
Jun-22	Jul-22 to Sept-22	SPM		
Sep-22	Oct-22 to Jan-23	SPM		
Jan-23	Feb-23 to May-23	SPM		
Jun-23	Jun-23 to Sept-23	SPM		
Jul-23	Feb-23 to Oct-23	RTP		
Current	Sept-23 to Mar-24	SPM (incl. RTP)		

IRRELEVANT

B. Introduction

- At the June Board, two papers were discussed that were relevant to the delivery of the Horizon replacement: (i) a funding drawdown approval covering the period from June to September for the technical development workstream; and (ii) a funding request for onward submission to DBT which outlined the funding gap in the current Spending Review period for POL and which sought additional investment over FY23/24 and FY24/25 (i.e. the [IRRELEVANT] total funding request, of which [IRRELEVANT] was related to the replacement of Horizon). Both of these papers were approved and, recognising the challenging escalation of costs and extension of timelines, management agreed to return to Board with options for SPMP.



2. These options are still being worked on and an update on this, including on the current status of wider funding discussions with DBT, is the subject of a separate paper at September Board.
3. A third paper was then presented at the July Board on RTP, that sought to approve investment spend up to early October. The *new* part of this request to October was responsive to DBT's and HMT's initial response to POL's June funding request and so reflected a lower cadence of spend and a focus on 'no regret' planning activity.
4. The present request is to ensure both SPMP workstreams (now being re-combined under a single programme) can continue and remain in governance while discussions with DBT and HMT are ongoing. The IRRELEVANT requested reflects a materially reduced level of spend compared to June and will provide cover up to and including March 2024 when we expect to have more visibility on longer-term plans for SPMP with Board, DBT and HMT.

Note, this 6-month request covers a longer period than prior requests (which usually extend to up to 3/4-months) as this enables a closer alignment to the DBT request that is also being submitted at the same time. It also provides a longer period to demonstrate progress against key milestones, and critically it enables us to commence implementation of any recommendations identified within the assurance review that is currently taking place.

C. Shareholder Engagement & Responding to DBT Challenge

5. Since June there has been extensive engagement with DBT (and some limited engagement with HMT) on possible ways forward with SPMP and we understand that while there is no appetite to proceed on the basis of our original June Funding Request, there is also no appetite to stop all activity given the operational and reputational challenges this would create for POL and HMG (i.e. in particular it would likely lead to a loss of credibility and leverage in upcoming contract extension discussions with Fujitsu, and there is also a challenging read-across to the work of the Inquiry if we extend the operation of Horizon). There is also recognition within government that cutting activity too much while discussions are ongoing is not desirable given the impact of this on timescales and lifetime costs, as well as the challenges POL would face restarting any SMPM activity later.
6. We therefore believe some middle way between these extremes is the most likely outcome and that there is support for POL to continue to invest at an appropriate level while discussions with DBT and HMG are ongoing. This position is reflected in the present funding request where we are narrowing scope and scaling back investment but where we are also continuing to spend against this new scope up to at least March 2024 (note we hope to reach alignment on a longer-term plan before this date). This is also aligned to the proposed 'minimum case' funding request covered in a separate paper being discussed at Board.
7. In practical terms this refined and reduced scope sees POL focus its near-term efforts on the definition and initiation of development of a full mails, stamps and banking solution appropriate for deployment to at least 50 branches, while scaling back all wider activity and therefore pushing out the timeline on any other major releases (e.g., Release 3). The intention of this approach is that it will provide POL with a solid foundation to prove the

POST
OFFICE

technology and release process, and it enables the programme to be re-scaled if the outcome of discussions with DBT and HMT are supportive of the continuation of further development. It is anticipated that the present funding drawdown approval sought from the Board will enable the programme to progress to a state of readiness for a small-scale pilot (ca.5 branches) prior to the end of FY23/24. The request also covers the cost of the Accenture-led assurance review.

8. What this does mean is that all work on Release 3 and the expansion of Drop and Collect has been put on hold, hardware purchases and licence payments have been postponed where possible (recognising while we do have a number of contractual obligations, no further approvals are required in FY23/24) and delivery of both an identity and access management solution and second device will be transitioned to the CIO change portfolio before the end of the calendar year (as this ex-SPMP scope is still required). All external suppliers and contractors have been stood down where efforts cannot be attributed to the delivery of short-term results for Release 2.0/2.1 and preparations have been made for a significant stand-down of POL resource in September. The two strands of SPMP are also being recombined under a single programmatic structure.
9. Based on these actions, the proposed spend profile from November 2023 to March 2024 represents a ca. **IRRELEVANT** on the run-rate as at the June Board. Nick Read wrote to the Minister on 11 September to update him on the cuts to SPMP spend, as well as on our plans to continue to make slower progress with SPMP while discussions are ongoing with DBT and HMT. He appears to be aligned with our recommended approach.

