



14 December 2022

Sarah Munby
Permanent Under-Secretary of State
Department of Business, Energy and Industrial Strategy
1 Victoria Street
LONDON
SW1H 0ET

Dear Permanent Secretary

Strategic Priorities 2022/23

Thank you for letter congratulating me on my appointment as Chair of Post Office Limited. I appreciate deeply the importance of the post office network to communities across the United Kingdom and the essential services that we provide. As Chair I hope to secure a commercially sustainable future for this national asset.

Post Office is making good progress with the Strategic Priorities for 2022/23 in very challenging market conditions. The network has consistently been above 11,500 branches throughout the year and to date we remain ahead of budget thanks to the strong return of our travel business. However, our core service of mails is experiencing significant stress including industrial action affecting Royal Mail; and headwinds are also affecting banking, notably the impact of regulation on cash deposits. Our revenue performance over Christmas and in the fourth quarter will determine whether we meet our budget or not. For postmasters, even with the additional remuneration announced in August, their returns are likely to be flat year-on-year taking into account inflation.

You have asked me to focus on three particular issues:

1. Post Office will seek to maximise our revenues and manage costs tightly to ensure medium term viability. Legal costs are challenged regularly and all options explored to secure best value whilst ensuring good quality external support for delivery of the historical compensation schemes and support for the Horizon IT Inquiry. In the long term, further support with legal costs will be required in the three year plan if we are to meet our obligations to postmasters affected and the Inquiry effectively.
2. Post Office continues to make good progress with organisational and cultural reform to ensure that there is sufficient capacity, capability and resilience at all levels of the business including the top team. For example, this year we strengthened support for postmasters across the nations and regions; and are implementing our *Leading to Serve* programme to all colleagues that report to a Group Executive member and other high performers. The priority is to ensure we are able to recruit and retain IT professionals in a very competitive market to complete our exit from Horizon by the end of March 2025. The scrutiny of the Horizon IT Inquiry in parallel to the rollout of New Branch Information Technology (NBIT) makes this harder and potentially more expensive.

3. Post Office is cooperating fully with the Inquiry and is implementing the necessary change including the recommendations from the Common Issues Judgment and the Horizon Issues Judgment as well as any matters arising from the hearings. We are making very good progress with compensation. The Historical Shortfall Scheme has already met its target of 95% of offers made by the end of December this year. Two full settlements have been finalised for overturned historical convictions with a further 22 cases agreeing 'non-pecuniary' compensation so far this year. The Strategic Platform Modernisation Programme (SPMP) has implemented the first release of NBIT in two branches enabling daily live transactions separate from Horizon. The successful implementation of NBIT is critical to the future of Post Office. As the Board finalises our three year plan in the New Year, I will confirm to you the request for sufficient funding to enable its effective completion by March 2025.

I look forward to meeting you at the earliest opportunity and working with you to resolve the past and ensure the Post Office is set up for a commercially sustainable future that meets the policy direction of its shareholder.

Yours sincerely

The signature of Henry Staunton is represented by a large, bold, black 'GRO' inside a dashed rectangular box.

Henry Staunton
Chair, Post Office Limited