POL00448625

Post Office Board Agenda

Date:	27 September 2022	Time	13:00 – 17:25 hrs	Location	Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ

Present		Other Attendees	
• Tim Parker (Chairman)	• Brian Gaunt (NED)	• Rachel Scarrabelotti (Company Secretary)	• Zdravko Mladenov (Group Chief Digital Information Officer)
• Nick Read (CEO)	• Carla Stent (NED)	• Roshana Arasaratnam (Observer - UKGI)	• Simon Recladin (Historical Matters Director)
• Saf Ismail (NED)	• Alisdair Cameron (CFO)	• Tim McInnes (Strategy and Transformation Director)	• Fintan Canavan (Inquiry Director)
• Ben Tidswell (NED)	• Lisa Harrington (NED)	• Owen Woodley (Group Chief Commercial Officer)	• Ben Foat (Group General Counsel)
• Zarin Patel (SID)	• Elliot Jacobs (NED)	• Max Jacobi (Finance Director Retail)	• Kate Gallafent QC (Inquiry Counsel)
Apologies: Tom Cooper (NED)		• Navin Batra (Strategic Financial Planning & Analysis Director)	• Liam Carroll (Procurement Director)
		• Jeff Smyth (Enterprise Cloud & Data Transformation Director)	• Stephen Smith (Category Manager – Procurement)
		• Steve Norris (Head of Property, Equipment & Security)	• Neill O'Sullivan (Managing Director Parcels and Mails)

Agenda Item		Action Needed	Lead	Timings
1.	**Welcome and Conflicts of Interest**	Noting	Chairman	13:00 – 13:05 hrs
2.	**Minutes** (i) 12 July 2022 (ii) 13 July 2022 (Strategy) (iii) 18 August 2022	Approval	Chairman/ CoSec	
	Matters Arising	Noting		
	• ATM Banking Strategy Programme: Lessons Learnt and AEI Assurance Review	Noting	Owen Woodley	
3.	**Committee reports (verbal)** • Remuneration Committee • Historical Remediation Committee • Nomination Committee • Audit, Risk and Compliance Committee	Noting	Lisa Harrington Ben Tidswell Chairman Carla Stent	13:05 – 13:35 hrs
4.	**CEO Report**	Noting & Input	Nick Read	13:35 – 14:00 hrs
Break				14:00 – 14:05 hrs
5.	**Finance** • Financial Performance Report • Working Capital Facility Increase	Noting & Input Approval	Al Cameron/ Max Jacobi/ Navin Batra	14:05 – 14:35 hrs
6.	**Three Year Strategic Plan Overview and Risk Tolerance Considerations**	Noting & Input	Al Cameron/ Tim McInnes/ Navin Batra/	14:35 – 15:20 hrs
7.	**Mails 3YP**	Noting	Owen Woodley/ Neill O'Sullivan	15:20 – 15:50 hrs

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POL00448625

Post Office Board Agenda

8.	**Belfast Exit**	Approval	Zdravko Mladenov	15:50 – 16:00 hrs
9.	**Historical Matters** • HMU Update • Inquiry Update and Funding Request • Inquiry – Opening Statement	Noting Noting & Approval Approval	Ben Foat/ Simon Recaldin Fintan Canavan/ Kate Gallafent QC	16:00 – 16:30 hrs
10.	**Approval Requests**			16:30 – 17:00 hrs
	• Fujitsu Contract Extension • SPMP Funding Request • Procurement	Approval	Jeff Smyth Zdravko Mladenov Liam Carroll/ Stephen Smith/ Steve Norris	
11.	**Noting Papers with no Presentation**			
	• Health and Safety Report • POL Control Framework • IDG Update • Pensions – Augmentations to RMPP • CIJ/ HIJ Dashboard • Investigations	Noting		
12.	**Noting and Governance Items**			17:00 – 17:25 hrs
	• Officer Changes • Committee Memberships • Sealings Report • Future Meeting Dates • Forward Agenda	Approval Approval Approval Noting Noting		
13.	**Any Other Business** • Feedback on papers	Noting		
14.	**Date of next scheduled meeting:** Board Meeting – 1 November 2022 10:00 – 14:25 hrs	Noting	Chairman	

POL00448625

2.1

POST OFFICE LIMITED BOARD MEETING
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MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 12 JULY 2022 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 13:00 PM

Present:	Tim Parker	Chairman **(TP)**
	Tom Cooper	Non-Executive Director **(TC)**
	Carla Stent	Non-Executive Director **(CS)**
	Zarin Patel	Senior Independent Director **(ZP)**
	Lisa Harrington	Non-Executive Director **(LH)**
	Saf Ismail	Non-Executive Director **(SI)**
	Elliot Jacobs	Non-Executive Director **(EJ)**
	Ben Tidswell	Non-Executive Director **(BT)**
	Brian Gaunt	Non-Executive Director **(BG)**
	Nick Read	Group Chief Executive Officer **(NR)**
	Alisdair Cameron	Group Chief Finance Officer **(AC)**
In attendance:	Rachel Scarrabelotti	Company Secretary **(RS)**
	Dan Zinner	Inquiry Improvement Delivery Chair **(DZ)** (Item 5)
	Max Jacobi	Finance Director – Retail **(MJ)** (Items 6 & 7)
	Navin Batra	Strategic Financial Planning & Analysis Director **(NB)** (Items 6 & 7)
	Tom Lee	Group Financial Controller **(TL)** (Items 8 & 9)
	Tim McInnes	Strategy and Transformation Director **(TM)** (Item 10)
	Martin Roberts	Group Chief Retail Officer **(MR)** (Item 10)
	Martin Edwards	Network Strategy & Delivery Director **(ME)** (Item 10)
	Ben Foat	Group General Counsel **(BF)** (Item 11)
	Simon Recaldin	Historical Matters Director **(SR)** (Item 11)
	Jeff Smyth	Enterprise Cloud & Data Transformation Director **(JS)** (Item 12)
	Russell Hancock	Supply Chain Director **(RH)** (Item 13)
	William Porter	Senior Category Manager, Procurement **(WP)** (Item 13)
	Andrew Stevens	Head of Stock Operations **(AS)** (Item 13)
	Martin Kearsley	Product Portfolio Director **(MK)** (Item 13)
Apologies:	N/A	

Action

1. Welcome and Conflicts of Interest

A quorum being present, the Chairman opened the meeting. The Chairman called for the Directors to disclose any conflicts of interest. The Directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

2. Minutes and Matters Arising

TABLED and **NOTED** were draft Minutes from the Board Meetings of 22 February and 7 June 2022. The Board **RESOLVED** that the Minutes of the Meeting held on 22 February 2022 be **APPROVED** as a correct record of that Meeting and be signed by the Chair.

In relation to the Minutes of the Meeting held on 7 June 2022, subject to the Chairman sighting BT's comments, the Board **RESOLVED** that the Minutes be **APPROVED** as a correct record of that Meeting and be signed by the Chair.

POL00448625

The Board **NOTED** the action log and status of the actions shown.

3. Committee Reports (verbal)

3.1 Remuneration Committee

The Chair invited LH to update the Board on the work of the Remuneration Committee. LH advised:

- The Remuneration Committee had met the proceeding week and covered a fulsome agenda, considering:
  - the STIP and MIP for 2021-2022 and the LTIP outturn for 2019-2022. Although these matters were close to being approved the Committee needed to decide on the application of the multiplier, specifically whether the personal multiplier applied to the Individual measures (20% weighting) and/ or the Company measures (80% weighting). Management were reviewing the approach taken over the previous few years, and checking that the personal multiplier approach had been accrued for sufficiently in the event that the Committee determined that that was the correct approach;
  - the future pay framework in terms of the 2022-23 STIP metrics and the 2022-25 LTIP metrics. A good debate had ensued, and the targets had been refined to distil these down to the critical elements, with targets divided across the key business priorities. The Financial metric of the STIP for 2022-23 remained to be resolved. LH advised that consideration was being given to moving to a partly cash flow type target;
  - The Committee would reconvene on the above items at the end of July;
  - LH had met with the Chair of the Audit, Risk and Compliance Committee to confirm the computation of the Company's EBITAS number, for the purpose of the 2021-21 STIP and 2019-2022 LTIP outturn;
  - In terms of outturns, these would always need to be set as a minimum against the baseline from the previous year;
  - **ACTION** Assistance was required from R Taylor and his team to finalise the Director's Remuneration Report. The Committee had considered the draft however this required further editing. NR advised that R Taylor had been on leave however was due to return shortly and could assist; **R Taylor**
  - The benchmarking exercise in terms of identifying a future peer group for the GE remained ongoing, and the Committee's remuneration consultants were due to return this item to the Committee come September. LH suggested that this work be shared with the Board once it had been further considered by the Committee;
  - The Committee's remuneration consultants had also undertaken benchmarking work on non-executive director fees. No changes to non-executive fees were proposed at present;
  - The Company's Articles of Association contained a cap on the aggregate remuneration for non-executive director fees. If this was exceeded with the appointment of the new chair, a proposal would be returned to the Board to raise the cap;
  - The Committee had considered targets for Z Mladenov and J Smyth;
  - The Committee had considered the Committee's Annual Evaluation Report;
- The Committee was due to re-convene before the end of July in a bid to resolve outstanding issues.

POL00448625

POST OFFICE

POST OFFICE LIMITED BOARD MEETING
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2.1

3.2 Historical Remediation Committee

The Chair invited BT to update the Board on the work of the Historical Remediation Committee. BT advised as follows:

- On the Criminal Appeal Cases side, 5 more appeals were set to be heard by the CACD on 28 July 2022; these were undisputed;
- A lot of work in respect of cautioned Postmasters was ongoing, in terms of ascertaining the potential size of the group and what the claims might be. The Chair queried the potential number of Postmasters involved. BT replied that the Company had issued cautions to about 100 individuals. Any civil liability in these cases was likely to be significantly less as against those who had been convicted;
- In terms of late applications received since the HSS scheme closed, the Committee had considered this matter in their meeting yesterday, and determined to allow the late applicants, using the HSS 'exceptions process'. The financial consequences of this decision were estimated to be in the vicinity of around £40M, with the expense to be sourced from within the existing HSS financial envelope;
- The ENE process was set to commence Monday. Lord Dyson had agreed to act, and an outcome was anticipated by the end of July. BT shared his view that he was hopeful that this could assist to progress the OHC workstream and this could be a very useful process. The Inquiry had considered progress on the OHC workstream;
- In respect of Postmaster detriment (detriment 1 suspension payments) a funding request decision was awaited from TAPP. TC advised that TAPP had not convened yet, as PICC had not made a decision. If the PICC decision could be resolved, then we were hopeful that the TAPP decision could similarly be made;
- On the rest of Postmaster detriment (detriment 2 aged balanced) the GE had made a decision to pause re-payments, subject to agreeing what the communications would be. This was a very sensitive point; progress in this area felt slow and difficult;
- a number of significant issues remained to be progressed and most of these carried reputational risk to the Company. Additionally, BT was concerned that the Government might move to rejecting funding requests so the Company could be left in a situation where we did not have funding for certain claims. CS shared that she was concerned regarding this also. NR noted that BEIS were at the Inquiry today and thought that their experience there could be quite important, as it was anticipated that they may be criticised quite heavily. This experience could then drive BEIS behaviour. The Chair was in agreement with NR: once noise was created this could prompt BEIS to move. TC advised that the item that concerned TC was the second detriment area, which was much less visible, and where the Company could be left without funding. EJ referenced an article in the Times from last weekend regarding a Postmaster who had their conviction quashed. BT advised that in this case the Company had conceded, however we had not conceded that the conviction was unsafe. NR noted that the article was disappointing. EJ queried whether the Company had a sufficient PR response in place. NR replied that the Company did, and that corrections had been published on occasion. EJ advised that he was concerned that bad press was continuing even when the Company was taking positive steps. BT noted that the Company's approach had been considered in the Inquiry and that the Inquiry's interim report

could help the Company to make this point. NR noted that media made no distinction between the Government and the Company, and that this contributed to negative perception.

3.3 Nominations Committee

The Chairman, also being the Chair of the Nominations Committee, updated the Board on the work of the Nominations Committee as follows:

- The Committee had reviewed the results of the Annual Committee Evaluation process and the Committee had considered the extent to which the Committee should consider succession below the Board and GE level. **ACTION** The Committee had determined that given the significance of the issue a general discussion on succession should be had at the Board every 6 months; **A Williams**
- Extensions to ZP and LH's terms had been achieved;
- In terms of NED recruitment, successors to ZP and LH were to be recruited, along with a third candidate to succeed CS.

3.4 Audit, Risk and Compliance Committee

The Chair passed to CS and invited CS to update the Board on the work of the Audit, Risk and Compliance Committee. CS advised as follows:

- The Committee had spent some time reviewing the draft Company Annual Report and Accounts FY2021/22 ('ARA') when the Committee met earlier that day. **ACTION** CS undertook to send a full report to the Board on the central items the Committee had considered, especially in relation to the Committee's approach to provisions *[CS emailed the Board this report 12 July 2022 at 23:22]*; **CS**
- The Company's reduction in funding translated to a reduction in workstreams in some areas, moving the Company outside of risk appetite on some cases;
- The IA on the HIJ Improvement Program Phase 2 had been considered;
- In relation to Cyber security, the Committee had requested that a play book be produced for responding to an attack, and similarly in relation to Ransomware;
- Despite the reduction in funding, an area that the Committee had advised that they were not willing to compromise on was anything in relation Health and Safety. Similarly, the Committee had also requested that the integrity of soft and physical data not be compromised on; CS outlined the recent incidents which had resulted in ICO notifications;
- a deep dive on HMU Risks had been undertaken. It had been raised that the HRC was so involved in the transactional workstreams, so was there enough on the dashboard on the operational side. In reviewing risks identified in the high-risk category, it was thought that there were some entries there where mitigating actions could be taken;
- there had also been a deep dive on IT controls. Z Mladenov had presented and advised that whilst there was more to do in this space, IT controls were currently sufficient;
- looking at the draft ARA:
  - management had done great work to get to this position;
  - Financial controls seemed to be operating very well;
  - On the question of when the accounts would be published – the current thinking that the accounts could be signed towards the end of July however it was not clear as to when these would be published given wider sensitivities

POL00448625

such as the prospect of Industrial Action and the commencement of the Inquiry. There was a risk that if the Company delayed overly between signing the ARA and publishing the ARA that we may need to re-open the accounts. LH advised that she was comfortable with the accounts being published sooner rather than later, however noted the intention to bonuses whilst the Company was in the midst of a pay dispute. CS agreed that this was a very sensitive issue however shared her view that the Company would need to proceed to publish in good time regardless. AC noted that there was a reasonably short period between Parliament returning from the summer recess and then going into party conferences however, and that the executive were anxious about publishing the ARA. The Chair asked when it was anticipated that the ARA would be publish then. NR advised that the Company was going to ACAS in the middle of August, and that mediation would be ongoing. Receipting bonuses would be important for employees and how they felt. The second phase of the Inquiry was due to commence in September; it could be good to publish the ARA ahead of this. **ACTION** LH shared her view that there was likely to be no good time for the accounts to be laid, and requested that management be ready and front footed to respond to reactions on the ARA, especially in relation to comments on remuneration. EJ queried whether there was any possibility of settlement of the pay disputes before October. NR advised that management simply did not know. NR advised further that he had attended a DMB conference last week and had spoken on the pay rise for the previous year and detailed that there were simply no monies to fund a pay rise. NR had been approached following the conference and there was an understanding of this position, whereas previously there had not been;

R Taylor

- a change in prior year accounting treatment and a restatement for the prior year in respect of HSS funding was required. Careful thought was going into the correct disclosures around this;
- Pay Zone represented a significant debtor for the Company, and it had been queried whether more of a provision was required for this. **ACTION** EJ questioned whether it was intended to move Pay Zone to NBIT. AC advised that management were working towards a conclusion on this and the general viability of the entity, and O Woodley was leading on this;

O Woodley

- The going concern treatment was critical and obtaining a correctly worded letter of comfort from BEIS was crucial to support this. The draft letter of comfort to be requested from BEIS would be circulated to the Board and would seek assurance on a number of items including general assurances (in line with last year), assurances over Remediation (in line with last year), the continuity of the NSP or if the NSP isn't forthcoming in future years, the Company would not be held to delivering the linked Network requirements, on HSS assurances that the late applicants would be funded, via the current envelope or a new business case, and in respect of OHC and HSS tax, assurance that should the Company be liable to corporations tax payments then BEIS would fund these;
- It was proposed a Board sub-committee be established to oversee the items above and to approve any non-material amendments to the draft accounts with the sub-committee members to comprise CS, NR, AC, and TC.

4. CEO Report

TABLED and **NOTED** was the CEO report.

