



Department for
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& Industrial Strategy

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Our ref: AC/OP1342

Tim Parker
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26 February 2020

Dear Tim,

STRATEGIC PRIORITIES FOR 2020/21

I am grateful for your continued work in leading the Post Office. The Government recognises the considerable progress that the Post Office has made in many areas over recent years while continuing to maintain a network of more than 11,500 post office branches and meeting Government's national access criteria.

The Post Office remains vital to communities across the country and I recognise the greater role it now has in financial inclusion, providing access to cash and basic banking services. It is important that the Post Office builds on the progress it has made to ensure it is successful and sustainable for the long term.

I know that you have set in hand work on the Strategy, implementation of the agreed settlement of the recent litigation, changes to the performance management incentive, and other necessary measures to help position POL for future success. As these are worked up it may be helpful for you and your colleagues if I share on behalf of BEIS our expectations as they relate to this work.

1. **Ensure full implementation of the commitments made in the litigation settlement.** I would be grateful if you could share with me the actions you will be taking in relation to these commitments and provide regular updates on progress. Please continue to keep my officials informed of all developments in the GLO, including those around convicted claimants and also the separate workers' rights litigation. It is important too that POL informs my officials should it decide to take forward any new prosecutions as the prosecuting body.
2. **Prioritise culture change, in particular building a more productive relationship with postmasters** that helps them to deliver better services to consumers. I know that you have recently conducted an Occupational Health survey as well as surveys and focus groups with postmasters and customers. I'd be keen to see an update on these and to hear how you plan to reflect the feedback as you put together your new strategy. As part of this work and in light of the commitments made in relation to the litigation settlement, I would particularly like to see evidence that postmasters

receive from POL. I know you will share my concerns about the longstanding issue of stranded postmasters as well, and it would be good to see POL bring forward a new plan for resolving this.

3. **Improve POL's understanding of postmaster economics.** The Board's recent discussion of Agent Pay highlighted the need for a better understanding of how and where postmasters make money, and what point they might choose to leave the network. Improving the use of data and analysis will enable the Board to take decisions grounded in evidence, on this topic and others.
4. Agree and start to deliver **a new strategy, which should clarify POL's vision and simplify the business.** I know that you will want to ensure the plan has challenging targets for trading profit, cost efficiencies and cash generation, and the buy-in of staff and postmasters. The accompanying investment programme should include robust controls and I expect you will ensure that it is regularly and rigorously monitored by the Board.
5. **Redesign the system of management incentives** to reduce the focus on EDITDAs and provide a more holistic view of company performance, aligned to both the company's new long-term plan and the shareholder's objectives for the company.
6. Work with the department on a **Spending Review bid and development of a long-term policy vision** under which POL will deliver the products and services that support a renewed social purpose.
7. A forward-looking **assessment of the company's performance during the current 3-Year Plan** period, compared against the original objectives. I would expect this to have an explicit focus on change spend and how Government money and the company's internally generated cash flow has been spent so far. POL should aim to provide this before the end of March 2020 so that the evidence can be used to inform Spending Review negotiations.

I'd also like to bring your attention to the attached note which outlines UKGI's standard Governance Expectations of a Chair. UKGI is issuing this note to the Chairs of all its assets and – whilst not exhaustive – it should serve as a helpful reminder of best practice.

As you will be aware, we have just welcomed a new ministerial team and as they get to grips with all of their new responsibilities we will seek steers from them and be sure to share these with you and Nick.

Thanks again for your continued stewardship of POL. I hope to have the opportunity to meet with you soon to hear from you about latest developments and to discuss this feedback.

The logo for GRO, consisting of the letters 'GRO' in a bold, sans-serif font, enclosed within a dashed rectangular border.

Alex Chisholm