

OFFICIAL-SENSITIVE PERSONAL



Date: 5 November 2020

SCS clearance: Tim McInnes (Executive Director, UKGI)

Approval to remove Director, appoint interim and to recruit replacement This is not an OCPA regulated appointment	
To Approve	BEIS Secretary of State (SoS)
To Approve	Minister Paul Scully MP
To Clear	Special Advisers
To Note	Permanent Secretary
Role, Partner Organisation	Chief Financial Officer (CFO), Post Office Ltd.
Prime Minister's interest list	No
Lead Official / Policy & Telephone	Joshua Scott (UKGI) – GRO Eleanor Brooks (BEIS) – GRO
Unique Reference Number	387

Summary: The Post Office Board requests approval to remove the CFO: (i) from the Board as a Director; and (ii) replace him with an interim-CFO, while a campaign is launched to find a replacement. The request is outlined in a draft letter from the Post Office Chair (**Annex A**).

In accordance with Post Office's Articles, the removal and appointments of Directors to the Post Office Board are made by the Board itself, on the advice of its Nominations Committee, subject to prior consent from the BEIS SoS. The appointment of an interim-CFO therefore requires SoS' consent. In line with Post Office's Framework Document, Ministers are to be **consulted** on the proposed appointments process ahead of it launching.

Timing: For clearance from Minister Scully and Special Advisers by 9 November, ahead of submission to SoS for the monthly appointments meeting on 11 November.

Recommendations:

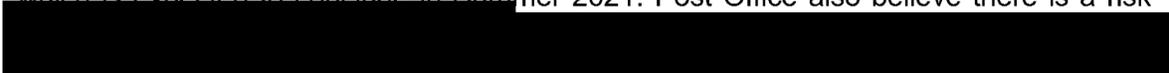
- **Agree** to the request from Tim Parker (Post Office Chair) to end the employment relationship with Alisdair Cameron, CFO Post Office, as detailed in **Annex A**.
- **Approve** the appointment of Kathryn Sherratt as interim CFO. (Para 9 & **Annex B**)
- **Note** the proposed process to recruit for a new permanent CFO (Para 10 & **Annex C**) and indicate if you wish to meet the preferred candidates.

Advice:

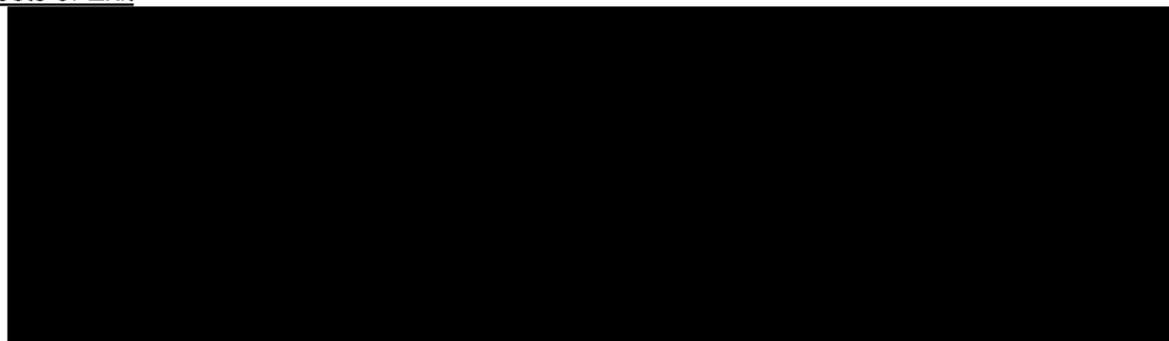
1. The Post Office Chair, Tim Parker, has prepared a letter for SoS requesting permission to end the employment of Alisdair Cameron, and to appoint an interim CFO. A copy of this letter is at **Annex A** and also outlines the Board's plan to recruit a new CFO.
2. Alisdair is the longest serving Board member, having been at Post Office since early 2015. While he has overseen a turnaround of the business with a reduction in public funding from £330m in FY14/15 to £50m in FY20/21, he was also involved in the period up to and including the litigation where Post Office and its corporate culture were heavily criticised.
3. Alisdair was appointed interim-CEO last year whilst the Board ran a campaign for a permanent CEO, for which he applied and was ultimately unsuccessful. Alisdair was given a 6-month retention bonus of £50k in April 2020 after the appointment of Nick Read.