POL00448625

NR advised as follows:

- NR would start with good news - we had had a very good first quarter trading result. Banking had been exceptionally good – we were seeing an increase in the closures of bank branches and banking deposits were up. Banking deposits had performed very well over the last 3 months and showed no evidence of slowing down. The travel business had also been performing very well; the advertising at Stanstead Airport in this respect had been very good, as at Liverpool Street station. The bundling on products had been great; although we had offered a discount, we had provided the message that the Post Office made it easier – for example by assisting across passports, insurance, and travel money. The Company held a circa 25% share in foreign currency pre-pandemic, this was now over 33%. NR had tried to enthuse everyone at the 10 at 10 meets in respect of this performance;
- The Mails business had been mixed. There was real concern regarding the behaviour of RMG to drive customers online, so our high value customers were being disintermediated. The International mails market was in steep decline;
- There were some headwinds – we had always just about been able to run; we had struggled to implement change, however. Issues were appearing as we tightened everything given our funding position and there had been a number of critical issues;
- Some headway with Post Office printers had been made, although significant work remained in this space. There were 1000 printers we would replace with new printers. We were still experiencing issues with incorrect printer ink being used in the network, the message had not landed with Postmasters and would be reiterated by M Roberts. We had taken the IT support centre out of the service centre and were mobilising to have additional resource brought in to support. The collaboration between M Roberts and Z Mladenov was good. M Roberts had approached the printer issue very much as a retailer, by arranging for area managers to get on the ground with printers in the back of their vans and assisting to clean printers. M Roberts had brought a different approach to how we would have dealt with these issues previously;
- operational change was the thing that concerned NR the most – particularly in light of the operational change that was due to be delivered over the coming months. LH agreed, noting that the problem seemed to be that we had so much change coming. EJ noted M Robert's response to the printers issue, and that this demonstrated that if we were nimble and had a plan to react in a less corporatized fashion then it was much more likely that the issue could be overcome. EJ stressed that as the Company moved forward with change, we needed to be cognisant of implementing change in a way to resolve potential issues with ease, rather than continually calling on technical expertise. SI requested that more stickers be produced and sent out for Postmasters to apply to printers, as the messages issued had not landed. NR replied that this raised the issue of messages to Postmasters and whilst we thought we were we quite clear on what was required we would need to continue to blast the airways with communications. LH observed that the business did not seem great at testing things, and that her response would be similar to M Roberts – to protect the network like a fierce mother. NR agreed with LH's sentiments on testing, however noted that at the recent DMB conference that employees were putting up their hands to be involved in testing;
- there were operational challenges and it had taken time to get the IT and the Retail structures right. The north and south area managers were to be moved

POL00448625

around and we were going from 9 regions to 12. Management had looked very closely at the regional managers we had, and a decision had been made to bring in some new talent. NR advised that he was very surprised at the number of area managers that did not live in their region. NR shared that his experience was to move to the region he would be covering. An SLG face to face meeting was scheduled for later in the week where we were having an NBIT session to reinforce that the change needed to be a business wide issue;

- with the restricted funding we had competing priorities and were balancing the need to complete change, and what we needed to do to sustain the business. We were overspent on some of our bigger projects including PCI and Belfast Exit and a change of leadership may be required on these projects. The Chair commented that the Belfast Exit project equated to a huge expense for the Company. EJ queried whether the costs on Project Belfast could reach £100M. NR replied that they may, however there was recognition that we needed to change the approach here. ZP had provided a useful steer to management in suggesting that external resource be brought in to help to manage the project. NR advised that Project Belfast was the one thing that was genuinely keeping NR up at night; particularly the uncertainty and the unknowns involved in the project;
- Postmaster's average remuneration was up for June. NR noted that it was unclear what the pattern of remuneration would look like post the end of the travel period, however we would then be heading into peak period so trading may stay reasonably resilient;
- Implementing cultural change was very important at present; A Williams had provided significant drive on the Leading to Serve training and bringing the cultural change required to life. Postmaster centricity was evident in how employees were acting and behaving and there were cultural changes in terms of the SLG and GE. The cultural change was quite material and would be important as we progressed through the Inquiry.

The Chair called for questions.

CS queried whether NR could touch on banking hubs at all. NR advised that the committed number of banking hubs remained at 2 plus 5. We are still in the gift of LINK who would decide. NR advised that the issue of banking hubs and branch format would be discussed in detail at the Board Strategy Away Day tomorrow.

BT queried the status of the NFSP Grant Fund Agreement. NR advised that the NFSP had not brought the agreement back as yet. **ACTION** NR agreed to update the Board and provide a note once the NFSP Grant Fund Agreement had been settled. **NR**

SI shared his view that on international mail, it was not just a customs issue that was causing decline. SI advised that he had lost customers to other providers such as Evri. In relation to Postmaster remuneration for the month of June, Si queried where the increase had come from. NR advised that the increase came directly from trading and represented a trading profit distribution. AC contributed that whilst international mails performance was down, performance on home shopping returns and special deliveries had been good, and these netted out and meant that there was higher Postmaster remuneration. NR noted that special was where the margin was, however when we mystery shopped, we did not observe Special being promoted. NR advised that there was an opportunity there. EJ referenced Branch Hub and advised that he could now see the individual performance of employees, which he had been unable to do previously. The information now available on Branch Hub allowed Postmasters to do targeted training of employees. NR took the point

POL00448625

and referenced the value in having evidence-based conversations so Postmaster could train employees as required, and tailor their conversations with employees. NR advised that he was engaged in ongoing conversations with M Roberts around how this tool was operationalised.

BG referenced Project Darwin and advised that he had not seen the terms of reference for the Steering Committee established to oversee this project. BG advised that he had run outsourced businesses previously and would gladly put his hand up to be involved.

TC referenced the section in the CEO Report detailing that BOI wished to change their IT platform. NR advised that the issue was that BOI wished to do this at the same time as the Company. A compromise would need to be found.

The Chair called for further questions. There were no further questions.

5. Improvement Development Group Update

TABLED and **NOTED** was a paper, 'IDG Update'.

DZ joined the meeting at 14:03 and provided an overview of the paper. Key discussion points were as follows:

- Of the 56 items IDG were tracking to complete, over 70% were CIJ related, and of those about half are 'Red/ Oxblood Red' in terms of impact, primarily around detriment or aged balances;
- In relation to HIJ the focus for the team was taking stock of what we had been achieved, assessing sustained conformance and considering the narrative as this would be required for the Inquiry;
- In moving to achieve conformance we needed be very thoughtful about the areas that we focused on. For example, it was not feasible to do too much more IT change;
- Work was underway to obtain independent assurance on HIJ improvements. It was incredibly important to track this, on an evidential basis, and by themes;
- Operational dash boards had been prepared to ensure that the GE received appropriate oversight;
- A review of all current manual controls to monitor improvement compliance was underway. A team was in place to map current controls back to new processes and risks identified in the Postmaster support policies while identifying gaps and removing controls that do not add value. Relevant controls would be added to ServiceNow.

DZ paused and called for questions. LH queried the point at which rebuilding on Horizon was ceased, given the Company was moving to NBIT. DZ agreed that this was an issue; the more change implemented on Horizon the more change required on NBIT, and Postmaster's ultimately had to shoulder this change.

The Chair noted the huge amount of progress made, however queried whether we were trying to shoot every possible light out which would make things more difficult in the IT arena. The Chair shared his view that of the tracked improvements that there were a few things that mattered much more than others, for example, being able to demonstrate that if there was a dispute with a Postmaster that we had a robust mechanism in place to resolve this. The Chair cautioned that not every element of the CIJ was of equal importance and that this needed to be considered. DZ replied that the improvements

POL00448625

were aimed at achieving compliance, being confident that the business was operating legally, and to assist Postmasters.

DZ advised that there were areas identified that may have caused detriment and these were being investigated. CS advised that it was difficult to tell the potential quantum of the possible items of detriment from Appendix 1 of the paper. [redacted]

In terms of the narrative that would go to the Inquiry on HIJ and CIJ improvements, the Chair queried who specifically in the Inquiry secretariat would review this. TC advised that the Inquiry had engaged an IT expert. AC shared his view that the IT expert for the Inquiry would look at the HIJ and CIJ improvement lists to assess matters that had not been fixed or finished. LH noted that for items that had not been completed that the narrative provided by the Company around this would be very important. AC advised that work on joining up the narrative by the end of the month was underway, as the Company was due to provide a reply to S Munby on the status of HIJ and CIJ improvements and assurance over the improvements. The Chair shared his view that the tone of the letter needed to be struck correctly; it didn't need to be too apologetic given a lot of issues were not capable of resolution within the time frames. A huge amount of work had been undertaken and there had been a cultural shift, we should not be under selling ourselves. TC agreed with this, however advised that he remained concerned about remote access. NR replied that management were very conscious about preparing this narrative; whilst we wished to complete all items the Company simply could not afford it, and we needed to make some difficult decisions.

AC raised the issues of the controls around remote access, and that the Company relied on Fujitsu to advise us on instances of remote access. TC advised that he shared this concern given the history of remote access. AC noted the third-party assurance exercise that was to be undertaken here, focusing on remote and privileged access, to conclude work on HIJ improvements in this area.

TC queried the items that were outstanding from an Oxblood red perspective. DZ directed TC to the section of the paper detailing the relevant CIJ items and noted that the outstanding HIJ items were not in paper and were still being progressed.

BT raised the issue of potential Postmaster detriment as further identified by the business and commented that it appeared that legal reviews would be concluded by the end of August. DZ advised that a review with legal was scheduled for 22 July. BT observed that the identification of possible items of Postmaster detriment was almost becoming a business-as-usual exercise and queried when we needed to say this is a business-as-usual activity, and no longer sitting within IDG. DZ replied that management was concerned to keep this issue in IDG to ensure sustained focus to resolve. NR advised that he wished for this item to remain with DZ whilst the Inquiry was ongoing and for DZ to continue to own this. Once the Inquiry concluded this would be a business-as-usual activity.

The Chair called for further questions. There being no further questions DZ left the meeting at 14:30.

POL00448625

POST OFFICE LIMITED BOARD MEETING
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6. Finance

Financial Performance Report

TABLED and **NOTED** was a report, 'May 2022 (P2) – Performance Overview'. MJ and NB joined the Meeting at 14:31.

AC spoke to the paper, providing an overview as follows:

- The Company's JV with BOI was performing well, and a good distribution was anticipated for January 2023;
- The network had sustained 2 high loss incidents. Part of the problem was Postmasters not following processes; management were trying very hard to convey to Postmasters the utmost importance of following due process;
- Overall trading in P2 was positive;
- Security headroom was positive as against plans;
- The Network was proving very resolute with just under 11, 600 branches open. We were not seeing the wave of resignations we feared;
- Postmaster renumeration was up as against budget.

The Chair observed that this may be the only time he could remember that the Company had all the non-mails businesses performing well, a full cast so to speak. AC noted this and advised that this highlighted the volatility of the Company's trading. The current statistics were not normal; there was so much change post covid.

The Chair advised that the item that troubled him was the year on year 11% dip in the performance of mails; the performance of other products were all explicable. The statistics on acceptance were very difficult; our main partner had made a number of adjustments to pricing and were attempting to disintermediate the Company. The Chair further advised that he was loathe to make any conclusions as to how the financial year would play out: would the Company's declining main element of mails be made up for by cash and banking? EJ shared his view that Postmasters were working harder than ever, however were earning less. The Chair advised that understanding volume and value was essential. EJ referenced the Council pay-out scheme and that for 20 pence per transaction Postmasters needed to check a customer's identity documentation and then undertake the pay-out transaction. This was labour intensive and, in some branches, resulted in queues out the door and normal customers avoiding coming in. AC advised that mails was the conversation management were most focused on and that a significant part of the Board Away Day was centred on the mails business. In terms of value and volume, MJ advised that we had seen some of the volumes go up, however we had not seen the trends displayed completely due to the price change. The Chair noted that revenue from stamps was quite small. AC noted that there was a shift to second class. MJ contributed that the customs issue was looming quite large. The Chair observed that all of these items were quite important – certain elements of the mails business were down, however when measured in terms of volume the impact did not appear as significant. The Chair queried whether we were facing a business that was in a secular decline or was it that the average transaction value would be lower, and competition could mean values would be driven down. AC noted that previously new revenue from mails did less well than the historical elements. In relation to pay-outs, AC advised that EJ and SI's comments as provided in the previous Board Meeting had been taken back to the network team; their response was that they had not received any complaints from other Postmasters on this and that Postmaster's were pleased with the pay-out arrangements. The Chair queried whether the need to disburse cash might come up again. NR advised that it would. **ACTION** SI requested a session be arranged between SI and EJ with A Goddard to review what was in **A Goddard**



the pipeline. The Chair cautioned that any review needed to be conducted via a cross section of Postmasters and needed to be balanced; SI and EJ should be careful not to bring only their own experience to this. LH queried whether the pay-outs were useful for bringing in footfall. SI replied that in his experience the pay-outs were not. LH asked whether the exercise could be looked at from the opposite direction, to determine how much such an exercise would cost Postmasters and then to build a model so this could go into the negotiation.

7. Draft Strategic Plan and Options Review

TABLED and **NOTED** was a paper, '3 Year Strategic Plan'.

AC spoke to the paper advising that based on current trajectories year 3 looked financially very difficult for the Company and Postmasters. The decline in mails had been straight lined for the 3 years; the finance team were working through whether this was the correct approach. There were positives in other products that to some extent were expected to off-set the decline in mails, and some other items that would help maintain Postmaster remuneration. When all the items were added up however, we still needed additional work on mails, and over the three years a material gap was anticipated to develop. The finance team were looking at all components for the next 3 years and testing where the Company could push in areas such as head room and/or trading or challenge the trajectory on mails.

ACTION AC advised that the paper represented the initial work that had been undertaken by the finance team and that the paper would be returned to the Board in September with a recommended way forward. **AC**

EJ queried whether any changes to the mails strategy were overlaid as against the Draft Strategic Plan. NR advised that the effects of any changes to the mail's strategy had not been incorporated into the Draft Strategic Plan. IRRELEVANT

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The Chair shared his view that this could come back as a matter for the shareholder as to how it planned to fund the Company. The issue was that the Company did not receive from Government a subsidy which reflected the true cost of the network. The Chair queried whether additional funding should be requested now, in order to avoid the financial challenges towards the end of the 3-year period, although observed that the revenue line was hard to predict at the moment. AC shared his view that as the Funding Agreement was only signed 3 months ago now was not the time to go and seek additional funding. If we needed additional funding in the next funding review, then we needed a permanent statement on the subsidy, and we needed this in the network policy review. T McInnes was looking at different funding avenues. Discussions were being had with several banks to see if we could IRRELEVANT IRRELEVANT In relation to DMB's, which seemed to be the second most sensible business case, third parties seemed cautious on this opportunity. AC suggested that if the Company transacted with WHS on something like 6 branches it could bring other interested parties onto the pitch. In relation to borrowing generally, we needed to be cautious as borrowing typically required shareholder approval, so we would need to work through any proposals very carefully. The other opportunity was automation. LH advised

POL00448625

that this was an area that worried LH, and LH queried how the Company could look to undertake and deliver this on top of everything else. AC advised that he took the point, and in any event the Company did not have the funding. AC reiterated that we needed to take £80 - £100M out of the business to make it work. The Chair advised that he would like to leave this as a legacy – the re-configuration of the Post Office – as the Company needed to change the fundamental nature of what it was doing so, we had the makings of something that was sustainable.

AC advised that in terms of automating for Postmaster's in mains branches that there was demonstrable value there, and we were a step behind. A team was being assembled to see whether we could fund Postmaster automation by way of providing bank loans or guarantees as it did not appear that funding an automation project was feasible for the Company. On the recoverability side however, the risk was that we didn't know which Postmaster's might be in difficulty and default. AC advised that the Postmaster automation project might cover one or two thousand branches; it would not be every branch. EJ advised that Postmaster's moving to elements of automation may need to physically reconfigure their branches too, and funding would be required for that. AC replied that the Company would likely advise that it would be up to Postmasters to fund this. EJ accepted this and noted that there would be branch standards for Postmasters to build to.

LH queried what the thinking was on items such as Pay Zone and lottery which weren't earning the Company significant revenue. AC advised that decisions on these items were being forced by the move to NBIT. AC advised that the finance team had just refreshed the analysis on product profitability so could see that all products were contributing. In terms of lottery, AC shared his view that this product offering should cease, and not be built onto NBIT. If individual Postmasters wanted a lottery product, it was open to them to secure this themselves. The network team would say however there would be branches that close if lottery was taken away. AC advised that management wished to put this item on the table to discuss. NR noted that lottery did drive enormous foot fall, however. NR questioned whether we wanted to go through the complexity of moving lottery onto NBIT, or would the decision be that we advised Postmasters to interact with the lottery supplier direct. The Chair queried the overall extent to which lottery transactions delivered to the Postmaster and cautioned that any decision on lottery needed to be looked at in the round. That said, taking a product out that delivered little contribution was always a winner.

The Chair advised that the return on investment lay somewhere in the configuration of branches and that the Company needed to somehow get the best out of each town that it operated in. For example, was it a matter of having a Post Office in the centre where there was peak demand, then having a number of satellites around this where homes were concentrated. The Chair further advised that he thought there was work that could be undertaken around the best network geography. AC replied that the thing that worried AC was the volatility on this issue: 2 years ago, it was mains who were in difficulty not the locals, and now the position had reversed. Given this AC advised that he was concerned about following a model developed at a point in time and felt that we needed to be cautious on this.

TC pointed to the decline in mails and asked what the cumulative reduction figure was. AC advised that management were not in a position to give this detail at present. TC observed that if the Company needed to take out £80 - £100M in costs we would be effectively left standing still. In relation to automation, if labour costs were removed how

POL00448625

much would a Postmaster be saving? If this was for example £15k, the Postmaster could then pay for additional kit with these monies. EJ noted that there were a number of family run branches, so costs in these branches would not necessarily go down as family members would continue to work in branch. In the larger branches however, automation could reduce staff levels. CS queried what automation would look like. EJ advised that it could take many forms, such as Tesco where the ratio of self-service counters to manned counters was 8:1. EJ queried whether we could automate all returns and estimated that this would take out 1 and a half persons. CS advised that she could see the benefit for Postmasters in automation however the business case for Post Office was less clear. LH advised that if automation for Postmasters was to occur then it was essential that it was kept simple.

The Chair asked whether it was possible to put together model post offices of various sizes to ascertain what the very best way to operate was and queried how simple we could make the operation to run the franchises. The Chair advised that he had always been keen to have a set of processes for Postmasters to materially improve their businesses. EJ advised that the area teams could be trained up on these. In terms of business improvement, LH shared an experience from previous employment where management used to have 'hot houses': this involved inviting people in on an initial no fee basis and pitching ideas. The Chair observed that the dialogue showed quite a few relatable topics and that the Board would need to see a range of possibilities.

MJ and NB left the Meeting at 15:25.

8. Annual Report & Accounts FY 2021-22

TABLED and **NOTED** were the following materials:

(i) A paper, 'FY21/22 ARA Cover Note';
(ii) A paper, 'Going Concern Review';
(iii) PwC Audit and Risk Committee Report for the year ended 27 March 2022;
(iv) The Company's draft Annual Report and Consolidated Financial Statements 2021/22;
(v) Draft Auditor's Opinion; and
(vi) Draft Management Representation Letter to PwC from the Company.