D. Context Supporting Drawdown Request

10. In the period between October 2023 and March 2024, the programme is requesting approval from the Board to spend **IRRELEVANT** which translates into an average run rate of approx. **IRRELEVANT** per month. The costs break down as follows:

Cost Category	Original June 2023 Request (£M)	Proposed 2024 Average (£M)	Reduction
Tech Delivery	IRRELEVANT		
Hardware and Licenses			
Service Operations			
Tech Delivery Total			
Programme Costs			
Deployment			
Content and Training			
Assurance			
Retail Transformation			
Total NBIT			

11. The current reductions represent a >70% cut in spend and a loss of >500 FTEs compared to the original plans and we believe it represents the right position in the near-term. While we have very clearly responded to the Shareholder's concerns to cut costs and scale back activity, we have not done so to the extent we lose necessary capabilities / prevent

POST
OFFICE

ourselves from being able to reset activity on SPMP next year. In particular while we are now consuming the timeline contingency we outlined in June it is unlikely that we will consume all of it by the time we hope to agree longer-term SPMP funding, and so an exit from Horizon by end-December 2027 *may* still be possible (i.e. each year extension has a run-cost estimated at ca. IRRELEVANT).

12. The next key milestone for SPMP is the deployment of Release 2.0 to two DMBs in London and Leeds. This represents the minimum capability required to pilot Mails and Banking journeys, to accept payments and to perform core back-office operations such as managing cash pouches, reconciling cash in a counter and triggering and resolving discrepancies. The technical solution for Release 2.0 is complete, but an extensive amount of work remains ongoing with RMG and Banking Framework partners to agree to go live with real-time customer data. As part of the go-live process the programme will maintain investment in Postmaster training and support for the two branches, and following go-live it will then move to capturing and remediating bugs and errors that arise from the prototype.
13. In parallel with deploying, remediating, and supporting Release 2.0, the programme will also pivot to delivering its next key milestone, the technical completion of Release 2.1 which is the minimum capability required to safely pilot the Release 2.0 functionality outside DMBs – i.e. in a small number of independent branches or a strategic partner locations. The technical milestones to be achieved for Release 2.1 to be launched successfully are:
 - **Defect Management:** Resolve 71 outstanding defects that can be mitigated in a pilot in a DMB but which we deem unacceptable in an independent or strategic partner setting (even though these do not materially impact the Postmaster experience);
 - **Cyber Security:** Address 11 specific cyber security exceptions, which have been deemed acceptable for the Release 2.0 prototype, but not for further expansion in non-POL controlled settings;
 - **AWS Scaling:** Design and implement an updated AWS environment strategy to match the scale of SPMP (i.e. 20k-25k counters) and rationalise the total spend on AWS environments. This includes re-architecting the data flows between the different applications inside the platform to minimise consumption of AWS resources; and
 - **Full Mails:** As part of the full Mails portfolio, deliver the full slate of Parcelforce services, which were previously deprioritised and are not included within Release 2.0.
14. The intention is then to conduct a small-scale pilot with Release 2.1 in ca.5 independent locations by the end of March 2024, at which point the programme will require further funding to support investment in training and support, to remediate any new defects and to scale further to up to a total of ca.50 counters in ca.50 Branches. In parallel with this POL will continue to support and scale up the number of Drop and Collect Branches, which leverage underlying SPMP components.
15. From a programmatic perspective the following key milestones will also be achieved between now and the end of March:

POST
OFFICE

- **Programme Reset:** Restructuring of the existing programmatic structures (i.e. STP, RTP, etc.) into a single programme entity with uniform, GE-level governance and singular programme management and delivery KPIs;
- **SPMP Diagnostic Review:** Full support and completion of the Accenture SPMP diagnostic review, and commencing implementation of the recommendations they identify; and
- **Wider Portfolio Streamlining:** Transitioning clearly defined areas of scope into separate projects (e.g. Identity and Access Management or 'Second Device'). SPMP will consume these services from POL but they are wider than SPMP itself.

E. Assurance Review

16. The Accenture-led assurance review of SPMP – the cost for which is included within this funding drawdown approval – commenced in early-September and is expected to conclude in mid-October, before reporting to the October Board. This will look at both technical and programmatic deliverables within the SPMP programme and comprise the review of programme documentation and interviews with colleagues. Findings will be assessed against a best-practice assurance framework and RAG-rated against this, and recommendations will be made on how to align / realign the programme going forward.

F. Next Steps and Timelines

17. Subject to Board approval an update on progress against the deliverables underlying the funding drawdown will be presented to the October Board, alongside the conclusions of the Accenture-led review and a wider update on funding discussions (i.e. a large part of which will relate to progress on discussions with DBT and HMT on SPMP). Monthly updates will be provided to Board thereafter.

POST
OFFICE

Appendix 1: Shareholder and Board Briefing Summary (uploaded to the Reading Room)

Appendix 2: Spend Breakdown

Summary of Run Rate	Oct	Nov	Dec	Jan	Feb	Mar	Total Request
POL Perm / Contractor Staff	IRRELEVANT						
3rd Party Resource Augmentation							
Other 3rd Party Costs							
SPO Levy / Contingency							
Identity and Access Management							
Total							

Appendix 3: Estimated Resource profile

Between August and September POL has reduced aggregate headcount in SPMP by over 500 FTEs. This level will be maintained until at least March 2024.