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4. The Board believe now is the right time for Alisdair to leave, though this decision has not been taken lightly and is not without financial or legal risk. While Alisdair has overseen a turnaround of the business, in recent months his relationship with the Board and the wider General Executive has deteriorated, as has the relationship with his team (details of this were discussed with Minister Scully in a meeting with Nick Read on 22 October).
5. There is a strong desire for Alisdair to leave amicably. Given the complexity of the business there needs to be an effective handover, which may take some time, and also while he is an employee of Post Office he will be required to fully cooperate with the Horizon IT Inquiry which is expected to conclude in Summer 2021. Post Office also believe there is a risk  To ensure a satisfactory exit, the Board is seeking flexibility to reach a settlement that minimises these risks.

Costs of Exit

6. 
7. Post Office is also seeking scope to extend this handover period by up to three months, to allow room for negotiation on a settlement agreement and potential delays in the Inquiry.
8. Officials believe the approach strikes the right balance to ensure an orderly handover, Alisdair's cooperation in the Inquiry and it also mitigates the risk of Alisdair taking legal action against Post Office which would likely be costly and public.

Interim Arrangements and Finding a Permanent Replacement

9. The Board are recommending that an internal Finance Director, Kathryn Sherratt, become interim-CFO. They propose to offer a 12% increase in her base salary (£197k) to reflect her 'stepping-up'. A biography and Post Office's reasons for appointing Kathryn on an interim basis can be seen at **Annex C** ; in short, Post Office believe she is capable to cover the role (for which she is likely to apply when they advertise for it on a permanent basis).
10. Post Office want to start the process for finding a permanent replacement immediately. This recruitment will be led by the Board (as per the framework agreement) and an indicative process and timeline is at **Annex D**. Given the position's complexity and the importance of the role, the Board intend to use headhunters to ensure a strong, diverse field of candidates.
11. We will provide regular updates to Ministers. You will have the opportunity to meet the preferred candidates in March should you wish.

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Annexes:

- A – Draft Letter from Tim Parker to Minister Scully (5 November 2020)
- B – Kathryn Sherratt as Interim-CFO
- C – Indicative Process & Timeline
- D – Exit Payment and Potential Settlement Agreement
- E – Comms Handling

Contributors

This advice does have financial considerations, and has been cleared with Vanisha Patel.

This advice does not draw on analytical evidence, as approved by Eleanor Brooks.

This advice raise legal issues and has been cleared with Jane Corera.

Communications implications are at **Annex E**, as approved by Jessica McKay.

This advice does not have parliamentary handling implications, as agreed with Eleanor Brooks.

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Annex A – Draft Letter from Tim Parker to Minister Scully (as of 5 November 2020)