TL joined the Meeting at 15:27.

AC noted that TL had done an excellent job, and that CS had earlier in the Meeting outlined next steps. CS advised that the Audit, Risk and Compliance Committee had met earlier, and that the Committee had resolved to recommend to the Board the approval and signing of the Company's Annual Report and Consolidated Financial Statements 2021/22 and proposed the formation of a sub-committee of the Board to finalise any non-material changes required to the Company's draft Annual Report and Accounts.

The Chair called for questions. There were no questions.

After due consideration, it was **RESOLVED** that:

(i) The Company's Annual Report and Consolidated Financial Statements 2021/22 in the form produced to the Meeting be and are hereby **APPROVED**;
(ii) a Board ARA Committee be formed comprising NR, AC, CS and TC with authority **DELEGATED** to:

POL00448625

- approve any minor amendments, variations or additions to the Company's Annual Report and Consolidated Financial Statements 2021/22 as against the form tabled which the ARA Committee considers in its absolute discretion are appropriate;
- approve any minor amendments, variations or additions to the Management Representation Letter as against the form tabled, which the ARA Committee considers in its absolute discretion are appropriate;
- direct management as to the date for laying the Annual Report and Consolidated Financial Statements 2021/22 in Parliament;

(iii) The Chair of the Board be and is hereby authorised to sign the Chairman's Statement;

(iv) N Read be and is hereby authorised to sign the Chief Executive Officer's Statement;

(v) Any one Director be and is hereby authorised to sign the Strategic Report;

(vi) The Chair of the Remuneration Committee be and is hereby authorised to sign the Remuneration Report;

(vii) Any one Director or the Company Secretary be and is hereby authorised to sign the Director's Report;

(viii) Any one Director be and is hereby authorised to sign the Consolidated Balance Sheet;

(ix) Any one Director be and is hereby authorised to sign the Company Balance Sheet;

(x) the Company Secretary be authorised to arrange for the Company's Annual Report and Consolidated Financial Statements 2021/22 to be filed at Companies House;

(xi) The Management Representation Letter in the form produced to the Meeting be and is hereby **APPROVED**;

(xii) Any one Director be and is hereby authorised to sign and issue the Letter of Representation to PwC on behalf of the Company.

TL left the Meeting at 15:33.

9. Appointment of External Auditors

The Chair invited AC to speak on the appointment of the Company's external auditors.

AC advised that the Audit, Risk and Compliance Committee had resolved earlier to recommend to the Board the re-appointment of PwC as external auditors for the 2022/23 financial year. AC advised that it was a difficult market to go to tender in, and that the market would be more likely to participate in a year or two. Firms had indicated that they could consider the possibility of participating in a tender then, and that they could look ahead to think about conflict issues and staffing.

BT queried long had PwC had been appointed as external auditors for the Company. AC advised that PwC had been appointed for approximately the last 3 years. The Chair queried whether there was a Government list setting out approved external auditors for engagement. AC advised that there was not.

It was **RESOLVED** that PwC be appointed as external auditors for the Company for the 2022/23 financial year, subject to the Board receiving a further recommendation from the Audit, Risk and Compliance Committee on PwC's fees, scope, and terms of engagement. **T Lee**

10. Pre-Away Day Discussion: Future Network Shape and Ministerial Visit Preparation

POL00448625

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

TABLED and **NOTED** were the following materials:

(i) A paper, 'Board Away Day: Ministerial Engagement';
(ii) A paper, 'Post Office Board Strategy Away Day'.

TM, MR and ME joined the Meeting.

NR outlined the session, in terms of what we were trying to achieve tomorrow, who was going to engage, and how the process flowed from there.

The Chair queried what was known about the newly appointed Minister J Hunt. TM replied that he did not know much about Minister Hunt, however recounted the details of Minister Hunt's career which he had been able to establish. In looking at Hansard, Minister Hunt had not said a lot since she was originally elected, however when she had spoken it was regarding matters in her local community. TM did not think that there were any constituents in her electorate effected by historical matters. Minister Hunt was appointed on Friday. TC thought that the Minister would have had a half hour briefing on the Post Office only. TM advised that he would take it as a positive that the Minister being so newly appointed still wished to attend. BG queried whether Minister Hunt was a career politician. TM advised that Minister Hunt had previously been a local councillor.

TM advised that the Minister was due to arrive with her private secretary around 9:30 tomorrow morning. A number of Area Managers were attending to meet the Minister, and one of them was the area manager for the Minister's constituency.

TM spoke to the paper and outlined the proposed objectives for the policy review, which would help the Company to determine the approach, then whilst the review was ongoing to track progress. TM advised that an evidence-based policy should be pursued with the shareholder, so as to understand what the shareholder wished to achieve and why, as against the factual matrix. It had been a significant period since the last policy review, and it was felt that the shareholder had lost sight of what they wanted to achieve. The policy review represented a good opportunity to work closely with BEIS and to enable them to understand the Company, the network and Postmasters. We were in the process of setting up branch visits and workshops for BEIS over the next 6 months.

TM continued to outline the Company's proposed objectives for the policy review as against how concerned the Government was likely to be about different aspects of the business. In terms of access to postal services, the importance of this had come down. Universal access to basic cash and banking facilities in contrast was high on the agenda for Government. Bill payments and Government services were neither more nor less important than previously. The Chair noted that BEIS had been speaking about the number of branches, however queried what BEIS wanted in terms of services and the sort of network that would result in. ME advised that the Board would be taken through this in more detail at the Board Away Day tomorrow, however advised that a more optimum

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IRRELEVANT ME replied that this had very much informed the thinking in terms of paying customers. LH replied that she had not seen the client perspective in the client deck for tomorrow. ME took the point.

POL00448625

TM requested that the Board focus on the choreography for tomorrow, and the key messages that we wished to land with the Minister. In terms of the policy review, the message was that we had been working on this for about 2 months and there had been very little progress. So, we wished for the review to get underway very soon and to see faster progress. Additionally, the shareholder would need a team to deliver the policy review and they needed to think about the calibre of the team required and the extent to which they would like to bring in external resource. Creative thinking on funding options for the policy was also required. Talking about the pressures Postmaster's were under needed to be discussed also. TM noted that BEIS had expressed a desire to give us less funding; one way that could be achieved was by taking costs out. Attempts had been made to engage BEIS on this last year and unfortunately the issue did not get traction. It would be useful however if this was on the Minister's radar. TM advised that he thought the Company should lead the briefing, given the Minister had only received a Minister's briefing. TM cautioned that it was important to be supportive and not too challenging as we did not want defences to go up. When talking about messages we wished to land we were not looking for commitments. The Minister may only be in the position for a matter of weeks or may be in situ for 2 and a half years. TC advised that the Board Away Day tomorrow would be when he met the Minister for the first time. TC noted that there was only one junior minister appointed at BEIS at the moment so the Minister would be managing a lot at present. TC further noted that in many ways C Creswell and J Murphy were the audience here, and this represented an opportunity to land some of these important basic things with them. TC advised that he would echo TM's comments on the importance of tone. The Chair shared his view that he thought it was inconceivable that the Minister would do much more than form an initial view.

TM advised that the key messages would continue to be delivered via the Minister's monthly 1:1 with NR, branch visits, and deep dive briefings. CS queried what initial things the Minister was likely to focus on. NR replied the quick delivery of compensation. The Chair suggested that he say at the commencement that there were significant historical issues that the Company was working on however that we did not wish the focus of the session to be on historical matters. The Chair shared his view that we wanted the Minister to go away thinking that this was overall a really good business with a really committed board. EJ queried whether we had enough of a play in the slides around community. NR and TM took this point on board. TM advised that the Q and A session would be a good opportunity to put things on the Minister's radar. EJ queried what other parts of BEIS the Minister would be covering. TM advised consumer affairs and labour. TM advised that in his view the biggest challenge the BEIS team had on the policy review was thinking about the follow-on changes. TC advised that this was why BEIS needed external help; otherwise BEIS would look at this from a very high-level basis and the risk was that we would be in the feedback loop – BEIS would undertake the policy piece – then work through the commercial loop, then get stuck. The Chair shared his view that the approach almost needed to be the other way around; the controversial part would likely be the number of branches in the network. TC suggested that on the question of network size a fig leaf to offer was stating that it was about the format of the branches in the network, given BEIS' obsession with the number of branches.

TM, MR and ME left the Meeting.

11. Historical Matters

11.1 Historical Matters Unit Update

POL00448625

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

TABLED and **NOTED** was a paper, 'Historical Matters Board Report'. SR and BF joined the Meeting at 16:28.

SR spoke to the paper with key discussion points as follows:

- The Inquiry had consumed a significant amount of resource the past few weeks. Our QC had performed very well and dealt with all the pressing issues very competently. BEIS were due in the Inquiry tomorrow;
- On HSS the target of 70% of offers issued as at the end of June had been achieved;
- The ENE process was due to commence the week of 18 July and the team were optimistic of obtaining an outcome. Planning was underway for when the decision was issued, including the internal and shareholder governance journeys. TC advised that BEIS were geared up to approve this very quicky. C Creswell was under pressure to get funding issued. [redacted] The Chair queried whether once the ENE process was complete if this would result in a steady flow of offers. SR advised that presently the Company had received 6 claims. The Chair queried whether the other claimants were waiting on the outcome. SR replied that he thought that they were. BT advised that he thought Hudgells had some resource issues. TC pointed out that the ENE process dealt with the non-pecuniary side and that interim payments could be made at the same time;
- We required a decision for funding of suspension payments. BEIS were not saying that they needed more information. Operationally SR would be ready in the first week of August. Detriment 2 was on SR's worry list; a letter was in circulation with GE Members. BT queried whether the HRC would sight this. BF advised that the HRC would; once the GE had provided comments it would come to HRC for consideration.

The Chair called for questions. There were no questions.

11.2 HMU – Funding Requests

TABLED and **NOTED** was a paper, 'Overturned Historical Convictions (OHC) Interim Funding to 31-Oct-22'.

SR spoke briefly to the paper, advising that the Board in March 2022 had approved a drawdown to fund activities until August. Although significant work around cost savings and efficiencies had been identified, the current funding approval would not sustain activities, and a further drawdown was requested to fund through to the end of October.

The Board **RESOLVED** to **APPROVE** an additional drawdown in the amount of £1.285m (including iVAT) to maintain ongoing OHC activities until 31 October 2022.

TABLED and **NOTED** was a paper, 'Disclosure, Governance & Appeals (CCRC) Interim Funding to 30 September 2022'.

SR spoke briefly to the paper.

POL00448625

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

The Board **RESOLVED** to **APPROVE** an additional drawdown for £2.552m (including iVAT) to maintain ongoing DGA (CCRC) activities until 30 September 2022.

TC noted that the overall budget included a £15M HMU cost challenge and queried how that was progressing. SR replied that this was one of the targets the HMU team had identified to be achieved, and this brought SR on to the potential further NBW engagement and how some efficiencies could be delivered. SR noted that the ENE process would hopefully produce parameters for payments to OHC claimants. The issue however was how this was then operationalised, and this was the exercise the team from NBW had been undertaking, as HSF could but did not necessarily need to do this. SR advised that a proposal to further engage NBW was due to be presented to the HMC on 22 July. However, the further engagement of NBW required a procurement competitive bid process, as requested by HRC, which had commenced upon their initial appointment. The difficulty was that the procurement process could take some time and the work of NBW would need to be paused during this time. LH queried why we couldn't make the procurement process proceed quicker. AC advised that the best we could get the procurement process down to was 3 months. The problem was that if we conducted a competitive tender, we would lose approximately £2M in cost savings. There had been considerable debate as to how to classify the procurement risk, given there had never been a challenge under the HTE framework. LH queried who would be likely to challenge any award and whether this could be HSF. BT replied that it would not be HSF. [redacted] BT clarified that it was a risk appetite point. TC advised that he had 2 questions: firstly, was the procurement lawful, and secondly was the proposed engagement the best value for money. TC shared his view that the Company were potentially very exposed on this if challenged. AC contributed that the proposed fees of NBW had been reviewed and the view was that these represented good value for money. AC advised that to conduct the tender process would cost the Company additional funds; we kept saying to employees that we needed to save costs – if we don't do this then that sends the wrong message. BT queried when the second proposed phase of NBW's work would commence. SR advised that if NBW were appointed under the HD Framework then they could commence by the end of August. BT replied that in reality it would be a bit further down the track that we implemented. SR responded that it would depend on when the claims were receipted and that a discussion with BEIS around the process would be required. The Chair advised that he thought this was a decision that needed to be laid out in 2 parts detailing firstly the proposed costs and secondly the benefits. **ACTION** The Chair requested that the HMU team prepare a recommendation in relation to the second phase of the proposed NBW engagement and that this be circulated by way of written resolution for consideration. The Chair requested that if TC had an issue with the proposed approach that he discuss this with the Chair. TC advised that he recalled the last Board discussion on NBW where the need for competitive tension had been raised, and that CS had agreed to this. The Chair advised that the matter needed to be resolved and reiterated his request for a recommendation to be made.

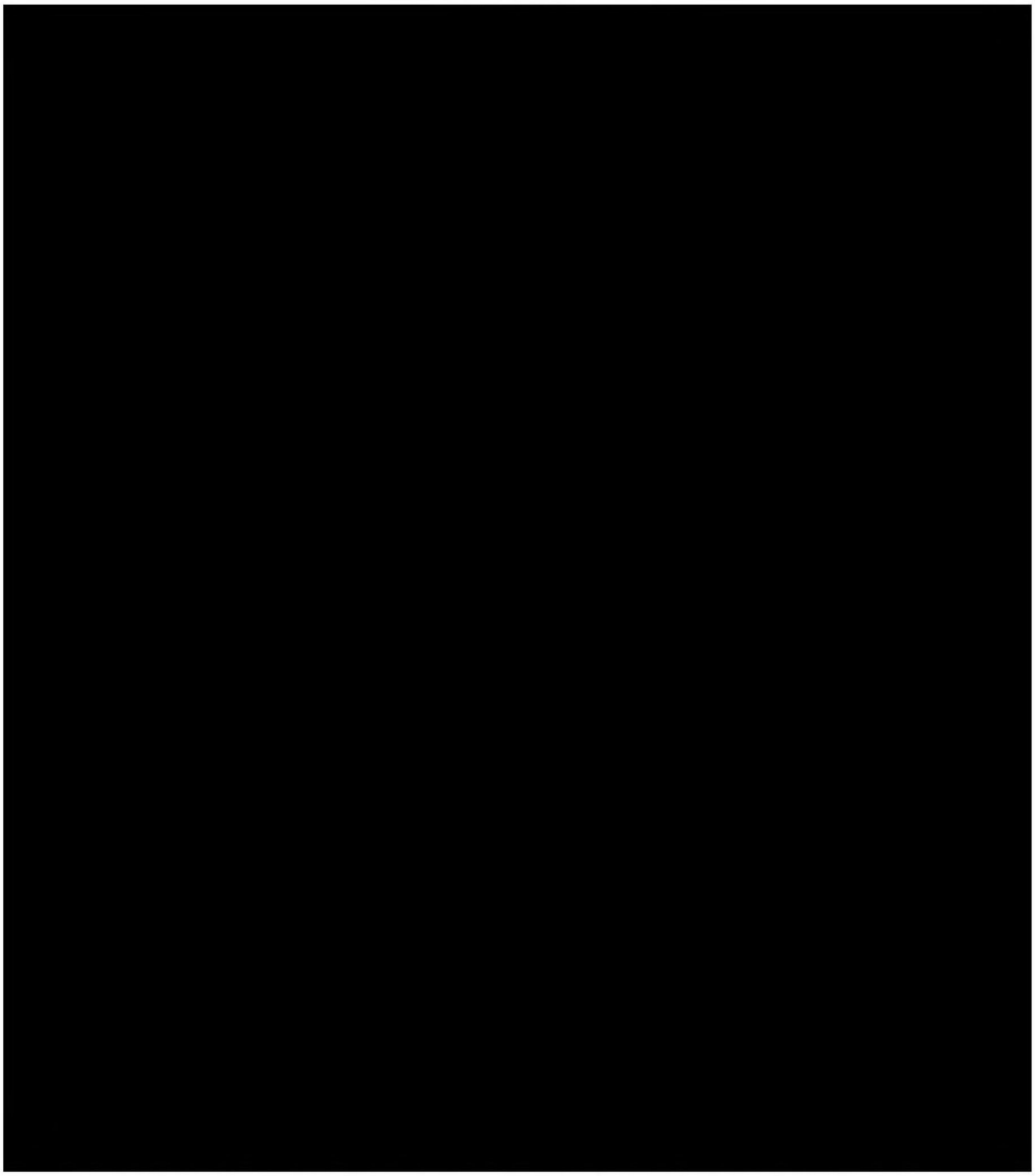
SR

11.3 Public Inquiry Update and Funding Request

TABLED and **NOTED** was a paper, 'Post Office Horizon IT Inquiry: Update and Funding Request'.

BF outlined the paper, advising as follows:

POL00448625



The Board **RESOLVED** to **APPROVE** funding for continued activity through August and September in the amount of £3.6m for Rule 9 submissions, opening statement preparation, counsel briefing and witness preparations for phases 2 and 3 as well as attendance at the Inquiry hearing days in September.

BF and SR left the Meeting at 17:03.

12. Approval Requests

12.1 Belfast Exit Funding

TABLED and **NOTED** was a paper, 'Belfast Exit Programme'.

