POL00423699

Message

From: Alisdair Cameron GRO
Sent: 26/03/2023 17:57:19
To: Nick Read GRO; Tim McInnes GRO; Ben Foat GRO
CC: Jane Davies GRO
Subject: RE: The robustness of our governance

Thanks Nick. My list was simply areas where I think we may get criticised by a governance expert who we have hired to judge us. I am certainly not arguing we bring more to GE, just that we may need to make its role clearer, to avoid criticisms that we will end up sharing with the Inquiry. Al

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From: Nick Read GRO
Sent: 26 March 2023 17:49
To: Alisdair Cameron <GRO>; Tim McInnes <GRO>; Ben Foat GRO>
Cc: Jane Davies GRO
Subject: RE: The robustness of our governance
Importance: High

Al, thank you for your perspective and Tim, for your response.

As you can imagine, I spend a great deal of time thinking about this challenge…and I think we have some fundamental underlying issues – capability gaps at GE, a lack of experience at GE/SLP – colleagues don't know what good looks like, and a corporate culture that promotes/supports a reluctance to take accountability. We make it acceptable for people to opt out of taking accountability. These, for me, are the root causes of the breakdown in governance. I have never been in an organisation where every decision is allowed to be pushed up and its acceptable to do so…this is where GE colleagues are fundamentally at fault. Its acceptable and not embarrassing for senior colleagues to get the CEO to adjudicate on every decision that is awkward. Its deemed acceptable too to raise issues without solutions…its not acceptable. This is a cultural failing.

We are obsessed with the notion that once we have the right structures in place, everything else will follow and fall into place…I simply don't see it. This is about behaviour. Senior leaders remain content to accept paralysis and wait for a someone to provide the solution, rather than innovating.

However, we have to start somewhere and short of a clean sheet of paper we must focus on areas where we are going to come in for criticism – Tim is right in his summary.

We must also enrol a wider strategy team – I have briefed Jane and Tim on this – this is not to replace, but to augment GE.

My personal view has always been that subsets of the GE and SLP should govern the critical investment and operational decisions we make…. Not 'bringing everything back to GE'. The yearly/3 yearly Operating Plan should be the start point – Growth (revenue generation/Postmasters/customers), Cost Out (cost to serve, efficiency, productivity improvements), HM (Inquiry and Comp), SPM (including RTP), Change/investment, including our People. These five headings should govern our operating model.

There is an outstanding piece of work to design and implement a new operating model. We know that. We have to create the capacity and capability to execute and agree on what is/what is not, possible.

This has now become more urgent, particularly given the SPM fix that we find ourselves in. As the Minister put it, late and double the cost…

POL00423699

This challenge rests with Tim, supported by Ben and Jane.
Nick

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From: Alisdair Cameron < GRO
Sent: 24 March 2023 10:09
To: Tim McInnes < GRO >; Nick Read < GRO >; Ben Foat < GRO >
Subject: RE: The robustness of our governance

Helpful and I agree with a lot of your sensible comments. The CMF is going to need attention whether we like it or not: my forecast, the Board/ARC will demand it.
I think it would be sensible (but is not really my business) to look at GE. It would seem to me reasonable that the CEO might consider they are in an invidious position where effectively everything is based on their personal decision from agendas, approaches to approvals as the GE itself has no authority – and if things gets difficult everyone else can retreat from the pitch. But that's entirely a matter for Nick and I am just offering it as a personal perspective.
Al

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From: Tim McInnes < GRO
Sent: 24 March 2023 09:00
To: Alisdair Cameron < GRO >; Nick Read < GRO >; Ben Foat < GRO
Subject: RE: The robustness of our governance

Al,
I don't disagree with any of this and I would expect it all to be covered by the governance expert, but thinking in terms of a governance MOT my gut is we need to focus on Horizon (i.e. given direct criticism in the HIJ around governance), NBIT (i.e. in light of the Inquiry are we content that the structure right, and is the governance that sits over that structure functioning effectively) and Retail (i.e. this is where we most tangibly demonstrate the resetting of our relationship with Postmasters and it's where the implied contractual terms from the CIJ flow through most clearly), as well as Culture and Investigations / Whistleblowing.
The rest is all right but if we want to spend a few weeks / fewer months sorting anything out my guess is these are highest on the list?
Thanks,
Tim

From: Alisdair Cameron GRO >
Sent: 23 March 2023 15:24
To: Nick Read < GRO ; Ben Foat < GRO ; Tim McInnes

POL00423699

GRO

Subject: The robustness of our governance

We agreed to do a rapid, subjective assessment of the issues around our governance, which we might want to fix before we get an expert in. This is my list, all discussed sometime. Ones in bold are capable of being fixed now.