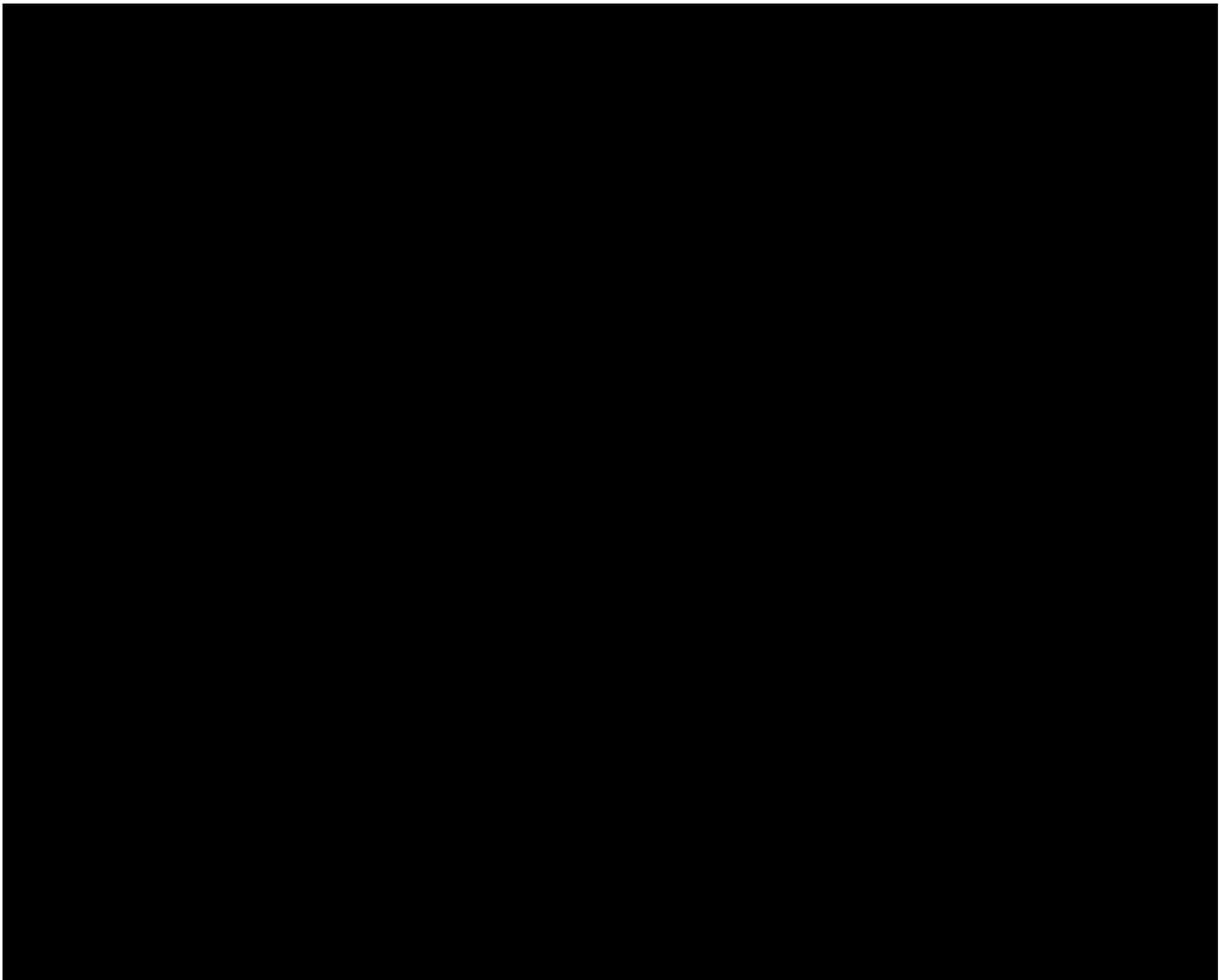
DRAFT TEXT OF LETTER TO BE SENT TO THE SECRETARY OF STATE

**The Right Honourable
Secretary of State for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET
United Kingdom**

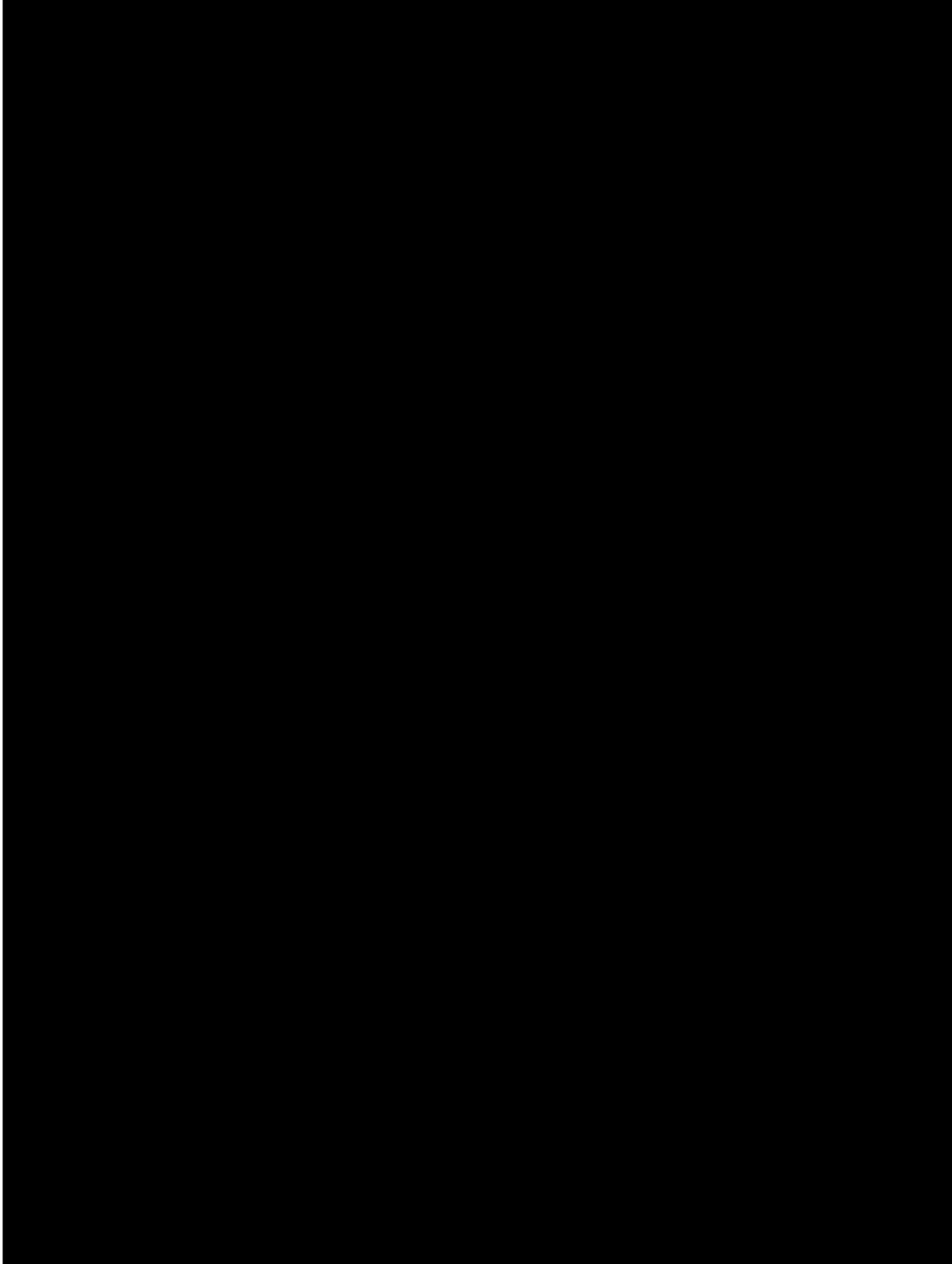
**Notice served pursuant to Article 8.3(A)(ii) of the Post Office Limited's
Articles of Association – Important & requires immediate attention**