POL00448625

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

JS joined the meeting at 17:05. The Chair invited JS to speak to the paper. JS advised as follows:

- A technical issue had been encountered recently in that records were being duplicated when moving old data into the new cloud record. The reason for this occurring was due to an odd way that Fujitsu configured the data base. The team had been working with AWS to see if this could be corrected. AWS had advised that they had a solution however the team needed to test and validate this;
- we had been expecting to migrate branches into the cloud this year over the summer ahead of peak trading; given the technical issue the migration would need to be conducted next year after peak trading. This would result in an overall consequential delay, which was why the cost was greater;
- commercial discussions were ongoing with AWS; AWS had indicated that they were prepared to forego all their technical costs in relation to the data migration. JS had asked AWS to accept some additional scope to reduce what we would have otherwise had to instruct and pay Fujitsu to complete. One part of the additional scope was in relation to client files, which needed to be re-written. Another part of the additional scope was in relation to APOP. If AWS accepted these additions to scope and did not charge costs to host, the likely costs all up were in the vicinity of £9M, and JS anticipated that this could be improved on, although AWS' current position was that they would subsume their own costs in relation to the technical issue, and no-one else's;
- before a solution had been identified with AWS the team had looked at other technical solutions. One of these was having 2 clouds. This would involve moving to an Oracle cloud data base. JS shared his view that he did not think that it would deliver any quicker for any less money however it was a fall-back option. The other option was to stay in Belfast. This was not a risk free nor cost free option. The actual data centres and plant were old, and we did not know what the shelf life of the plant was. There were lots and lots of storage arrays which had limited longevity. Additionally, there was a diminishing knowledge pool at Fujitsu. This option carried risks that were difficult to fully articulate.

The Chair asked JS what his recommendation was. JS replied that his recommendation was to give AWS the opportunity to rectify the technical issue, however advised that channels needed to be kept open with Oracle. JS further recommend that higher executive level contact was made by the Company and AWS and suggested a meeting between the AWS CEO and CFO, and NR and AC and BEIS. LH advised that she could assist with introductions if required. CS shared her experience of working with AWS in another organisation. NR thanked LH and CS and advised that he would be please to work with them on the approach to engaging with AWS.

The Chair queried when management would be able to say confidently what the Project in its totality might cost. JS advised that the team should be able to return to the September Board with a revised set of assumptions; and thought that we could achieve AWS assuming the costs of the technical issue on an uncapped basis. JS advised that he was concerned about Fujitsu; whilst their behaviour was not malevolent, they simply did not have the resource required to conclude the Project. **ACTION** CS queried whether we could arrange for AWS to take Fujitsu's elements of the Project. JS advised that this had been tried previously however JS would pursue this. JS advised that the team was physically with AWS 2 – 3 days a week. **JS**

POL00448625

TC queried what the spend proposed between now and September was. JS replied that this was £9.51M. EJ compared the amount of the funding request to the percentage impact the same funds would have on Postmaster remuneration and expressed deep concern on the level of costs. The Chair noted EJ's sentiment however pointed out that if the project was not concluded then the Company would not be able to operate Horizon and Postmaster's would not be in a position to earn any remuneration. The Chair advised that the sooner that the Board could get an understanding of the totality of the costs to conclude the Project the better. **ACTION** The Chair requested that JS return to the September Board to report on the technical solution and on overall Project costs.

JS

The Board **RESOLVED** to:

(i) **APPROVE** additional programme funding in the amount of £9.51m; and

(ii) **APPROVE** the **DELEGATION** of authority to the Investment Approvals and Delivery Group to release funding up to the maximum amount of £9.51m.

JS and SI left the Meeting at 17:27.

13. Procurement/ Approval Requests

TABLED and **NOTED** was a paper, 'Darwin'. RH, WP and AS proceeded to join the meeting.

RH introduced the paper advising that the current stock provisions operate from an aged and oversized unit in Swindon, with 5 legacy IT systems that carried the risk of significant failures. RH advised that further funding was requested to enable the site to be taken to market. RH advised that he did think that the proposal to then outsource the operation to a third-party logistics provider was the right thing to do for Postmasters. Stock requests could be linked into the EPOS and there were plans to launch Post Office Prime so Postmasters could order and receive their stock requests swiftly.

The Chair called for questions. CS observed that the financial benefits appeared marginal, so the decision was more around addressing risk. RH agreed with this, the infrastructure was starting to fail regularly, there were 2 IT systems that were no longer supported, and the building itself was old. The proposal if approved would help to mitigate risk and improve service to Postmasters. LH queried whether there would be any TUPE issues. RH advised that a bid cap for TUPE would be included in the procurement. BG queried the proposed procurement approach and terms to which WP replied. **ACTION** AC noted that BG was very experienced in third party logistics so suggested that RH and WP meet with BG. BG advised that he was familiar with all the main players in the market, however thought that perhaps the golden triangle location was not the best given the competition for labour.

BG/RH/WP

The Board **RESOLVED** to:

(i) **APPROVE** further project funding in the amount of £614,598 (to end March 2023) to complete marketing the stock centre site at Swindon, commence the contractual sale process, start solution design, but only for internal changes that support 3PL integration;

(ii) **APPROVE** an FTS Restricted Procedure procurement be conducted to select an outsource partner for stock centre operations; and

(iii) **APPROVE DELEGATION** of the contract award decision to the Chief Retail Officer.

POL00448625

13.2 Payment Card Industry Compliance Funding

TABLED and **NOTED** was a paper, 'PCI Programme'.

AC spoke briefly to the paper, advising that in the Belfast Exit Plan we had intended to deliver the PCI testing. The proposal now however was that the scope be transferred from the Belfast Exit Plan and included within the PCI Programme, and that accompanying funding be approved to enable this.

ACTION TC advised that he may have misread the appendix to the paper, however queried whether the request was outside the original estimated programme total cost envelope. CS advised that she thought the initial approval was under the amount quoted in the paper. AC advised that he would arrange for this to be checked. **AC/JS**

The Board **RESOLVED** to:

(i) **APPROVE** a revised estimated programme total cost envelope of £24.90m;

(ii) **APPROVE** additional funding of £2.57m to allow Payment Card Industry Programme to accept the transfer of scope from the Belfast Exit Programme;

(iii) **NOTE** that £1.11m of the funding request relates to Fujitsu delivery costs that are based on Change Work Order/General approximation of cost (ROM) and **APPROVE** the **DELEGATION** of authority to the Investment Approval and Delivery Group to approve a cost increase up to 10% of the £1.11m for contracting on a fixed cost basis, with any increased cost however to remain within the revised estimated programme total cost envelope.

13.3 Strategic Platform Modernisation Funding

TABLED and **NOTED** was a paper, 'SPMP July, August and September 2022 Funding drawdown'.

The Board **RESOLVED to APPROVE** the deliverables and additional funding drawdown of £10.414m (£4.455m Capex and £5.959m Exceptional) for the SPMP.

13.4 FRES Facility Extension

TABLED and **NOTED** was a paper, 'FRES facility extension with BOI'.

AC spoke briefly to the paper, advising that FRES were looking for additional head room given the current travel spike. TC queried whether we were back to pre-covid levels in terms of market share of foreign currency. NR advised that we had exceeded pre-covid levels of market share, now holding approximately one third of the market.

The Board is **RESOLVED** to:

(i) **APPROVE** FRESH's proceeding to provide a new guarantee to BOI;

(ii)

(iii)

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POL00448625

LH left the Meeting at 17:45.

14. Approvals with no Presentation

14.1 Modern Slavery Statement

NOTED and **TABLED** were the following materials:

(i) A paper, 'Modern Slavery Act Statement' and
(ii) Draft Modern Slavery Statement 2022/23.

NOTING the recommendation provided by the Company's Audit, Risk and Compliance Committee, the Board **RESOLVED** to **APPROVE:**

(i) the Company's 2022/23 Modern Slavery Statement in the form tabled;
(ii) publication of the Company's 2022/23 Modern Slavery Statement;
(iii) signing of the Company's 2022/23 Modern Slavery Statement by any executive director.

15. Noting Papers with no Presentation

15.1 ATM Banking Strategy Programme: Lessons Learnt and AEI Assurance Review

TABLED and **NOTED** was a paper, 'ATM/ AEI Post Implementation Reviews'.

ACTION EJ shared his view that he did not think that the paper captured how badly the programme went and did not present a fair appraisal of the situation. NR advised that management could take the paper away and bring the item back for discussion to the September Board Meeting. The Chair requested that this item be included as an early item for discussion on the Agenda for September. **NR/ TM**

15.2 ATM Lot 4 Procurement

TABLED and **NOTED** was a paper, 'Banking Automation Deposit Devices (Lot 4)'.

The Board **NOTED** the decision to award a contract to Cennox Limited for the provision of Self-Service Cash Deposit Machines (CDMs) and associated Managed Services to support the Banking Automation project.

16. Noting and Governance Items

16.1 Health & Safety Report

TABLED and **NOTED** was the Health & Safety Monthly Report.

AC spoke to the paper advising that robberies were increasing, and this could be due to the cost-of-living crisis. EJ noted that £400k had been taken in robberies and commented that this was the downside of taking more cash in branch. The issue however was that safes were not being locked. AC advised that area managers had been requested to ask the basic question of whether a safe was open when they were in branch; the issue was that Postmasters were not following correct procedures. NR commented that he did not think that the franchisee relationship was where it needed to be at. Today there had been some issues on this, where procedures had not been followed.

POL00448625

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

ACTION EJ advised that the branch robbery stories should be shared and suggested that MR do this in his weekly update to Postmasters. **MR**

16.2 Nomination Committee - Terms of Reference and Matters Reserved for the Board

The Board **RESOLVED** to:

(i) **APPROVE** the revised Terms of Reference for the Nominations Committee in the form tabled; and

(ii) **APPROVE** consequential changes required to the Matters Reserved for the Board in the form tabled.

16.3 Future Meeting Dates

The future meeting dates were **NOTED.**

16.4 Forward Agenda

The forward agenda was **NOTED.**

17. Any Other Business

There being no further business the Chairman declared the meeting closed at 17:52.

18. Date of next scheduled meeting

Board Meeting 27 September 2022 13:00 – 17:30 hrs

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Chairman Date

POL00448625

2.2

POST OFFICE LIMITED BOARD MEETING (Strategy Session)
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MINUTES OF A STRATEGY SESSION OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON WEDNESDAY 12 JULY 2022 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 08:55 AM

Present:	Tim Parker	Chairman **(TP)**
	Tom Cooper	Non-Executive Director **(TC)**
	Carla Stent	Non-Executive Director **(CS)**
	Zarin Patel	Senior Independent Director **(ZP)**
	Lisa Harrington	Non-Executive Director **(LH)**
	Saf Ismail	Non-Executive Director **(SI)**
	Elliot Jacobs	Non-Executive Director **(EJ)**
	Ben Tidswell	Non-Executive Director **(BT)**
	Brian Gaunt	Non-Executive Director **(BG)**
	Nick Read	Group Chief Executive Officer **(NR)**
	Alisdair Cameron	Group Chief Finance Officer **(AC)**
In attendance:	Rachel Scarrabelotti	Company Secretary **(RS)**
	Tim McInnes	Strategy and Transformation Director **(TM)** (Item 2.)
	Owen Woodley	Group Chief Commercial Officer **(OW)** (Items 3 & 4.)
	Chrysanthy Pispinis	Commercial Strategy & Planning Director **(CP)** (Items 3 & 4.)
	Neill O'Sullivan	Managing Director Parcels and Mails **(NO'S)** (Item 3.)
	Martin Roberts	Group Chief Retail Officer **(MR)** (Items 4 & 5.)
	Martin Edwards	Network Strategy & Delivery Director **(ME)** (Items 4 & 5.)
Apologies:	N/A	

Action

1. Welcome and Conflicts of Interest

A quorum being present, the Chairman opened the meeting. The Chair called for Conflicts of Interest. The Directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

2. Session I: BEIS Policy Review

TABLED and **NOTED** was a paper, 'BEIS Policy Review Pre-Briefing'.

Minister Hunt and the Minister's personal secretary joined the meeting at 9:07. The Chair proceeded to welcome the Minister and outlined the proposed issues for discussion with the Minister, advising that the desire was not to focus on historical matters, however, to speak about the future of the Company which represented a great and very unique business. The Minister advised that she was in the Board's hands as to issues raised, however that she would like to hear of areas of challenge within the business and receive an update on potential industrial action.

TM commenced presenting, outlining macro-economic conditions and how these could be brought together with the BEIS policy review. TM noted that whilst a spending review was conducted every 3 years the Company was looking at the possibility of other creative funding options. TM further noted that the Minister was scheduled to have a 1:1 with NR come Monday, and that we wished to arrange branch visits (the Minister was agreeable), deep dive briefings, and ensure frequent interactions between the Company and UKGI and

POL00448625

BEIS. The Minister advised that in respect of alternative funding options she would like to understand what the options were and that she would particularly like to visit one of the more obscure Post Offices.

The Chairman noted that the Company mixed together commercial business as well as being a social enterprise; being more explicit about our social enterprise and funding this purpose could assist in solving some challenges. NR agreed that the question of social purpose was very interesting and noted that the Company received funding to sustain a number of branches. Beyond this however, it was up to Postmasters to decide what their contribution was. This was an area that would benefit from some clarity.

C Creswell and J Murphy joined the meeting at 9:15.

EJ advised that he ran a number of Post Offices, however that these were proving not profitable. EJ noted that Postmasters needed to pay their staff significantly more than minimum rates, train their staff well, then work to retain their staff. The vast majority of Post Offices provided something additional for the communities in which they were situated however Postmasters were not specifically reimbursed for this. The profitability of Post Offices needed to be altered, otherwise they would shortly shift to be loss making. TM advised that information was being shared with C Creswell and J Murphy on this; on the face of it Postmaster remuneration may look solid however it was crucial to look at the costs of running a Post Office. The Minister agreed with this point.

The Chairman advised that the network needed to be smaller than the current size. This was a challenge that the Company had tried to manage by changing the definition of Post Offices, and by thinning down the product set. Every time the Company looked at what drove the economics of the Post Office the network number was below 11,500, with the thinking that the optimum network number was around 8,000 or 9,000. The Company was significantly underfunded for the non-competitive parts of the network. AC advised that the Company received a subsidy of £50M, however the cost of funding the loss-making parts of the network was in the region of £100M. TM noted that these costs were rising each year and that the Company and Postmasters were working harder to stand still. J Murphy queried management of costs through churn. TM replied that as part of controlling costs the Company could establish which branches to close; with churn this was something that the Company had limited ability to control.

NR provided the Minister with an update on the potential Industrial Action, advising that there appeared to be a slightly weary feeling in the branches, however more energy in the supply chain where things were slightly more unionised. NR advised that contingency measures had been put in place in the event that Industrial Action proceeded. NR further advised the level of pay increase and lump sum offered, noting that this offer had been rejected and that the Company was continuing to work through the process via ACAS. The Minister queried whether the Company was a victim of a summer of discontent. NR replied that the Company's position was difficult as against other pay awards taking place and advised that he did not wish the Company to be bundled in with the RMG. AC advised that it was very difficult as there were significant challenges coming on the costs of living front however the Company simply could not afford significant pay increases. What would be difficult for the Company was if other parts of the public sector pay increases were more than that proposed by the Company.

J Murphy queried what work was being undertaken on the use of the subsidy and noted that a large subsidy was being paid to the Mayfair branch. TM replied that significant work was undertaken in this space, however the application of the subsidy went directly back to shareholder requirements as the Company was mandated to deliver as against the access criteria.

POL00448625

POST OFFICE LIMITED BOARD MEETING (Strategy Session)
Strictly Confidential

The Minister noted that she was also Minister for consumers and that the Post Office was brilliant for providing access to cash and allowing budgeting in the current conditions. The Minister raised the issue of Post Office opening hours and advised that she was aware of complaints of branches closing at 5:00pm. This particularly affected people who went to the Post Office at the end of their working day. The Minister shared her view that she thought Post Offices could offer a better level of service via extended opening hours in some cases and that operating hours seemed to have changed for a lot of businesses however not for the Post Office. NR replied that that was not quite right. AC advised that the Company had more 24/7 operators than any other retailers. DMB's however did operate on restricted hours, although Postmasters operated according to the hours that they thought were correct for their communities.

AC referenced the Minister's earlier request for details of where the Board saw challenges for the Company and advised that £100M had been taken out of the cost base previously, and to be more viable, we may need to do this again. C Stent touched on the need to obtain funding from other sources, for example, by bringing somebody in to help the Company automate.

The Session concluded and the Minister, the Minister's personal secretary, C Creswell and J Murphy left the meeting at approximately 9:57.

TM noted the point raised in respect of the subsidy of the Mayfair branch and observed that the Company did not receive sufficient income to make these exceptional payments viable. It seemed that a conversation with the shareholder around the access criteria would be useful and the use of other products such as Drop and Go's to satisfy the access criteria. The Chairman agreed that a different approach to maintaining a different service needed to be contemplated. Consumers needed the ability to go around the corner to pick up groceries and purchase a service. TC shared his view that HMT would be unlikely to provide any additional funding at this point.

The Chairman advised that he thought the information in relation to international approaches in the pack was not adequate. The Chairman further advised that when joining a business his approach had been to travel internationally to see what the comparatives were. TC noted that whilst there was a slide in the pack on international comparatives it was very skeletal. TM replied that market research reports had been prepared and that perhaps this item could be picked up on later in the session on mails. The Chairman shared his view that he thought we would obtain a lot of useful information by way of analysing the approach of international comparatives.

LH advised that the Company needed to focus on segmenting, and that we needed to get underneath how we were segmenting our customer base so we could be much more targeted in our approach. C Stent agreed with this and asked the group to think about what consumers were going to need in the next 5 – 10 years and why they might be going into a bricks and mortar store.

The Chairman shared his view that the Company needed to focus on answering the question of how we could make the franchise more attractive. SI agreed with this and commented that he thought that the Company was not giving Postmaster's sufficient support in this regard. EJ commented on footfall; the more that could be done to induce customers into store the better.

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POL00448625

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3. Session II: Deciding the Way Forward on Mails and Strategic Commercial Considerations

OW, CP, NO, MR and ME joined the meeting.

TABLED and **NOTED** was a paper, 'Deciding the way forward on mails.