I do get it's a long list but hopefully you can understand why I am nervous of just opening the kimono now.

But everyone can disagree – no need to feel cross, it's just my opinion.

Al

1. **Board**
- **Membership. We will need another accountant to support Simon J. Sorry.**
- Assessment. Nick and I have twice participated in third party assessments of the Board. On both occasions our more critical comments were ignored. Hope Henry fixes.
- UKGI. The behaviour of the Shareholder Rep has undermined the Board's independence and muddled Exec/NED roles. Hope Lorna fixes.

2. **GE**
- **Purpose and accountability. It is unclear what the GE is there for. It has no accountability or delegated authority.**
- **Agenda. As a result, the agenda is whatever we say it is, undermining GE as a body.**
- **Understanding. Half the GE didn't even know to access the Reading Room and are often working on other stuff in the room.**
- **Retail. We have a CIJ scorecard which we don't understand or really discuss. We do not know what the performance of Operations is. The CIJ scorecard completely ignores what we are worried about: losses; investigations; stamp accounting; use of the retail button. In consequence it looks alright, although there is no real communication of how much things are getting better or if we are hitting what Fraser wanted.**
- **Culture. We made a lot of internal cultural statements to SLG and did little, have no consistency on behaviours and haven't discussed it for a long time. We have different statements out in public but we never refer to them or assess whether we are living them. We have never used a cultural lens in a prioritisation decision that I can recall.**
- **Change. We agreed last year that the GE would agree a quarterly change plan in advance to help the IADG. We don't.**
- Connectivity. We don't understand the connectivity of our change plan as we move towards NBIT.

3. **Decision-making**
- We have spun around some decisions for a year or more. From last year's list we are still off on NBIT; Belfast; Losses/Stock etc. Our people are....a bit derisive.
- **We make decisions quite suddenly, with limited people in the room, very little communication and without understanding the consequences. This causes anxiety and challenging behaviours and makes it harder to work.**

4. **NBIT**
- **We have not had any formal governance of NBIT for months and there is no date when we can expect it.**
- **The GE has no idea, for example, why R2 has been delayed or the extent to which it matters.**
- No one is working on how we run POL after NBIT.

5. **DCF and other programmes**
- **I can still see no effective governance over DCF or Apps Modernisation.**

6. **HMU**
- **HRC. The HRC is making decisions to keep the shareholder happy, and undermining our reputation. They ignored clear legal advice to do the right thing for a year. Ben is working hard to improve.**

7. **Inquiry**
- **Culture. We are not visibly delivering the front-line culture we promised: relentless repetition of what that culture is; examples; listening to what we say; escalating issues; listening to AMs not telling them; etc. Tim has it for IDG2.**
- Postmasters. We do not put Postmasters first.
- **SG. There are thorny issues being flagged on conflicts, deputies etc.**

8. **Financial Governance**
- **We still have some colleagues who think they can address issues with their numbers by saying they told Finance. We each own our own numbers and Nick and I have a plan to fix.**

9. **Horizon vs NBIT**

POL00423699

- **We have to deliver on stock auto-rem, the retail button and others. Who governs what is in H plan, what is in NBIT and where the gaps are? GE has no idea.**

10. **Data, scorecards and measures**

- **We consistently think we can avoid spending money on data when it is killing us and our reputation with the Inquiry, where we will spend at least £100m and get criticised for not trying. If we don't build data access for NBIT, we will be kicked forever.**
- **We don't understand and discuss our scorecards. Eg the new tech one which tells us we have lots of KELS but not whether we should worry. The measures on the finance scorecard were chosen by GE and no one has ever asked a question. Are our papers that good?**

11. **Retail Board**

- **This is the heart of our business and yet GE sees no report or explanation.**

12. **Contracts**

- **CMF. This is a good but not unique example of the focus on policy and process over outcome. Do we have a policy and theoretical accountabilities? Yes. Is the process properly supported? No. It has taken me 4 go's to get my contract list changed. Hopeful I have got there now by escalating to a SLG colleague. Do we ever discuss it properly and align expectations with effort and ownership? No. Is it working? No, after the Z issue I have asked us to check and we have, apparently, I am hearing, a long list of contracts that have not been properly renewed and are now non-compliant on time or money. Can we fire the contract owners? Probably not because the process is so complex, unhelpful and contradictory that they can easily show they didn't understand they were doing anything wrong?**
- Do we have the right vendor mgt in IT given the huge relationships? No.

13. **IT**

- **Do we have the right Lead Team in IT for a £100m turnover business spending far more? No**

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