Dear Secretary of State,

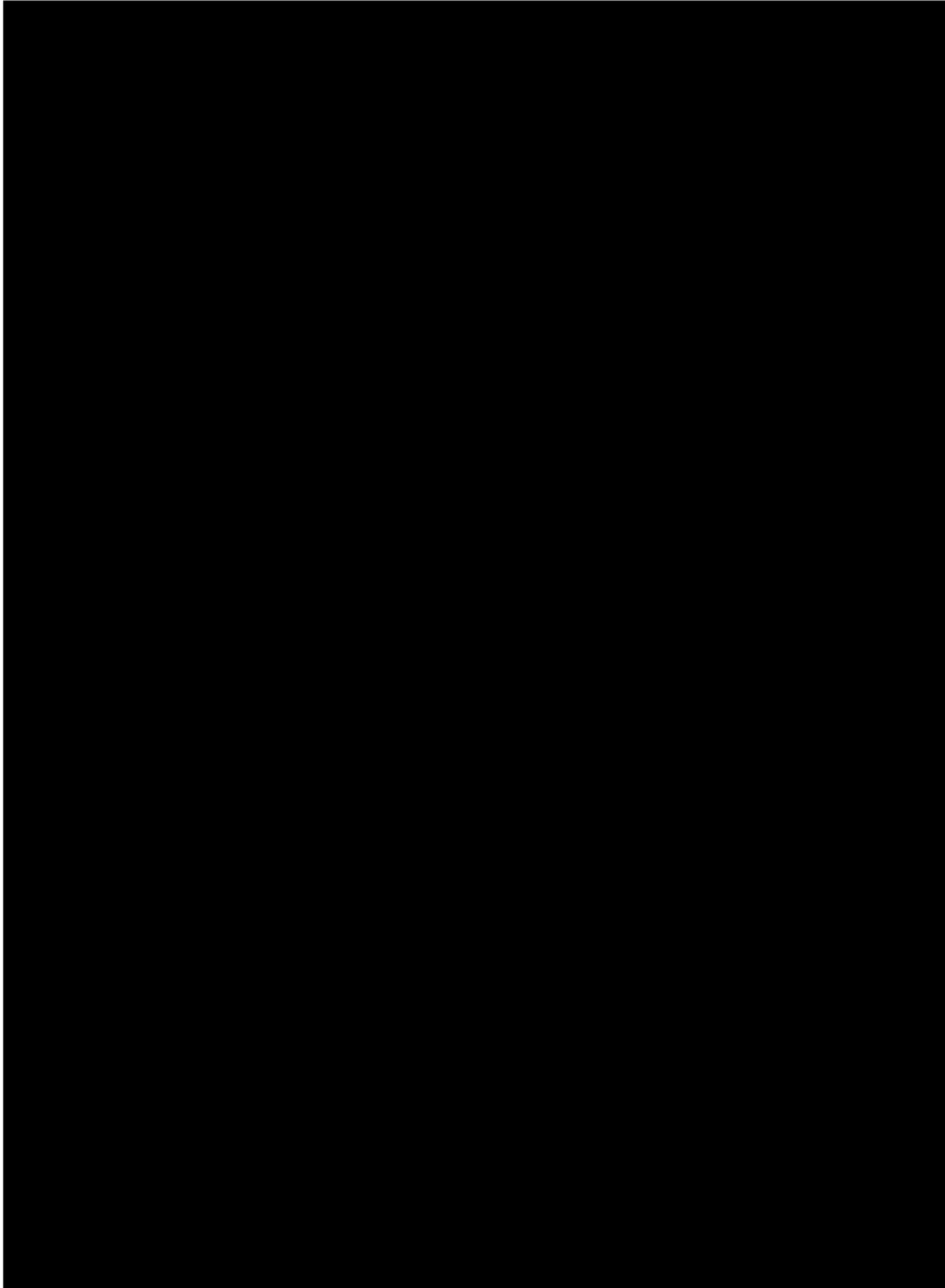
Departure of CFO – Post Office Limited ("Post Office")