NR asked MR to speak about his interaction with the Minister, which had occurred immediately after the Board met the Minister. MR advised that the Minister had suggested that MR, his team, and the Area Managers didn't use the term Minister when addressing the Minister, however called the Minister by her first name, Jane. MR advised that this had settled the Area Managers immediately. **ACTION** The Minister had advised that she wished to spend some time in branches and further afield. MR and his team would facilitate these visits. MR further advised that the Minister was interested to understand the retail blend in Post Offices, and that the Minister thought there could be opportunities for the Company to develop the retail aspect of the business. **MR**

The Chair passed to OW to present. OW proceeded to outline the paper and the work that the Mails team had been undertaking, advising that for the past 18 months the Mails team had been progressing the mail strategy on two limbs. The mails business however was facing 3 challenges, the first being rapid structural change across the market; the Company had an analogue model around people who wanted services face to face, and this was out of step with wider market changes with the move to online for marketplace sellers. Secondly, the Company was losing volume to RMG, and RMG were in turn losing out to competition and were having an increasingly difficult time. Thirdly, Brexit was causing all sorts of problems in the Mails market. OW shared his view that he thought that these challenges were existential for the organisation. Without intervention Mails trade and PM remuneration were going to continue to decrease. The anticipated recession was going to

POL00448625

reduce customer spend, and lead to a contraction of the parcels business. The vast majority of parcel transactions were going online. Price was the key driver.

It was important that the Company maintained their relationship with RMG however we needed to stop trying to ride on their back. The Mails team were recommending implementing the Mails strategy via 2 limbs. Firstly, to evolve the Company into a ubiquitous channel and secondly to make the Company the retailer and the channel of choice. OW advised that many international equivalents to the Company were taking this approach and cited the examples of Australia Post and Post Italia – the Mails team were not proposing something that was novel. OW further advised that he was of the view that the Company needed to take action now.

OW passed to CP to present. CP advised that the space the Company was operating in was an old type world where most parcel transactions were the product of the relationship with RMG and Parcelforce. The Company needed to move into the space where parcels were not just collected but also returned. In terms of in branch sales, the Mails team wished to diversify the number of carriers. The Mails team also recommended that the Company start to establish an online presence in conjunction with different aggregators. On the issue of cannibalisation, working with RMG alone made the Company more vulnerable. The Company needed to move to providing customers and PMs with more choice. The Mails team were of the view that a strategic partnership with Evri was the way forward, and that this would assist in reducing our reliance on RMG. The Mails team had been focused on considering operationally how this could be brought to life and were examining how quickly we could get to market. If the Company took the option of having Evri in branch this raised the question of whether the Company would wish to make changes on Horizon to accommodate the Evri offering. Alternatively, we could use Evri's terminals however it was queried whether this would be ideal from the PM's perspective.

CP advised that the Mails team thought that the Company did need to be ambitious in respect of the Mails business, however that this ambition needed to be placed carefully as against the restrictions on funding. CP further advised that the Mails team implementation plans reflected the funding constraints.

CP passed to NO to contribute. NO referenced OW's introduction and the 3 challenges identified. NO advised that he wished to provide some more detail around these challenges and the intelligence that the Mails team had received in relation to these. Retailers were currently driving a lot of the demand for carriers, and retailers were looking to differentiate themselves through their delivery performance. In addition, retailers were demanding that carriers evolved, innovated, and offered new solutions. Carriers were competing in the space of green and sustainable solutions and inflight options. Market share was being heavily contested and carriers were looking to get share in every corner of the market. Carriers viewed the Company's network as a very creditable option. When NO had met with retailers over the last few months, they had expressed a need to find solutions to meet customer demand and saw the Company's network as being something that could meet that objective. PMs in turn wanted more products and more services. NO advised that the Mails team could go back to retailers looking at the opportunity and position the Company as a network solution.

In terms of conversations in the market, NO advised that the Company would need to work collaboratively on implementation with carriers and partners. Where we could we would use Post Office solutions, otherwise we would use carrier's tools. For example, we were using Amazon handsets yet had DPD on horizon. In all of this, it was extremely important

POL00448625

that we focused on the multipliers that would help the Company the most. The Mails team had been in discussions with Evri, and the intention was to provide an online aggregator site. IRRELEVANT provided great technology that we could work with, and the experience of Australia Post adopting this technology provided a good example of what could be achieved. OW advised that the Mails team had had some conversations with IRRELEVANT and that IRRELEVANT were very interested to work with the Company. Against forming commercial relationships direct with retailers we needed to continue to work respectfully with RMG, even though they would continue to IRRELEVANT

In relation to Evri, the Mails team had undertaken positive work there on the commercial front, and there had been some good conversations with Evri the last few days. NO shared his view that he was confident that the Mails team could get to the correct solution for the Company with Evri.

NO noted that there was clearly significant work to be undertaken and turned to detailing what the next 18 months could look like. NO advised that the Mails team would continue to work closely with the retail team to see that change was managed correctly with PM's. The Mails team would look to implement by starting with some pilots and with an approach that was pragmatic where we would start small but the scale quickly. It would be important to demonstrate momentum to show the whole business we had the ability to deliver changes. The window of opportunity to commence implementation was small and the Mails team would need the support of the whole business to successfully deliver.

NO turned to the question of whether the Company had the capabilities to deliver the strategy. NO advised that as at today we did not, however the capabilities were available in the market. For example, we could outsource the building of an online aggregator to get the right online product. NO advised that he also thought delivery of the Mails strategy would require different structuring in other parts of the business, and that we would need a team to manage the different commercial relationships who would focus on delivering sales.

OW returned to presenting and summarised the proposals that the Company:

1. Open up branch channels to non RMG carriers;
2. Develop an online aggregator presence; and
3. Start building a retailer returns proposition.

OW advised that the Mails team were clear as to what was required, however the how was more difficult. Particularly, the mails team were of the view that the Company could not wait whilst other areas of change were affected in the business.

LH queried the sequence of the proposals and shared her view that the most lucrative thing for the Company to do at this point in time was to move online. CP replied that the Mails team had held the same view initially, however this was before the Evri opportunity came up, and the view of the Mails team was that a commercial arrangement with Evri should be affected first. Additionally, from a timing perspective, the online piece might take the Company longer to implement. In this respect, OW advised that the Mails team had initiated the conversations and would need to work through procurement, which would not be immediate or straight forward.

TC asked that the Board please discuss each element in detail. CS queried what was proposed in relation to managing the Company's relationship with RMG on all of these items and requested that this be touched on as the Board worked through each item proposed.

POL00448625

POST OFFICE LIMITED BOARD MEETING (Strategy Session)
Strictly Confidential

The Chair agreed with this approach to frame the discussion and suggested that the Board needed to look at the worst possible reaction of RMG on all the proposals and be satisfied that RMG's reactions were going to occur anyway. The Chair advised that the Board needed to consider whether the proposals would provoke a response from RMG and what the effect would be. NR agreed with this and shared his view that there were 2 discrete questions – what were RMG doing now and what might they do. NO advised that RMG were still IRRELEVANT In terms of RMG's appetite for reacting, IRRELEVANT

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CS queried whether the Company had the capacity to achieve scale in relation to the proposals quickly enough, IRRELEVANT OW advised that the Mails team had looked at options that were open to RMG; one of these was to try to build new routes to market IRRELEVANT

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TC reflected on the various options open to RMG, and whether they could try to IRRELEVANT IRRELEVANT The Chair picked up this point: we could see the way the market was going online – we could not go against the consumer – we would like RMG to close the difference between online cost and the in-branch cost with a view to trying to align these costs to assist in the start of our online journey. TC replied that from RMG's perspective they had an online platform, and they also had the bricks and mortar presence via the Company. TC was of the view that we would be pushing at a closed door to try to narrow the costs gap from this perspective. OW and NR had met with RMG and had this conversation a couple of months ago. The response of RMG had been that whilst we had a business relationship, that whoever pursued the customer the hardest would win. OW advised that he thought this issue had already been considered at the time when MDA2 was negotiated, and that when we announced Amazon to RMG they were not surprised. OW further advised however that if there was the option of a fresh contractual conversation to be had with RMG – that was sustainable for both parties – we could be open to this and it was possible that RMG may not be so aggressive given everything else they currently had to deal with.

TC queried what would happen if RGM could secure a better deal with another carrier, as against their deal with the Company. OW replied that he did not think RMG could achieve a better deal. TC queried then what would happen if RMG wanted an improved deal because we were opening up relationships with other carriers. The short to medium downside of this could be significant and we would need to have a plan in place to deal with this possibility. EJ shared his view that negotiating with Royal Mail would not be a quick process, and that the Company would not wish to be tied up in negotiations with RMG which could

POL00448625

prevent us from achieving other things. OW advised that any world where the IRRELEVANT IRRELEVANT BG contributed that if the Company did nothing, then we would be dead in the water. RMG were looking to take volume away from the business and the Company had to act. The measures that were proposed were the right ones – the issue was then around time and cost. The Chairman asked if the Board members were all agreed that the Company needed to take action. All Board members replied in the affirmative. BG advised that 18 months felt too long to implement. OW took the point however advised that we needed to think about the financial circumstances that we were in. This meant that for aggregation we would look to use others.

SI asked for further details on the nature of the potential deal with Evri, and whether this would include IRRELEVANT NO replied that Evri were not offering or expecting an exclusive relationship with the Company, IRRELEVANT A full product set was being considered also. IRRELEVANT IRRELEVANT NO advised that the team were certainly looking to achieve as much as possible in the negotiations and would start hard at the transactional level. IRRELEVANT

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EJ noted that the Evri proposal included PM's selling products at the counter not simply just accepting returns and queried the likely earnings for PMs from the potential relationship. OW advised that this was a critical question and that the Mails team were focused on attempting to equalise remuneration for PMs. IRRELEVANT IRRELEVANT Once negotiations with Evri were concluded we could look at this and examine whether we needed to IRRELEVANT

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IRRELEVANT EJ replied that PMs would then need to engage more staff, unless we moved to automate. IRRELEVANT

EJ referenced the energy pay-outs and queried whether by embarking on a relationship with Evri, would that lead PM's to be turning away other customers, and were the Mails team satisfied that the proposed introduction of Evri would bring the best margins for PMs. EJ also queried how in real terms the proposal was going to work at the counter. OW replied that ZM could advise on devices and fit. We could not keep building ever more propositions on Horizon, that was why in our conversation we were asking about using Evri terminals. SI queried whether there was an appetite for Evri to progress in this way. OW replied that there was. EJ advised that if Evri was introduced that PM's would be going from sales to selling and providing comparisons for customers. LH reiterated her point about introducing the Evri products online first, to get the product set functioning, then to roll out the products physically in branches and determine PM remuneration from the products. OW advised that the Mails team were working on online and in branch options with Evri in parallel. Evri had been very clear that they wanted an in-branch proposition, however had advised that they would engage with us in relation to an online proposition as well. OW shared his view that he thought that we needed to do both things simultaneously. CS queried whether the proposal was to roll out Evri in all branches. EJ asked how quickly the Evri products could be added to Horizon. ZM replied that the track record of adding to Horizon indicated that this may not be a quick exercise. We had multiple options however as to how we operationalised this. As adding to Horizon was not ideal, other options included looking at the strategy for NBIT, and the use of devices.

POL00448625

TC reiterated his earlier request that the Board approach the discussion in a more structured way. The Chair agreed with TC's request and asked that the Board examine each of the 3 proposals to test what was involved, and what each of these proposals would mean for technology. The Chair shared his view that the worst thing we could do is take the proposals on, then deliver these badly, because we were unable to manage the change.

CP advised that the Mails team were still working through the best route for all the trade-offs that had been discussed. CP reiterated the 3 proposals and addressed the first of the proposals, being the opening up of branch channels to non RMG carriers. This would include looking to accept other carrier's parcels as returns. The IT to enable this was within the PUDO software. The key tech requirement was the label and the printing. The Chair asked for clarification that there was nothing preventing us have Amazon and DPD customers return their parcels. OW replied that this was the case, and that we already accepted the return of parcels by Amazon and DPD customers.

CP directed the Board to slide 9 of the presentation and advised that this slide contained the full PUDO piece, noting that the Mails team had assumed there were certain volumes. The Chair asked, when we say full PUDO, precisely what did that mean. CP replied that full PUDO assumed commercial relationships were in play with Evri and Amazon. The Chair then asked that when we say PUDO, what did that encompass. CP replied that this reflected the current pick up drop off service that was currently provided in relation to RMG products. The Chair distilled this down as essentially encompassing someone being able to leave a parcel for collection at the Post Office. OW agreed with this, noting however that it included the acceptance by the Post Office of a parcel that was the result of an online sale.

TC advised that he wished to test the volume assumption, and queried where the parcels were coming from; were they coming from RMG as well? TC noted that there did not appear to be many parcels in the micro carrier area. TC also queried how many branches we were looking at implementing this in, and what the implications were in terms of space. CP replied that we currently had approximately 24% of the micro shipper market. TC noted the number of parcels attributed to Evri and advised that he was trying to understand how realistic it was to get to the number of parcels in the assumptions. CP replied that Amazon did not really operate in this space currently so there was opportunity there. In addition, Evri and Amazon had the largest online sales so that is why the Mails team thought the number of sales was realistic. The Chair noted that the discussion raised several issues being how many carriers would the Company be working with, how would PM's physically cope with the number of parcels, and there was the issue of printing labels, which made the proposition more challenging. EJ noted that Evri terminals allowed the printing of labels and cautioned against the Post Office being in a position where we would need to offer an inferior service. CP noted that in practice two thirds of customers printed their labels at home. EJ advised that PMs would charge for printing and tape which was not an issue, however queried how the label issue would work in the Drop and Go format. **ACTION** TC asked for more detail on the working up of the projected market share. TC advised that this started at 2 – 3% then ramped up to 9%. CP advised that she did not currently have the numbers with her, however, would supply this detail to TC along with additional detail on the volume proposition. **OW/CP**

The Chair noted that the proposal would not result in significant additional income for the Company, although importantly the initiative would generate additional remuneration for PMs, and that it would also drive footfall. The Chair queried what the effect of the additional footfall might be. NR agreed that the proposal would drive additional footfall and

POL00448625

shared his view that this would provide opportunities for PMs to upsell. The Chair re-capped on the discussion noting the volume assumptions, the practicalities of the options, IT issues, and the likely value that could be extracted from the proposal and emphasized the need to focus on preserving value for the Company and the PM.

SI noted that PMs were doing really well on special delivery and queried how this product would work in with the Evri offering? If the proposition was to sell in branch and the journey was via Horizon – how would that work? SI noted the importance of preserving the customer journey and cautioned against this being disturbed. The Chair took the point and advised that in an ideal world a device could be provided that could handle all carriers. The Chair queried whether there was a way we could short cut all of this and acquire a product to get us from A to B quite fast, that is, was there something that already existed that we could take advantage of. OW replied that we needed to be cautious about having multiple devices in branch. The Chair noted the traditional approach of developing a strategy then determining how to the operationalise the strategy. Sometimes it worked to turn these components around. The Chair reiterated his question as to whether there was a device that could be air lifted into the Post Office. BG shared his view that there were likely to be solutions out there. BG advised that all the market growth was currently in relation to micro shippers, and that we needed to be looking not just at market share, but which markets were growing, and this part of the market was growing exponentially. What we needed to determine is how much we wanted PM to be involved and how much would go online.

The Chair observed that the Company should rebrand as 'The Post Office', so customers could purchase any product and we could become a great competitor to Parcels to Go. EJ shared his view that the process needed to be simplified from the start, which would enable PMs to work across the products of multiple carriers. EJ further contributed that it was hard enough at present using multiple devices. MR advised that what every retailer was doing at present was simplifying the customer journey and that we needed to be vigilant to ensure we were not making things overly complex.

The Chair paused to summarise the discussion, noting that the Board members all accepted that we needed to do something. There were further questions to be answered on operationalising the proposals, and there was more work to come in terms of investigating the business case. The key point was about not overly complicating matters and having something that was not operationally risky to implement. In terms of ease of execution, the first 2 options were easier to execute. OW agreed with this, looking at this from a PM perspective. The Chair shared his view that the third item proposed, being commencing building a retailer returns proposition, seemed to be the item that delivered the least. The Chair shared his view that we needed to focus on things that we thought we could do well and that would be attractive to customers; if there was an occasion for selling other brands within the Post Office then we need to be able to be able to generate some serious returns from this.

TC queried if we had a functioning aggregator online presence, would we then need to necessarily replicate this in branch. OW replied that the numbers could be uncomfortable from a PM perspective. The Chair queried whether by not putting competitors into branch if we would be slightly defusing the relationship with RMG. The Chair also queried whether it would work to have a standalone screen in place for customers in branch, with functionality to allow us to integrate other carriers at some point in the future. EJ took up this point and noted that this would allow us to offer in branch the same to customers who had been through the online journey. In relation to the third proposal, EJ shared his view that if we announced that we were starting acceptance that he did not think PMs would be that

POL00448625

excited. LH noted that the proposals was that we would start on the acceptance path. LH queried which of the proposals was the most straight forward for us to implement. The Chair emphasized that operational capability and the level of change that could be handled needed to be carefully considered.

OW advised that the Mails team wished to start execution of each of the proposals and were attuned and understanding of the issue around the execution of Evri in branch and the consequent challenges. OW asked that the Board turn their minds to considering routes to the aggregator principle. BG shared his view that he thought it was unlikely that some aggregators such as Parcels to Go would wish to partner with us. OW advised that there was the possibility of forming a JV with an aggregator like Parcels to Go. The Chair agreed that this could be a possibility and we could access the technology required this way. OW advised that he was not hearing any objection to commencing execution of full PUDO. There were no objections. CP noted that Amazon, DPD, and Evri had indicated that they would not pick up for less than 30 parcels, so the roll out would not apply to all branches. EJ noted that Doddle had been mentioned earlier and that they had changed their corporate complexion: what did we need to know that they had learnt. NO advised that Doddle demonstrated what could be achieved by bringing alive parcel networks and working with retailers. CP noted that Doddle could provide the technology, and this would allow us to go to retailers.

