



Department for
Business, Energy
& Industrial Strategy

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STRATEGIC PRIORITIES FOR 2020/21

I am grateful for your continued work in leading the Post Office. The Government recognises the considerable progress that Post Office has made over recent years, delivering three successive years of profit 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 its recent progress to ensure it is successful and sustainable for the long term.

As we begin a critical year for POL, I want to clarify Government's expectations for the Post Office for the forthcoming year. As the last 12 months have shown, Post Office remains an institution of national importance and I want you to be focused on the shareholder's objectives.

1. Agree and start to deliver **a new strategy, which should clarify POL's vision and simplify the business**. It should prioritise culture change and must have the buy in of employees and postmasters
2. The plan should have **challenging targets for trading profit, cost efficiencies and cash generation**. These should be reflected in redesigned management incentives that reflect the shareholder's objectives for the company.
3. Work with the department on an **SR bid and development of a long-term policy vision** under which POL will deliver the products and services that support a renewed social purpose.
4. Complete an **assessment of the company's performance during the last 3 Year Plan** and likely outturn against the original objectives.

5. Agree a **new investment programme, including robust controls** and ensure that it is regularly and rigorously discussed at the Board
6. **Build a more productive relationship with postmasters** that helps them to deliver better services to consumers. We would like to see an update on the OHI and postmaster surveys to gauge performance.
7. **Improve the use of data and analysis**, enabling the Board to take decisions grounded in evidence. For example, we need to understand why, where and when postmasters might leave the network.
8. **Manage the post-settlement implementation**, and keep the shareholder informed of all developments in the GLO and workers' rights litigation.
9. **Deliver on the Banking Framework**. Build a productive long-term relationship with the banks, and work with Government to develop and support a long-term vision for access to cash across the post office network.
10. **Deliver a coherent strategy for Telco** that maximises value for POL.

I would also like you to manage the Board's agenda to ensure that it has time to discuss key strategic issues. Annex A sets out UKGI's standard Governance Expectations of a Chair, which it is issuing to the Chairs of all its assets. Annex B includes a list of priority topics and I would welcome an open discussion with other Board members to refine this list.

I would welcome an opportunity to meet with you to discuss the contents of this letter.

Alex Chisholm

Annex A Governance Expectations of a Chair (DRAFT VERSION)

This letter, issued 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 accompanied by a letter, tailored to the needs of the [Asset], outlining the specific priorities and expectations of both [the Department] and UKGI, acting as shareholder.

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 the [Asset] to lead the Board, and ensure that it undertakes all of its responsibilities as set out in the [Asset’s] [governance framework – insert reference to any key documents, such as legislation, Articles of Association, Terms of Reference, or the Framework Document]. The Chair should set the tone from the top of the [Asset] 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 [Asset’s] governing documentation:

Set the Board’s agenda

You should set the [Asset’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 [or Directors], Executives, and stakeholders as necessary to prepare and engage with the Board. The agenda should focus upon the [Asset’s] strategy and any policies as set by [the Department]. In addition, the Board’s agenda should interrogate the [Asset’s] ongoing performance, culture, and value for money, all while being cognisant of its overall accountability to [the Department/Ministers/Secretary of State], and ultimately, the taxpayer.

Encourage engagement from Board members [or Directors]

You should encourage Board members to engage with the [Asset] 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 [or Directors] to contribute their expertise where relevant to the [Asset] on an ongoing basis. You should foster effective relationships based on trust, mutual respect, and open communication between Board members [or Directors] and the Executive team, both inside and outside of the Boardroom. You should monitor and manage conflicts of interest among Board members [or Directors] in order that the Board may function appropriately, in accordance with the conflicts of interest policies of [the Department] and [the Asset].

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 [the Asset] [you may wish to insert any key stakeholders such as the regulator, unions, local interest groups as necessary]. You should also maintain a constructive relationship with [the Department] and UKGI in the course of your work.

Develop a strong working relationship with the Chief Executive [or other most senior executive]

The relationship with the Chief Executive [or other most senior executive] is key to the long-term success of the [Asset]. You should provide support and advice to the Chief Executive [or other], while respecting their executive responsibility.

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 the [Asset] on a continual basis, providing regular feedback to [the Department] and UKGI as appropriate. You should work with [the Department] and UKGI to consider appointments to the [Asset] 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 [Asset] Board.

Provide mentoring and an induction to new Board members [or Directors]

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

You should encourage Board members [or Directors] to develop their knowledge and skills

You should continually consider the knowledge and skills that the Board requires to discharge its duties to the [Asset], 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 [or Directors], you should encourage Board members [or Directors] 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 [the Department] 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 [or Directors] at least annually

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

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 [or where no SID, the Board] to gather feedback on your performance from the perspective of Board members [or Directors]. [The Department] 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.

For additional best practice guidance regarding the role of the Chair, see the “Guidance on Board Effectiveness” published by the Financial Reporting Council. This can be found [here](#).

Annex B Suggested list of topics for the Board

[to be slightly rephrased from Tom's email]



- Basic processes
The GLO put this topic in the headlights and it was reinforced for us by a visit to Chesterfield close to the year end. We remain concerned about the adequacy, content and quality of the information being provided to postmasters and, as I've mentioned at the Board/GLO sub-committee a few times, the post-GLO work does not seem to have adequately addressed this topic. The Branch Trading Statement is obvious (but am sure not the only) piece of MIS for postmasters that needs to be improved
- Postmaster economics
I think we all agreed at the Board that the information on which the decision to increase agent pay a few months was inadequate and I think we all felt there was quite a high chance that the money made available could have been spent more effectively. At the moment, it doesn't look as though the management team has the capability to analyse this topic well and so the suggestion is that the Board asks management to get a consultant to do the work. It could be phase 2 of the McKinsey work?
- Postmaster engagement
The OHI work on employees was a real eye-opener and I'm sure Nick will follow up on progress with the Board. The suggestion is that a similar (but not identical of course) exercise is undertaken with postmasters. I think we'd benefit from a data driven insight into how postmasters feel about the relationship they have and service they get from the company.
- Crisis management
Ben Foat has talked about a post mortem on GLO and how it was handled. I'd suggest they include in that the communications work that was done. There's always the chance of another crisis eg on the IT front, a large multiple going bust, Starling etc.