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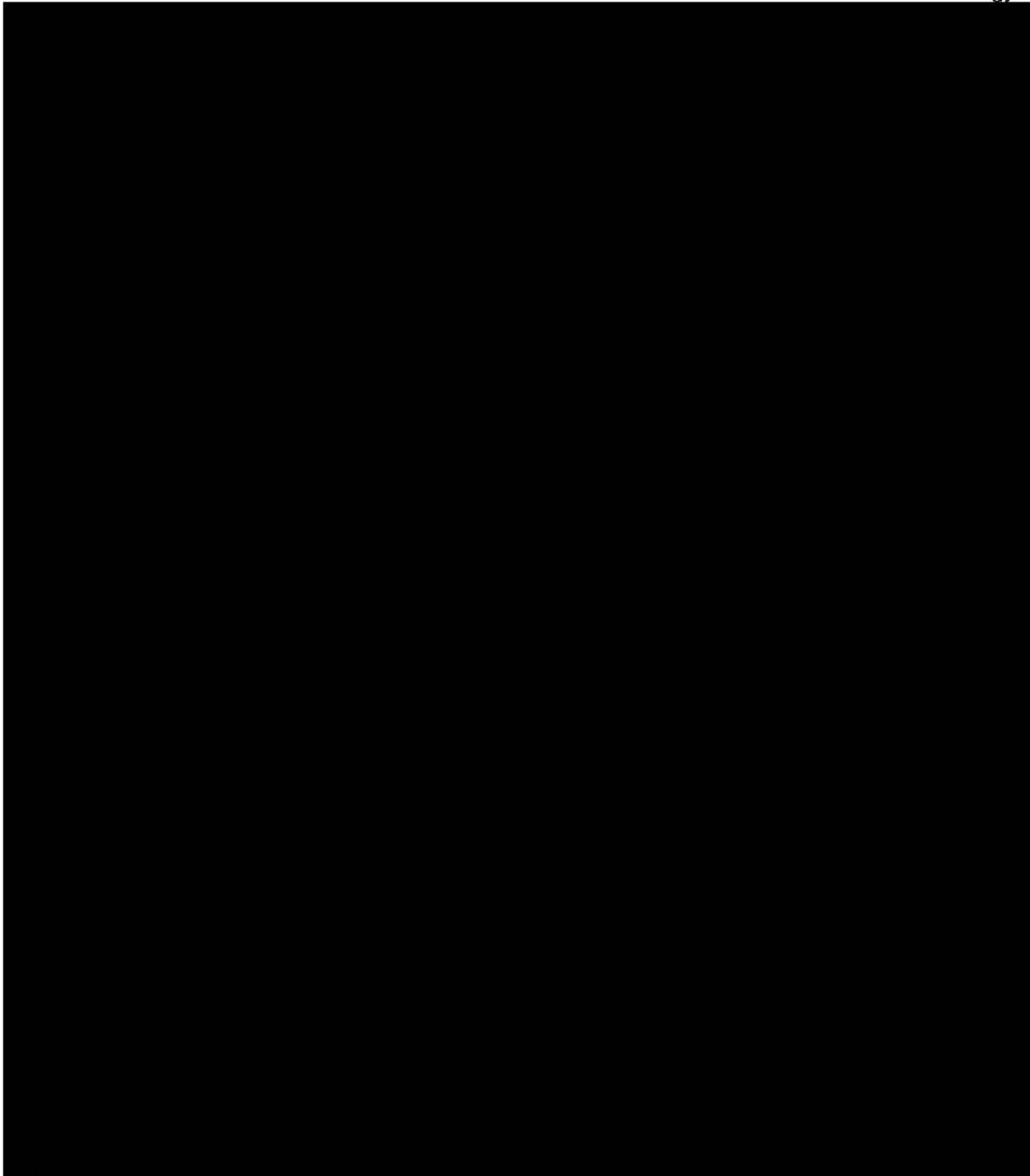


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Department for
Business, Energy
& Industrial Strategy



Kind Regards

Tim Parker
Chairman
Post Office Limited

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**Annex B – Background on Kathryn Sherratt - Proposed Interim CFO**

Kathryn has worked at Post Office Ltd since July 2019 and has significant experience in both public and private sectors, most recently as CFO for the Financial Services Compensation Scheme (for which she was shortlisted as CFO of the year in the Women in Finance awards) and senior roles in Barclays and Deloitte. Kathryn was brought into the business to be a strong deputy for Alisdair Cameron (the current CFO). She is highly regarded by the Group Executive and also the Board.

Kathryn has comprehensive technical finance skills (built up from an early career in Deloitte), and is regarded as the strongest leader in the Finance function. She stepped into the CFO role on an informal basis in August whilst Alisdair was away for most of the month. Post Office have also worked with Kathryn as part of its Senior Women in Leadership Group to support her ongoing development (e.g. through leadership training and a bespoke course provided for Post Office's high potential female leaders).