TC noted the significance of building relationships with carriers and that it would take time to build something credible. **ACTION** TC requested that when the business case was returned to the Board that it contained this detail. The Chair advised that he had concerns as to whether we needed to do something now and queried whether it would be better to do one thing really well and set it up and operationalise it, rather than trying to do all three things. In the aggregator market we had a brand that could compete and there was a real market opportunity. CS agreed with this however advised that she did not think that we had 6 months to wait; indeed, we had a finite window. NR noted that the market was moving, and that consolidation was going to occur. EJ queried whether the Mails team had considered looking at a much smaller player in the market, like Inter Parcels. The technology employed was the same and it would not cost as much to buy a smaller business that had the technology already, rather than forming a JV. CP advised that the option had been considered however this had not been progressed due to the funding issue and that a JV arrangement would be preferable. EJ contributed that the JV partner would need to pay for the privilege of partnering with us. The Chair agreed that a JV relationship could be the way forward and that aiming to arrive at a credible aggregator site could be a good thing. The Chair advised that he did hear all the points on timing. BG noted the increasing complexity of acceptance in terms of bagging. EJ agreed that there could be issues with this and advised that the segregation would need to be made very simple. EJ referenced the loyalty bonus for Drop and Go for last peak period and queried whether this was going to be offered again. NR advised that the management team were acutely aware of this.

OW/CP

The Chair called for further questions. There were no further questions.

TABLED and **NOTED** was a paper, 'Strategic Commercial Considerations'.

OW proceeded to provide an overview of the paper, advising that the 3YP would be returned to the Board for consideration after the summer, and that whilst if implemented the mails strategy would mitigate some of the challenges, that there would be critical decisions to be made around key items of our product set over the next short while. For now, the purpose of the paper was to raise these issues and to provide Board members with



an opportunity to discuss. As we approached key contract moments we would need to prioritise and determine whether we would seek cash today or value tomorrow. After remuneration the key issue Postmasters asked about was when we were going to bring new products into the network. The Company would need to decide whether there were any products we should deprioritise, and whether the approach should be considering new products and propositions or focusing on taking costs out.

The Chair invited questions and comments from the Board. IRRELEVANT IRRELEVANT IRRELEVANT OW replied that the shape of Banking Framework Agreement 4 could be quite different, however we would not be having the conversation until Banking Framework Agreement 3 was closer to expiry. IRRELEVANT IRRELEVANT IRRELEVANT OW shared his view that further conversations needed to be had on this, however whilst we were on a IRRELEVANT t would be difficult to achieve this. BT queried whether a possible angle of approach would be to go IRRELEVANT IRRELEVANT IRRELEVANT OW noted this, however advised that there was IRRELEVANT IRRELEVANT IRRELEVANT BT observed that perhaps there could be some evolution and that in time our position might improve. NR advised that whilst he agreed with this, he did not want to overplay our hand. IRRELEVANT IRRELEVANT IRRELEVANT OW referenced the paper from the previous session which had made that exact point, however the reality was that only a handful of Banking Hubs existed however banks were still proceeding to close branches. IRRELEVANT TC contributed that he saw this as a matter being tied into the policy review. OW agreed with this. IRRELEVANT IRRELEVANT IRRELEVANT unless someone was pushing them. IRRELEVANT

IRRELEVANT

OW noted that we were seeing evidence in our own bill payment business where people were relying more on cash. SI advised that a lot of branches IRRELEVANT IRRELEVANT SI queried whether there was something we could do on this front such as IRRELEVANT IRRELEVANT EJ noted that a number of Postmasters had invested in IRRELEVANT IRRELEVANT ahead of Post Office, IRRELEVANT

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IRRELEVANT **ACTION** OW advised that the team would take this issue away and **OW** IRRELEVANT

POST OFFICE

POST OFFICE LIMITED BOARD MEETING (Strategy Session)
Strictly Confidential

2.2

The Chair noted that as further time elapsed the Company would be likely able to further IRRELEVANT OW noted this and advised that Banking Framework Agreement 4 would be brought to the Board in due course.

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IRRELEVANT TC noted that as part of the policy review BEIS would be speaking to the banks, so IRRELEVANT

IRRELEVANT

OW requested that the Board move on to considering the Company's lottery product. OW reminded the Board that the Company sat in between the Postmaster and the lottery provider. In terms of the lottery provider to succeed Camelot, this looked likely to be Allwyn. OW advised that a decision would come to the Board as to whether we continued to sit in the middle of that relationship. OW noted that there was a percentage of Postmaster remuneration earned through lottery, and that withdrawing this product could potentially have knock on effect in the network. CS queried how many branches relied on lottery. CP replied. OW posed the question that if the Company did not sit in the relationship, then would Postmaster's devalue their views on the Post Office franchise.

Taking the temperature of the room the Chair observed that the takeaway was that the Company would likely need to step away from this product. SI queried whether there was any possibility of speaking to the new provider to increase the value to the Company so as to retain the product. OW advised that this was a possibility and that the team had just commenced speaking to the potential new provider. AC contributed that the mood seemed to be that people would not be inclined to pay the costs associated with moving to a new provider or moving the product to NBIT.

The discussion moved to considering the JV with FRES. The Chair queried whether there was anyone we IRRELEVANT

IRRELEVANT

IRRELEVANT AC replied. TC advised however that the Company would be unlikely to receive funding for this.

OW requested that the Board turn to consider the Company's travel insurance business. The commercial team had started some exploratory work around whether there was an ability to IRRELEVANT It was challenging in the general insurance market however and there was new regulation, so it was not clear how things would behave. IRRELEVANT

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IRRELEVANT for and against selling now. AC shared his view that he thought the Company was IRRELEVANT

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IRRELEVANT and reminded the Board that the Company had committed to reviewing this holding as part of the last funding settlement. TC noted that this item had been discussed at Board before and the view seemed to be that insurance was IRRELEVANT NR challenged this and advised that this had not been the case since NR joined 4 years ago. TC reflected on this, however queried whether we were IRRELEVANT

IRRELEVANT CS shared her view that perhaps we had not given the insurance business the fuel in order to

fully flourish. IRRELEVANT

IRRELEVANT

OW returned briefly to looking at the JV relationship with BOI, noting that the current agreement IRRELEVANT Next year the commercial team would start exploring IRRELEVANT IRRELEVANT OW referenced current research on IRRELEVANT AC contributed that the IRRELEVANT they IRRELEVANT IRRELEVANT TC noted this, however cautioned that the Company needed to look at whether IRRELEVANT and that we needed to do the work IRRELEVANT

OW touched on Payzone and advised that he was not proposing to speak about this business in this forum. NR contributed that Payzone had been discussed at ARC earlier in the week and Board yesterday.

OW noted the possibility of Post Offices IRRELEVANT SI shared his view that he thought this represented a huge opportunity for the majority of Post Offices, although queried the insurance aspects of providing such a service. SI outlined the way he saw this working, with the customer and the Postmaster accessing a IRRELEVANT IRRELEVANT OW referenced a previous discussion with SI on this issue, where OW had understood that SI agreed that we had 'bigger fish to fry' and we that didn't have funding. SI advised that this market had one general player in it only. EJ contributed that Postmasters needed to be able to keep the lights on and derive subscription-based revenue. This avenue could provide this, and Post Office could build the first network of IRRELEVANT IRRELEVANT This option could utilise the empty spaces in many Post Offices quite well. The Chair asked SI, if you had a choice between IRRELEVANT and stationery and you could only choose one, which one would it be? SI replied that it would be IRRELEVANT IRRELEVANT **ACTION** The Chair asked that this possibility be explored. ZP commented that for such a proposal to work we would need scale and investment; was looking at this proposal simply fiddling whilst Rome burns? ZP shared her view that she did not think that this was the right thing to distract the management team on. OW replied that he shared ZP's instinct. The Chair reiterated his request that this proposal be explored.

4. Session III: Long-Term Drivers of Future Network Shape

Materials for Session III were produced in conjunction with the materials for Session IV, so Session III proceeded on a joint basis with Session IV.

5. Session IV: Building a Resilient Network Equipped for the Decade Ahead

TABLED and **NOTED** was a paper, 'Building a resilient network equipped for the decade ahead'.

MR introduced the paper, advising that retailers were looking for new ways to attract customers into their businesses. MR advised that he wished to speak about macro trends and had selected 5 drivers that we should be having some conversations around. External views had been sought as well to try to understand what factors would make a difference.

POL00448625

MR noted that automation was on everyone's minds, and that a lot had been learnt during the pandemic on automation. Supermarkets were now operating on the basis of 80% of customers self-scanning. We knew that we needed to push on with automation, however that equally the self-service demographic was difficult. We also knew that our strategic partners were investing in this. As we approached the 3-year plan, MR shared his concern that if we did not look to invest in automation now, that we may miss the boat.

The second macro trend MR wished to raise was the continued shift to omnichannel digital purchasing from sales in bricks and mortar. The third macro trend was people shopping nearer to where they lived – this provided opportunities for the Post Office and played to our strengths and our sense of community spirit. Village sizes had swelled as a result of the pandemic, and we needed to take stock of where we needed to be and where we locate new branches and in what format going forward.

Another macro trend was the shift to experimental shopping. This increased dwell time and we needed to understand what the social connections were. We thought that these experiences needed to be simplistic, clean and in the moment. The fifth macro trend was the emphasis on sustainability. We needed to think about physical places where we might want to be, for example in garage forecourts that were just EV, which is where customers were going to be.

The Retail team were working with the Company's strategic partners to get support and looking at how we could work in partnership to achieve what we needed to. For example, K Secretan had a wonderful conversation with Compass last week on Hospitals and exploring partnering options.

MR asked whether the Board agreed that these are the right 5 trends to be considering. The Chair advised that he was in agreement with this list. TC advised that the thing that was missing for TC was logistics. ME advised that the team hadn't looked at items adjacent. AC queried how permanent localism was. For example, if we go forward 5 years is it going to be going back to City centres? MR replied that there were no signs of localism receding for the moment. EJ shared his view that the focus needed to be on consumers desired immediacy – that is, how do we deliver what customers required immediately and it was about being at the point of need. This was why Drop and Go was important. EJ queried how Post Office connected with the younger generation now. There was a huge opportunity with a market that did not connect with us at the moment. LH agreed that the Company had an existential question – how did we connect with the younger generation. EJ suggested that the Post Office could start the journey with the younger generation via ID verification, and PUDO.

ME turned to presenting advising that the Retail team were looking at a number of items to stress test in order to forecast over the next 10 years. In terms of cash and PUDO the Retail team had looked at both upside and downside. The Retail team had not assumed any new big product lines were introduced.

In terms of the shape of the network, the absolute numbers were less important than the corrections they were telling us. In terms of the optimum number of branches, this was around 8,000 – 9,000 with a shift in format. This reflected a point TC had made yesterday – the issue was not so much about the shape of the network as the format. EJ queried whether we were saying that there was no outreach, no legacy and all of that was replaced by Drop and Go. ME advised that outreach would be maintained. Beyond this we would need to bridge the gap between the commercial view and what BEIS might require. LH queried the ways in which the future network would be different to what we have today.

POL00448625

ME replied that the difference was essentially in the format mix. AC queried how people in communities felt about Drop and Collects. ME replied that responses varied; it could for instance prompt a different response if we are replacing an existing branch with a Drop and Go, as opposed to installing a Drop and Go where there was previously no service provided. LH advised that we would need to re-condition customer's expectations over time and ensure that services were targeted to the people who needed then. IRRELEVANT

IRRELEVANT

The Chair asked whether there was a data base that existed holding information on each Post office as to how much we were making, staff and costs. If no data base existed could the area managers find this out and this seemed to be very basic question. ME replied that the information would be the Postmaster's personal data and we would need to persuade them to give this to us this; we had asked this question of Postmasters previously and they had not been forthcoming. The Chair advised that this information would be useful in order to assess different parts of the estate; we had asked this question 5 or 6 times and have not had this information. **ACTION** MR advised that the team would take this away and have a fresh look at it. CS touched on the reaction of the Minister earlier today, and what our

MR

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IRRELEVANT TC thought that we were very schizophrenic on this; if there was one thing that we need to do it was to land this point and deliver on it. EJ noted that there had been a lot of historical debate on Mains and Locals – the customer did not know what they are walking into, however. We needed to make it easier for the customer to know our capabilities before the customer walked in. MR agreed with this. CP queried how proposing IRRELEVANT TC replied that BEIS IRRELEVANT IRRELEVANT and that we already had some flexibility to move within the definition and change branch format. The problem was implementing the change. IRRELEVANT

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IRRELEVANT The Chair shared his view that we needed to make a case for our true commercial scale network and get this understood. It was time to get to the end position. TM noted that it would still take time to migrate to a revised model. BT asked whether the approach to BEIS could be that this is what we would we need to do to run this as a commercial business, and this is what we need to do, and to give them the number. TC advised that he would add something additional to this, which branches should do cash and banking; this should give some insight into the true cost that the banks should be paying for cash and banking.

The Chair referenced the case studies that were discussed earlier and queried what role the access criteria played, as there must be some scope for making coverage inside cities better. ME advised that the case studies showed that the access criteria was less of an issue. For example, in one particular location we had 4 Post Office branches – however we and customers would be better served by one mains, 3 locals and 2 Drop and Collects in this space. TC noted that this was the conclusion of KPMG work a few years back: we needed to reduce the number of mains and put in locals and Drop and Collects, so why had we not been able to deliver on this. ME advised that Drop and Collects were only implemented if they were within half a mile of a Post Office, given the strong emotions of Postmasters around Drop and Collects. AC queried whether we could implement 1000 Drop and Collects by 2025. ME advised that in theory we could deliver this although it might be tight. NR commented that this issue raised the core problem of modern franchise businesses - cannibalisation. The Chair agreed that he could see that issue here, so the best thing to do

POL00448625

was to open more Drop and Collects and to re-distribute Post Offices to the areas where people lived. This could involve for example closing a Mains but say opening 2 smaller format branches. The question remained as to how to make the formats better for Postmasters. EJ advised that he was concerned that Postmasters would receive work of a lesser calibre and the better work would go to other carriers. NR agreed that the issue was competition. ME noted that the Mains were some of the best performing branches for the Post Office. The Chair noted this, however commented that there was something inconsistent in how the Company was making money and how the Postmaster was. TC advised that the Company could present to BEIS detailing that we would like 9,000 branches however we could not execute on it. AC contributed that alternatively we could say we can execute it on, and that BEIS needed to waive the 11,500 requirement, however BEIS would need to recognise that it was going to be a brutal process to get there. BEIS would need to lead on this policy. TC queried whether there were problems with changing between branch formats. AC advised that the Company had the option of providing notice. TC took the point noting that if the Company relied on churn the wrong branches would go. AC noted the difficultly in that we could not execute under current government policy. EJ queried how the reconfiguration mentioned in the paper fitted with hub and spoke. ME spoke through this and the use of the retailer to host the Postmaster – this was a model we would like to put into more locations. EJ shared his view that this would play to a lot of things Postmasters would like. The Chair noted that one of the issues we had with Postmasters was that they were trying to operate their business generally in a high premium site, meaning the only way they could do this was if they received more and more remuneration. There was something our remuneration structure that could need revising – paying the same amount for every transaction was perhaps not right and there were some Postmasters that were suffering because of this. ME advised that exceptional payments were provided to some branches, similar to what we did with the rural support payments. The Chair observed that there could be other ways to distribute remuneration.

The Chair sought to summarise the key points covered, being that the optimum commercial network size was around 7,000 – 8,000. It would take funding to deliver this number. The question was how we delivered this number of branches and what the trade-offs would be. The themes of community benefit needed to kept high on the agenda.

The Chair advised that we could assume people would need to transact less in retail generally. However, if you were in a remote village and previously there was a Post Office which subsequently closed, was there a way in which to satisfy that person. AC replied that this person could be serviced by way of outreach. The Chair asked whether there was any way of dealing with this. It was going to be difficult however was there a point at which we could say things were going to be online and certain customers needed to go online. EJ noted that there were many companies investing in this the younger consumer market and queried what 15-year-olds would want to do with us in 10 years. Carla agreed with this and queried why this cohort would go to bricks and mortar. LH shared her view that businesses would be operating by way of drones. CS agreed with this, noting that drones or robotics would be used however people would go into Post Offices for social contact. The Chair agreed with this, however noted that if we were going to provide a social space then we needed to get value for money from the government for this. AC shared his view that the best thing for Postmasters to rely on going forward was several companies picking up parcels every day – this was the only example AC could think of where we might become more active in a physical sense. EJ noted that Post Office was very good at owning last in the market things – for example cash – and that we were very competent at being where no-one else was. MR advised that most retailers were designing stores of the future; we were not doing this. LH noted this, however observed that this sort of activity may not be

POL00448625

affordable for us now. Co-op had undertaken this with Microsoft though, so perhaps choosing partner to do this could be an option for us at this point.

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IRRELEVANT it would not be easy for us to execute any changes quickly. MR agreed with this, noting that we didn't have the funding so were we constrained in our journey. ME advised that there were things we could do, however without capital it was a slow process.

IRRELEVANT

IRRELEVANT ME agreed with this and noted that this was an important point. TC noted that the NFSP could be very vocal about any changes. IRRELEVANT

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The Chair called for any further contributions. There were no further contributions.

7. Any Other Business

There being no further business the Chairman declared the meeting closed at 15:19.