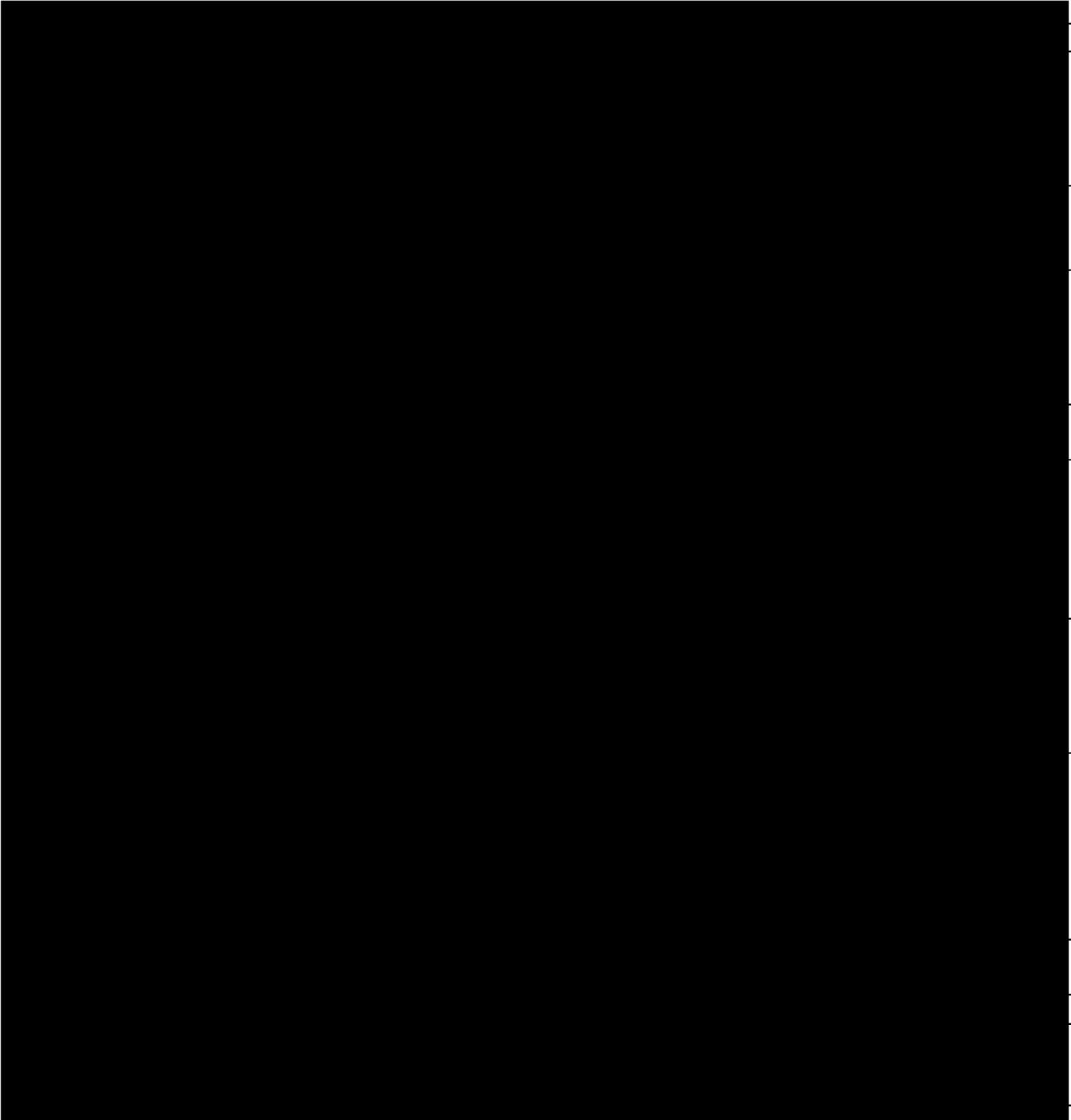
Kathryn is a very ambitious individual who will relish the opportunity to step into the role and is likely to apply for the role on a permanent basis. Taking on the Interim role will enable Post Office to determine how Kathryn benchmarks against other candidates and whether she is ready for the step up now, or in a few years' time, and therefore would benefit from appointing an experienced CFO whom she could learn from. While she has been a CFO before she is untested in a role as complex as this and the Board has yet to decide as to whether she will become a full member of the Board, or to just attend board meetings and provide advice. This will be the subject of further discussion. Therefore, Post Office believe a full internal and external process is required.

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Annex C – Indicative Process & Timeline

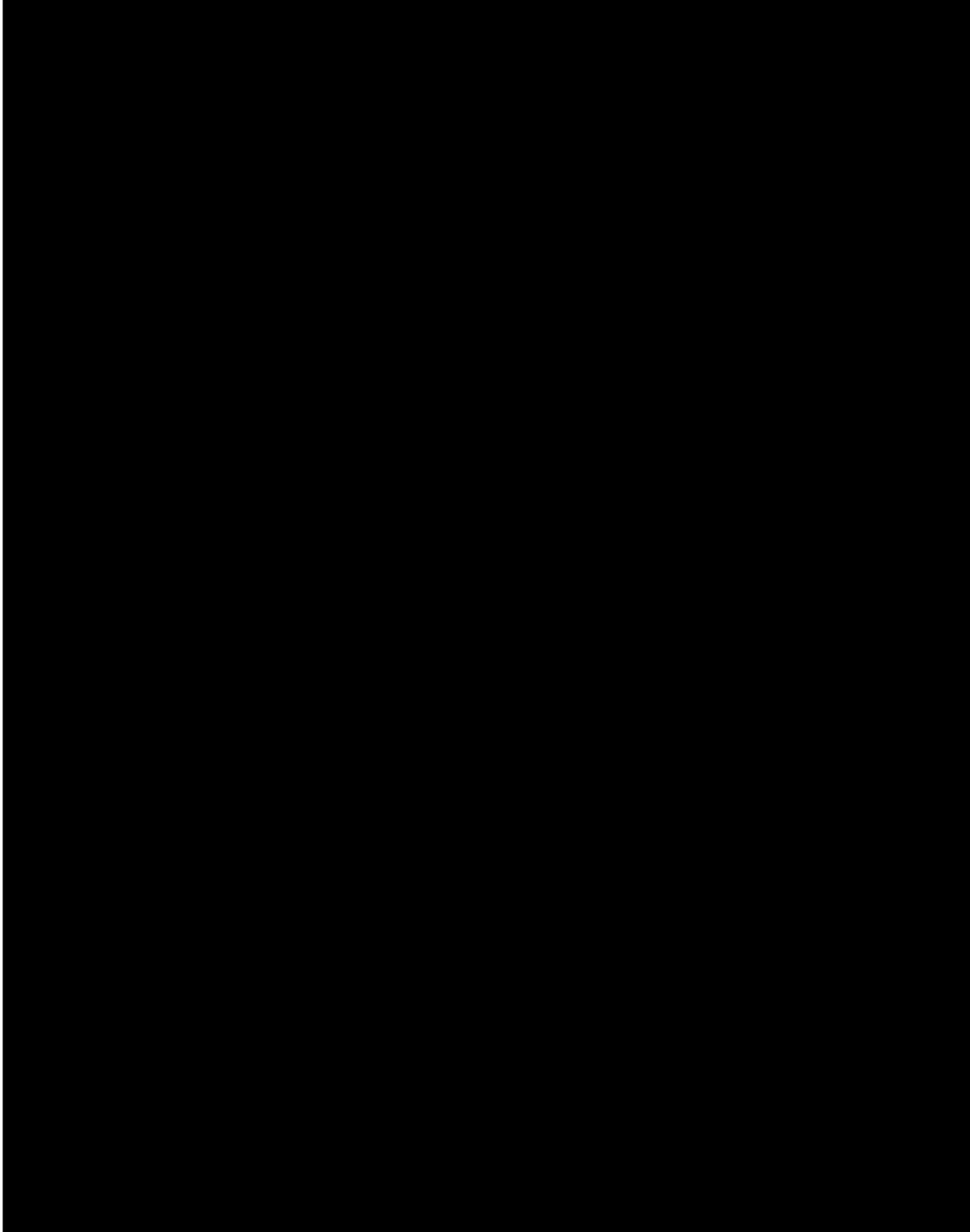
*To note, this timetable is subject to progress on settlement discussion with the incumbent CFO.



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Annex D – Exit Payment and Potential Settlement Agreement



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**Annex E – Communication Handling**

There is continued media interest in the running of the Post Office Limited, in light of the long-running Horizon dispute, and Mr Cameron's departure could be viewed, erroneously, as being linked to the Horizon IT Inquiry / a sign of problems at POL. The size of his exit payment may also attract criticism when it is noted in POL's annual accounts in Summer 2022 (or before if it leaks).

When the terms of his departure have been agreed, we will prepare a statement for use on a reactive basis and will prepare a robust defensive Q&A on other key points including questions about the terms of his exit, including his severance package and the process for hiring a replacement.

Whilst the handling regarding the contractual arrangement and settlement is for Post Office, there is a risk of handling issues for the Department should an amicable settlement not be reached (e.g Alisdair suing Post Office and accompanying press attention). We will monitor settlement discussions and should this situation arise prepare the necessary lines.