Chairman

Date

POL00448625

2.3

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

MINUTES OF AN ADDITIONAL MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON THURSDAY 18 AUGUST 2022 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 18:00 PM[1]

Present:	Tim Parker	Chairman **(TP)**
	Tom Cooper	Non-Executive Director **(TC)**
	Carla Stent	Non-Executive Director **(CS)**
	Zarin Patel	Senior Independent Director **(ZP)**
	Lisa Harrington	Non-Executive Director **(LH)**
	Saf Ismail	Non-Executive Director **(SI)**
	Elliot Jacobs	Non-Executive Director **(EJ)**
	Ben Tidswell	Non-Executive Director **(BT)**
	Nick Read	Group Chief Executive Officer **(NR)**
	Alisdair Cameron	Group Chief Finance Officer **(AC)**
In attendance:	Dean Brindley	Senior Assistant Company Secretary **(DB)**
	Martin Edwards	Network Strategy & Delivery Director **(ME)**
	Brian Gaunt	Non-Executive Director **(BG)**
	Tracy Marshall	Retail Engagement Director - Postmaster Effectiveness **(TMa)**
	Paul Liddiard	Head of Postmaster Remuneration Development **(PL)**

Action

1. Welcome and Conflicts of Interest[2]

A quorum being present, the Chairman opened the meeting. The Directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

2. Postmaster Remuneration

1. The Chair took the paper as read and invited NR to give an overview and the outcomes to be considered. NR explained that initial discussions had taken to place to brief the Board ahead of the call but advised that it would be worth reprising some of the areas of the paper. NR stated the current position on remuneration was understood by the Board highlighting the significant changes over the last four years, noting improvements in financial years 18/19 ,19/20 and 20/21 with setbacks encountered in 21/22. NR further highlighted the paper has been influenced by the feedback received from the work carried out by TMa in liaising with the NFSP, Voice of the Postmaster Group ("VPG") and 600 other Postmasters. NR invited TMa and ME to provide additional comments for the Board.

2. TMa made reference to the VPG and the recent activity arising from the associated Facebook page, confirming the current number of members to be 611. TMa noted that the page consisted of 6 administrators and identified the lead to be B. Johnson, who has a branch in Shrewsbury. TMa highlighted that the group had called for an urgent response to increase remuneration to support Postmasters and their businesses with the current surge in energy prices and difficult trading conditions. TMa further highlighted that the

[1] Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chairman's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.
[2] This meeting is an addition to the scheduled meetings so standard items such as minutes and matters arising have been carried over to the meeting on 27th September 2022.

POL00448625

expectations of the increase from the VPG were unrealistic considering the same trading conditions would apply to POL stating that the group have also expressed views on the NFSP, citing a lack of independent representation and have requested more transparency around POL's 3-Year Plan ("3YP"). TMa informed the Board that members of the VPG had sent a total of 101 emails directly to NR raising around 300 issues, noting that the vast majority were related to remuneration including, increase of remuneration, information on increased to cost of living experienced, concerns over the impact of MDA2 and non-delivery of objectives on network transformation, particularly the removal of the fixed element of remuneration for the main and local branches. TMa confirmed that a response was sent to all emails and as well further engagement from POL with B. Johnson and members of the VPG, reiterating their view for an increased remuneration. TMa further confirmed that VPG had created a public petition, and to date had collected 1,230 signatures, to call on support for Postmasters requesting an increase in remuneration from POL., where VPG have justified the request owing to the increased cost of living and a lack of support regarding holiday/sick pay.

3. TMa made reference to the NFSP and informed the Board that meetings had taken place with Calum Greenhow in respect of a status update on remuneration proposals, confirming that Calum's view was that the proposed amounts failed to meet expectations and particularly mentioned focusing on banking transactions. TMa added that NFSP were not comfortable with the actions of VPG and did not support their approach to raising concerns and advised POL to deal with matters in a sensible way. EJ made reference to B. Johnson and queried whether he was a current Postmaster. TMa confirmed B. Johnson was the Postmaster of the branch in Kerry. EJ informed the Board that he had attempted to join the social media page of the VPG, which had been rejected but instead received an offer to have a discussion. EJ confirmed that he had not yet replied, wanting to update the Board first.

4. NR stated that all thought had been given to the concerns received from Postmasters, acknowledging the importance of swift action, highlighting, the difficulties in satisfying concerns to full expectations. NR explained that the proposal will demonstrate POL's response, not as to remedy expectations of Postmasters in full but to offer a scheme of activity that will allow for progress to made. NR advised that it was important to recognise that the key element to consider was prevention, explaining that of 89% of branches that had churned this year, 47% had done so owing to financial reasons and that the proposal should be viewed with this in mind. NR assured the Board that the proposal had been produced with the input of existing Postmasters and Postmaster groups sourced from TMa's engagements and various forums including identifying the underlying issues with Banking/Banking framework on withdrawals and deposits, work completed but not remunerated and areas that will offer satisfaction in part of expectations.

5. ME advised that a detailed description was contained within the paper and summarised that the proposal was made up of three main components consisting of: an increase in banking deposit remuneration, correcting unremunerated transactions and measures to cause immediate benefit for Branches this year, which would be addressed later in the discussion. ME explained that Banking was considered the cornerstone of the proposal package, over the alternative areas of Mails and Fixed Remuneration, as it offered the broadest scope of impact and this was supported by a member survey conducted by the NFSP, highlighting Banking was considered in need of much focus. ME further explained the reasons for not using Mails included fallout from the recent MDA2 process and that top-up payments were still being made, this year, to Branches who are less or under the MDA2. ME advised that Mails should be reviewed for the next financial year. ME

confirmed that IRRELEVANT would be coming in force as of January IRRELEVANT and that POL had been signalling to Postmasters that BF3 would be used as an opportunity to IRRELEVANT ME further confirmed that with the new measures, and the doubling of deposit rates, there would be IRRELEVANT in IRRELEVANT available and highlighted that the issues surrounding the unpaid work agenda had been addressed. Referring back to his earlier point on immediate benefits to Branches, ME informed the Board that it was proposed that one-off payments be made in IRRELEVANT

IRRELEVANT

6. NR expressed that the objectives and reasonings behind the proposal should be clear and indicated from previous correspondence that it was expected that the topic for discussion would be whether the amount being offered was acceptable and would it be accepted by Postmasters, highlighting: incentives leading up to the Christmas period and what that would look like post-Christmas and to consider if there is an opportunity, to award a dividend or an incentive share if year end targets are met.

7. NR invited AC to address affordability of the proposal before taking comments from the Board. AC informed the members that it had been forecasted that POL would end the financial year IRRELEVANT trading profit acknowledging that the forecasted figure does not reflect the current to-date profit amount stating this was due to the drag effect of Mails and cost pressures. AC explained that IRRELEVANT had been calculated for the current tranche of activity, which POL could afford and confirmed that the IRRELEVANT IRRELEVANT which are expected

IRRELEVANT

8. The Chair asked for clarity, that all things considered, was it believed that POL could afford the IRRELEVANT of costs as per the proposal. AC confirmed that to be the case.

9. NR summarised that all points had been presented to the Board and that a decision would be required on agreeing the proposal subject to a revision of figures to be presented in the November conference with incentive information in Mails and Travel. NR acknowledged that the main area of concern for EJ and SI was around the one-off non-consolidated payments and understood the current amounts suggested would not solve issues currently faced by Postmasters but would demonstrate that POL is listening to Postmaster concerns.

10. SF confirmed to the Board that his view on the proposal as it stood way under expectations, declaring the amounts should be at least doubled to cover the increase of costs outlined by Postmasters. SI informed the Board that, in respect of the one-off

payments, the amounts proposed did not even compare to that which is awarded as a staff bonus and would not cover the increased expensive caused by the cost of living questioning the fairness of the decision. IRRELEVANT

IRRELEVANT

11. SI addressed the funding issues raised by AC and stated that efforts should be increased to find additional funds, reiterating the importance that the proposed figures should be increased. With reference to Banking being the cornerstone for the proposal offer, SI agreed it was a good starting point at doubling rates but would still not satisfy on this basis alone, adding that it was underappreciated how much effort Banking requires and that the risk to reward ratio is still unbalanced. SI stated that from feedback received and from his own experiences, high street and town centre branches differ significantly in Banking transactions and the current proposed figures would not provide as an effective reward as initially perceived. ME confirmed that Town and City branches were more indexed towards Mails as they have not yet experienced the same number of Bank closures, justifying how the one-off payment was being based on Mails remuneration confirming that POL received IRRELEVANT which allows for a case-by-case assessment to be carried out for exceptional remuneration much of which will be allocated to the struggling Town and City centre branches. SI explained that prior to the meeting an alternative to the proposal had been suggested to ME in giving Postmasters a short-term fixed income to the end of the financial year, enabling POL as a business time to focus on revising remuneration for the next financial year. SI advised that all suggestions should be considered and reiterated his view that the amounts in the current proposal are not enough to offer Postmasters.

12. EJ offered his comments on the proposal agreeing with SI, that amounts offered were underestimated and would not meet Postmaster satisfaction, totalling on average, IRRELEVANT IRRELEVANT which does not accurately reflect the overall increases incurred. EJ also supported the view that the proposal was a critical move for POL to demonstrate a clear understanding of Postmaster support and this should be reflective in the budget, highlighting that in other industries, strike action was being taken in order to achieve double of what is being offered here and expressed that Postmasters would prefer not to be left in a position where such measures need to be taken. EJ accepted the suggestion of further revision on renumeration to be presented in November and then again in March in preparation for the minimum wage increase but still advised the initial amounts should be increased ahead of Tuesday's conference. EJ reminded the Board that the energy cap does not to apply to businesses so figures would be severely unbalanced when compared to the increased costs experienced by individuals with no limit to that what a branch can incur. EJ expressed concern that if the proposal was submitted unrevised it would indicate that the input of the Postmaster has been disregarded. EJ Informed the

POL00448625

Board that while he understood AC's point on affordability, it was respectfully suggested that POL seem to be able to consistently find additional funds, of which, the Board signs off on huge over-run costs on various projects and the same should be applied to the proposal without debate, especially when some of the over run costs far surpass that what would have been required for a fairer offer. EJ expressed to the Board that POL

IRRELEVANT

products and attributed a large portion of the current success with the products was a result of Postmasters and Post Offices delivering a trusted brand on the high street but stated that there is no incentive or reward in place for doing so, welcoming the suggestions of profit share but advising there still a lot to be considered in devising a more appropriate offer. EJ acknowledged that challenges were unlikely to be met by Tuesday's deadline but accepted an offer is expected to be made. EJ agreed with the proposal of doubling Banking deposits and the importance of raising remuneration but highlighted that a one-off/lump sum payment would be the correct response to short term challenges urging POL again to revise figures.

13. ZP addressed EJ and acknowledged the financial burden experienced by all individuals and in particular Postmasters, due to very little leeway. ZP queried that if the proposed amounts were to be doubled what short term compromises could be made, exampling in another organisation, staff were being asked to take a pay-cut to support those most in need. ZP suggested that a temporary hold be placed on Belfast Exit or SPN advising that it's owed to Postmasters that POL have gone through the process of exploring areas of compromise or take higher risk elsewhere for a short-term hit. ZP agreed overall the amounts were not appropriate but understood that challenges faced with affordability. The Chair expressed the key point was to understand the implications of increasing the offer. AC informed the Board that conversations on how figures could be revised had taken place outside of the meeting which could be shared with the Board, explaining that AC was sceptical about cutting operational costs, citing recruitment costs are accepted to be 20% more expensive than in-house staff and was not confident that lower operating costs could be achieved over time. AC confirmed that consideration could be given in reducing central costs, but that would in itself have cost implications to which there is no funding available adding that it unclear how, when and with what chance of success, POL can ask for additional funding from Government. AC indicated that on the basis that POL are **IRRELEVANT** it was unlikely additional requests would be considered and offered an alternate suggestion of borrowing money from Government in order to cut POL's costs but highlighted the same uncertainty of success. AC addressed the final option would be to automate Head Office processes but pointed out the obvious cost implications of redundancy resulting in the same funding issue. AC confirmed that the suggestion of stopping Belfast Exit is being actively explored. AC advised that when the Board reconvenes for 3 year planning in September all of the information on the suggestions explored and the outcomes will be shared.

14. **IRRELEVANT**

POL00448625

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

15. IRRELEVANT

16. BG asked whether there was any guidance from Postmasters indicating what would be deemed an acceptable offer as this would provide a total of funding required and subsequently highlight POL's ability to meet expectations or at least be able to close the gap. EJ explained that in other businesses, between 5.5% – 6% was being offered against what will be at 14% inflationary market reminding the Board that Postmasters are not just individuals in every case and that their overheads are reflective of areas that of far greater consequence when taking into consideration issues such as an increases to the National Minimum wage and uncapped energy costs. EJ advised that the proposal amount should be at least doubled in order to be considered a serious offer.

17. The Chair expressed that the Board was agreed on the sentiment of being able to offer more to Postmasters, noting EJ and SI's suggestion of doubling the initial amount and the fact that an offer is expected to be made on Tuesday. The Chair also stated that while supported, any attempt to increase offers would require the proper time to explore options and the implications of where the additional fund is pulled from. The Chair suggested that if a more suitable one-off payment could be agreed then this could be announced on Tuesday together with assurance that POL will continue to review remuneration with the intent to provide further payments in the future.

18. SI advise that any requirements for time would need to be supported with a strict deadline to give Postmaster's assurance of an outcome is provided in a timely manner.

19. The Chair questioned whether the conference on Tuesday could be delayed allowing for exploring points raised and revise the proposal. NR advised against rescheduling the conference stating it was vital to proceed as planned to meet the calls to action from Postmasters. NR agreed with the views on a short-term fix with intent of providing future payments in November and stated that the proposal as it stood had been created with this in mind and within the affordability of POL, advising against the suggestion of doubling initial offers without proper investigation.

20. TC asked NR whether he believed the proposal, as presented, would be accepted by Postmasters at the upcoming conference. NR confirmed that while it was accepted that not all expectations in terms of reward would be met, NR confirmed the proposal did demonstrate a credible plan reinforced with signalling additional payments in response to calls for action. TC raised concerns around signalling too much ahead of time and that consideration would need to be given BEIS if a funding request is likely to made within the next twelve months highlighting that while he agreed with the suggestion of a profit share, it was viewed that the language around it can be contentious. NR agreed with TC responding that additionally to the option of profit share, options around a dividend or incentive scheme were also being explored to provide a more attractive long-term

solution. TC reiterated ZP's earlier comment regarding the pressure for POL to identify cost savings from the 3YP and what can be done to compensate the business.

21. The Chair informed the Board that it is recognised that NR and his team are confident to deliver the proposal in its presented form and that strong opposition had been received from EJ and SI in respect of the amounts that had been suggested. The Chair explained that despite strong arguments put forward for an increase, the Board could not ignore the fact that without proper investigation into funding any increase would fall under what POL can realistically afford at present. The Chair asked EJ and SI to clarify their position on the basis that at the conference the proposal is made with strict deadlines in and place with signalling of future payments. The Chair explained that progression is key and wanted to avoid a deadlock situation between Board members. EJ agreed that the announcement should not been delayed and POL would need to present something adding that even with the assurance of continued remuneration review and strict timelines the amounts suggested for the one-off payment are still not enough to be considered a credible offer. EJ advised that an approach similar to how POL responded to Covid should be applied here in that support was reviewed on a month-by-month basis. EJ added that it was viewed that the numbers calculated had been flattered by the banking deposit income line IRRELEVANT when realistically it was more like IRRELEVANT

22. EJ stated that he could not support the proposal in its current form.

23. The Chair expressed the importance of finding compromise to move forward and come to a decision that would satisfy the views of EJ and SI, noting their support would be key in the outward perception of POL to Postmasters. The Chair stated that it would not be possible to make a decision during the meeting to increase amounts without the proper investigation and suggested whether support could be gained from focusing on how and when amounts could be revised and increased to meet expectations.

24. With regards to revising the figure of the proposal, SI suggested he would accept the Board taking the decision to a vote by a show of hands. SI acknowledged the implications of cancelling/rescheduling the conference but felt it was necessary in order that the proper revisions could be applied and suggested that he would be comfortable with publicly identifying his opposition as the reason to postpone the announcement with the intent that POL would reconvene in a structed manner with assurance of increased amounts. SI supported earlier comments from CS and LH in that the proposal is deemed rushed due to a kneejerk reaction towards activity of various Postmaster groups.

25. SI reaffirmed his position that he could not support the proposal in its current form and insisted the IRRELEVANT IRRELEVANT already discussed.

26. The Chair asked the Board to confirm its position given the opinions expressed throughout the call.

27. AC supported the proposal.

28. BT agreed that Postmasters should receive more and would like to have time to explore other options and would prefer the proposal to be used as short-term fix but supported the proposal on the basis that the remuneration would be investigated heavily with intent on delivering an acceptable revised offer at the next conference.

POL00448625

29. BG agreed with the suggestion of BT and confirmed support of the proposal on the basis that the remuneration would be investigated heavily with intent on delivering an acceptable revised offer at the next conference.

30. CS confirmed support of the proposal under the provisions as suggested by BT and supported by BG.

31. NR reminded the Board that the proposal was the result of a Postmaster call to action and it demonstrates POL has listened and responded accordingly, highlighting it was critical that this is communicated to Postmasters on Tuesday. NR highlighted that the fundamental issue surrounds the one-off payment and acknowledged that more could be done to increase the amount and suggested that an offline discussion would need to be had on the approach, and this would be delivered together with a set of clear stages on the payment plan process, with accountable assurances from POL.

32. The Chair stated that despite views on the one-off payment, it was supported and agreed that NR had provided strong argument and analysis that the proposal demonstrates a full assessment of issues raised and the appropriate outcomes, advising the Board to support the proposal and make a decision on that basis. The Chair advised that the opposition of EJ and SI would need to be formally noted with the intent that figures would be revised substantially and presented in November.

33. EJ stated that he did agree that the proposal had dealt with a number of issued raised from the Postmasters and an update on those issues was vital but explained that the main reason for his opposition was the bottom-line figure not meeting expectations.

34. The Chair noted the comments from members and ask the Board to now consider the position under NR's most recent suggestion that the one-off payment would be addressed urgently for a proposed increase.

35. ZP confirmed support of NR's final analysis on the provision that the revised amount could be agreed ahead of Tuesday.

36. BT confirmed support of the proposal under the suggested one-of payment revision.

37. BG confirmed support of the proposal under the suggested one-of payment revision.

38. CS confirmed support of the proposal under the suggested one-of payment revision.

39. LH confirmed support of the proposal under the suggested one-of payment revision advising that focus would need to be applied to urgency and pace reflective of approach to Covid.

40. TC confirmed support of the proposal under the suggested one-of payment revision.

41. The Chair noted the support from the majority of the Board and acknowledged strong arguments form EJ and SI in favour of a figure that was significantly more that than what was proposed today and noted that support would not be given until EJ and SI could be satisfied that real progress has been made for numbers to be presented in November. The Chair asked EJ and SI to provide wording in forming their opposing statements and

POL00448625

suggested whether the statement could agree to endorse the direction of the proposal while maintaining the argument that amounts are not enough and should be revised.

42. EJ confirmed that he would be willing to agree to a statement on those points and welcomed NR's suggestion of revisiting the one-off payment amount. EJ agreed with the direction of the proposal but advised clarity would be needed around future steps and advised that measures taken with Covid support could assisted with how the communication is shaped.

43. SI asked NR when the revised figure for the one-off payment could be expected. NR advised that GE would discuss after the meeting with the intent to have a response on Monday ahead of the conference.

Resolved: The Board APPROVED the recommendations of the proposal on a majority vote with oppositions received from EJ and SI. The Board's approval was agreed on the provision of urgently revised figures for the one-off payment and a clear plan for the payment process.

3. Any Other Business

There being no other business the Chairman declared the meeting closed at 19:27.

4. Date of next scheduled meeting:
Ordinary Board Meeting – 27th September 2022.

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Chairman Date

POL00448625

Post Office Limited Board Actions as at 16.09.2022

Action No.	MINUTE REFERENCE	ACTION	ACTION OWNER	DUE DATE	STATUS	OPEN/CLOSED
	Board Meeting 22 February 2022					
1.	**2. Draft Budget 2022/23** **a)**	SI concurred with AC's analysis around the value of lottery for Postmasters, which supported cash flow in branch. Responding, CM offered to meet with SI outside of the meeting, to go through the Mails Distribution Agreement 2.	~~Cathy Mayor~~ Max Jacobi		Although a discussion did not take place with Cathy Mayor, there is a wider discussion being had on lottery and this will cover the issue Saf has raised. The team have done the initial analysis and the commercial and network teams will come back to GE once they have agreed a position.	**To Close**
2.	**2. Draft Budget 2022/23** **b)**	Responding to a request from TC, it was agreed that AC would assist to circulate the Interpath reports to Board members.	Al Cameron/ Max Jacobi		Uploaded to the Board Reading Room for the meeting on 27th September 2022.	**To Close**
	Board Meeting 29 March 2022					
3.	**Annual Board and Committee Evaluation**	EJ noted that there were some interesting divergencies between the executive and non-executive director scores. The Chair agreed with this and noted that scoring divergences were then different across different areas. The Chair requested that the Board discuss the Report at a future Board dinner. The Board APPROVED the recommended actions to address points raised and areas which may require development.	Rachel Scarrabelotti		Update on 16/09/2022: Deferred to November Board Meeting. Update on 22/07/2022: The Board agenda in July was full. An Action Plan is being prepared for discussion at the September Board Meeting. Update on 30/05/2022: An Action Plan is being prepared based on the recommendations and will be tabled for discussion at the July Board Meeting.	**Ongoing**
4.	**CEO Report** **a)**	SI advised that the question in his mind was how SPM was balanced against Postmaster profitability. SI thought that we could find ourselves in a situation where we wouldn't have enough people to operate SPM. SI also queried	Nick Read/ Tim McInnes	July Board	Update on 22/07/2022: This was covered in the Away Day as a part of the Network Strategy session. Update on 06/05/2022: Tim McInnes has already kicked this piece of work off with	**To Close**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

		the timing for the network review. **ACTION** NR advised that we needed to get this piece of work kicked off, ideally so we could have this work in time for the strategy away day.			BEIS. Colleagues will recall this was part of our conditions within the Contract. However, it is unlikely that we will have made substantive progress with BEIS by the July Strategy day. We will however be advancing our own work ahead of the July awayday where we will share our progress.	
5.	**CEO Report** **c)**	SI touched on software and shared the example of a Postmaster investing time in undertaking a customer transaction only to be told at the end of the transaction that the transaction was unsuccessful. SI advised that he had raised this with JS about 6 weeks ago. **ACTION** NR undertook to speak with JS on this.	Nick Read/ Jeff Smyth		Update on 16/09/2022: JS discussed requirements with SI and follow up actions were undertaken with product teams to review requests for change in Banking transaction journey, enhancements to Mails Drop & Go and Government DVLA look-up functionality. JS to follow-up with product teams to determine if they agree with priorities in overall backlog (and change funding is available). Update on 08/07/2022: JS met with SI to discuss a range of Horizon improvements that SI would like to see implemented. These include transaction changes to Banking Deposit journey, Mails Drop & Go – Auto-Top-up & SMS, MoneyGram exploitation of EasyID, DVLA Rates Look-up, Stamp Bar-Coding. JS to follow up to ensure these requests are included in demand backlog and to revert to SI with next steps by end July 2022.	**Ongoing**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

6.	**CEO Report** **d)**	The Chair queried what work had been completed on setting an ideal operating model for the Company, for example, on the basis that HMU had been completed and the network corrected. **ACTION** AC advised that work had been undertaken in this space previously and that this work could be refreshed. ZP requested that we factor into the analysis that we are in a declining market.	Al Cameron/ Nick Read/ Tim McInnes		Update on 22/07/2022: This was covered in the Away Day as a part of the BEIS Policy Review session. Update on 23/05/2022: The topic will be included as a potential deliverable in the strategy and Policy work on the 'Future of the Post Office' being led by BEIS with support from Tim McInnes and the strategy team.	**To Close**
	Board Meeting 04 May 2022					
7.	**2. FY 2022 - 2023 Budget** **a)**	ZP suggested that once a quarter the Board engage in a deep dive on the 2022/23 Budget, so that if things weren't progressing as against the Budget the Board would have an opportunity to get ahead of this. ZP queried whether the focus of the Board would need to shift more to delivery. NR agreed with ZP's proposal in respect of initiating a quarterly review process.	Al Cameron/ Max Jacobi/ Rachel Scarrabelotti to add to Forward Plan		08/09/2022: Due to the packed agendas, this has been included in the Forward Plan for the Board meetings on 01st November 2022 and 28th March 2023. 12/07/2022: ~~Included in Forward Plan for the following Board meetings: 27th September 2022, 06th December 2022, 28th March 2023.~~	**Ongoing**
8.	**2. FY 2022 - 2023 Budget** **b)**	NR contributed that on CIJ it was clear where we had made progress, however on HIJ this was much more of a judgement call, and that this was why J Smyth was being deployed to work on HIJ. TC responded that even if there was uncertainty this matter needed to come back to the Board. **ACTION** NR committed to bring this matter back to the Board.	Nick Read/ Rachel Scarrabelotti to add to Forward Plan/ Jeff Smyth	~~**Sept Board**~~ **November Board**	Update on 16/09/2022: Propose that we provide a noting paper to November Board that covers Phase 3 HIJ deliverables (which will be work in progress) and our overall status position versus HIJ findings, including planned NBIT carry-forward actions. Update from JS on 08/07/2022: I would propose that we update Board on overall HIJ progress in September (subject to other priorities and slot availability). We will be able to comment on areas where we have closure of an HIJ finding and the areas which are work-in-progress or	**Ongoing**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

					consciously deferred for inclusion in NBIT scope.	
	Board Meeting 07 June 2022					
9.	**2. Minutes and Matters Arising**	**ACTION** ZM committed to updating the Board on the time and cost implications of the decision and to return with an update to the July Board Meeting.	Zdravko Mladenov	~~**Sept Board**~~ **November Board**	Update on 16/09/2022: We will update in November due to congestion in the agenda in September. Verbal update to be provided in the regular SPMP item. Update on 08/07/2022: The update will be provided through the CEO Report, with a formal agenda item deep dive in Sept or November as part of the regular SPMP update and slot.	**Open**
10.	**4. CEO Report** a)	ACTION NR detailed one measure that was being taken was separating out the IT helpdesk and bringing this back to ZM's team. A further update to the Board would be provided on this. NR queried how much self-help it was reasonable to expect from Postmasters and referenced printers – if Postmasters for example were to clean their printers regularly this could contribute significantly to reducing printer issues.	Nick Read/ Zdravko Mladenov	~~**Sept Board**~~ **November Board**	Update on 16/09/2022: We will update in November due to congestion in the agenda in September. Verbal update to be provided in the regular SPMP item. Update on 08/07/2022: The Board will be updated on the transfer of the IT Helpdesk to Technology via the CEO report in September. Prior to that, GE will review investment options for the Helpdesk, so a decision on any additional funding can be made prior to updating the Board.	**Open**
11.	**4. CEO Report** g)	SI advised that he had had Postmaster's offering to buy their own tablets to assist them to meet customer demand, with some Postmaster's indicating that they would be willing to buy 2 or 3 tablets. SI queried whether this would be possible. ACTION NR undertook to investigate whether this was possible. LH observed that this could provide a useful Segway for other conversations with Postmasters.	Martin Roberts/ Martin Edwards/ Barbara Brannon	October Board	Update on 26/08/2022: No change to the status at present. Passport volumes have not recovered, and early indications are that HMPO plan to expand their face to face fast track services further for next summer. There have been no recent requests for a second tablet, but we will need to review as part of overall device strategy for NBIT depending on the number of products which are core to that	**Ongoing**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

					platform, and those which could be transacted on mobile devices including other mails carriers. Wider usage than just government services would change the business case and also the number of devices needed across the network. I don't expect any sort of a decision on this within the next quarter. Update on 04/07/2022: Initial assessment completed by Commercial & Retail. In principle we would be supportive of introducing a postmaster self-funded option, and indeed this is an approach we're looking at more generally for hardware like SSKs which go beyond the 'core' offer to PMs. However, for tablets specifically would not recommend pursuing in short-term given the recent sharp drop in passports volumes, as spreading declining volumes across more branches could undermine the proposition for existing tablet branches. Will review position in the autumn in light of latest trading and broader approach to tech co-funding.	
12.	**5.1 Financial Performance Report** **b)**	[Individual product profitability report] AC advised that last time this report was run it had shown that every product was profitable however margins varied considerably. ACTION AC advised that management had been refreshing this report and would bring this report back to the Board in July.	Al Cameron		30/06/2022: Product profitability outcomes are being reviewed by the CEO and GE and will be circulated to the Board. Al will provide a brief, verbal summary on 12th July.	**Open**
13.	**5.1 Financial Performance Report**	SI queried what the average pay-out per branch was. ACTION MJ advised that he could work out	Max Jacobi/ Martin Edwards		We have addressed the immediate need with higher remuneration as part of the August package. The underlying question	**To Close**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

	c)	what this out and advise SI.			will feed into Martin Edward's ongoing work on remuneration principles. This has been addressed as part of the wider conversations on Remuneration that Martin E is having with the Postmaster NEDs.	
14.	**5.1 Financial Performance Report** **d)**	In terms of the Local Authority pay-outs, AC noted that whilst we could determine what the Postmaster remuneration was, the problem was that we didn't have sight of what Postmaster costs are. ACTION AC committed to reviewing this, with the local authority pay-outs.	Al Cameron/ Max Jacobi			
15.	**6. Joint presentation from the Network and SPM Teams: Deep dive into Drop & Collect and wider Horizon replacement** **c)**	ACTION ZM advised that he would return to the Board with details on what the upcoming significant decisions for the Board on NBIT would be.	Zdravko Mladenov	**Sept or Nov Board**	Update on 16/09/2022: Delayed. Discussion ongoing with Chief Retail Officer. Update on 08/07/2022: The regular SPMP update will include a deep dive on outstanding decisions.	**Open**
	Board Meeting 12 July 2022					
16.	**3.1 Remuneration Committee**	ACTION Assistance was required from R Taylor and his team to finalise the Director's Remuneration Report. The Committee had considered the draft however this required further editing. NR advised that R Taylor had been on leave however was due to return shortly and could assist.	Richard Taylor to liaise with Angela Williams and Paul Wood		Update 26/07/2022: DRR has now been updated and will be finalized post Remuneration Committee meeting 26 July 2022.	**To Close**
17.	**3.3 Nominations Committee**	The Committee had reviewed the results of the Annual Committee Evaluation process and the Committee had considered the extent to which the Committee should consider succession below the Board and GE level. ACTION The Committee had determined that given the significance of the	Angela Williams		Update 26/07/2022: Succession Planning (including succession below the Board and GE level) has been added to the Board Forward Plan for 01st November 2022.	**Open**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

		issue a general discussion on succession should be had at the Board every 6 months.				
18.	**3.4 Audit, Risk and Compliance Committee** **a)**	ACTION CS undertook to send a full report to the Board on the central items the Committee had considered, especially in relation to the Committee's approach to provisions [CS emailed the Board this report 12 July 2022 at 23:22].	Carla Stent		Completed.	**To Close**
19.	**3.4 Audit, Risk and Compliance Committee** **b)**	The second phase of the Inquiry was due to commence in September; it could be good to publish the ARA ahead of this. ACTION LH shared her view that there was likely to be no good time for the accounts to be laid, and requested that management be ready and front footed to respond to reactions on the ARA, especially in relation to comments on remuneration.	Richard Taylor		15/09/2022: ARA 2021/22 planned to be published in December 2022. Media can report verbatim comments; Press Office equipped with lines to take e.g. explaining remuneration / bonuses for colleagues as well as Executive Board Directors.	**To Close**
20.	**3.4 Audit, Risk and Compliance Committee** **c)**	Payzone represented a significant debtor for the Company, and it had been queried whether more of a provision was required for this. ACTION EJ questioned whether it was intended to move Pay Zone to NBIT. AC advised that management were working towards a conclusion on this and the general viability of the entity, and O Woodley was leading on this.	Owen Woodley		08/09/2022: A decision was made at the August SPM Steerco to use Payzone as the mechanism to deliver NBIT for Legacy Pre-pay/Bill Payments. Using a Payzone device for Bill Payment in-branch rather than building a solution into NBIT will help to de-risk the delivery of the overall NBIT programme whilst adding further retailer benefits (such as service provision out of core hours). In order to progress with this option, we are exploring the potential for integration of Payzone into POL - for which there may be compelling non-NBIT reasons too. This exploration will take 6 to 8 weeks and if it does not look feasible or sensible, we will support this NBIT solution via a contractual JV between the two entities instead. **A separate noting paper on this will be going to the November board meeting.** PZBP has created a 3-year	**Ongoing**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

					plan that shows the business becoming cash generative by 24/25 and would enable PZBP to start repaying intercompany monies from that year. Clearly, this issue would be addressed much more quickly if integration proves feasible.	
21.	**4. CEO Report**	BT queried the status of the NFSP Grant Fund Agreement. NR advised that the NFSP had not brought the agreement back as yet. ACTION NR agreed to update the Board and provide a note once the NFSP Grant Fund Agreement had been settled.	Nick Read/ Martin Roberts/ Shaun Kerrison		29/08/2022: The NFSP are now querying one last clause that relates to the VAT treatment of the grant payment. We are arranging a 4-way meeting with our respective tax and legal teams to get this resolved.	
22.	**5. Improvement Development Group Update**	TC queried the items that were outstanding from an Oxblood red perspective. ACTION DZ directed TC to the section of the paper detailing the relevant CIJ items and noted that the outstanding HIJ items were not in paper and were still being progressed, however DZ could provide a list.	Dan Zinner		Included in Board pack for the meeting on 27th September 2022.	**To Close**
23.	**6. Financial Performance Report**	The Chair queried whether the need to disburse cash might come up again. NR advised that it would. ACTION SI requested a session be arranged between SI and EJ with A Goddard to review what was in the pipeline.	Andrew Goddard		Andrew has spoken to both Saf and Elliot, specifically in relation to the Postmaster Remuneration for the payout transactions for government benefits. Andrew has an outstanding action to meet up with Saf in Preston/ to the Payzone offices. A broader discussion took place on Postmaster Remuneration on 18th August 2022.	**To Close**
24.	**7. Draft Strategic Plan and Options Review**	ACTION AC advised that the paper represented the initial work that had been undertaken by the finance team and that the paper would be returned to the Board in September with a recommended way forward.	Al Cameron/ Max Jacobi		On the Board agenda for 27th September 2022.	**To Close**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

25.	**9. Appointment of External Auditors**	It was RESOLVED that PwC be appointed as external auditors for the Company for the 2022/23 financial year, subject to the Board receiving a further recommendation from the Audit, Risk and Compliance Committee on PwC's fees, scope, and terms of engagement.	Tom Lee		23/08/2022: A paper is due to be submitted to Board in September, to outline the procurement route for retaining PwC for a further 2 years. Subject to Board agreement we'll then seek formal ARC approval for the FY22/23 reappointment of PwC.	**Ongoing**
26.	**11.2 HMU – Funding Requests**	ACTION The Chair requested that the HMU team prepare a recommendation in relation to the second phase of the proposed NBW engagement and that this be circulated by way of written resolution for consideration.	Simon Recaldin		A POL Board written resolution and cover paper was circulated on 26th July 2022. An updated written resolution was circulated on 03rd August.	**Ongoing**
27.	**11.3 Public Inquiry Update and Funding Request**	ACTION BF advised that a note would be prepared and sent to the Board summarising the key happenings at the day 2 hearing. [M Underwood emailed the Board this report 18 July 2022 at 23:08].	Ben Foat		Completed.	**To Close**
28.	**12.1 Belfast Exit Funding a)**	JS advised that he was concerned about Fujitsu; whilst their behaviour was not malevolent, they simply did not have the resource required to conclude the Project. ACTION CS queried whether we could arrange for AWS to take Fujitsu's elements of the Project. JS advised that this had been tried previously however JS would pursue this. JS advised that the team was physically with AWS 2 – 3 days a week.	Jeff Smyth		Update on 16/09/2022: The Belfast Exit Board paper deals with the issues raised. In summary, AWS delivery scope has been increased to transfer all feasible software deliverables (PODG, APOP, Data Lake) from Fujitsu, but AWS are unwilling to adopt an overall systems integrator position (as AWS don't offer production support services). Additionally, role of AWS for Belfast Exit will change significantly if "Stay in existing Data-centers" option is selected.	**To Close**
29.	**12.1 Belfast Exit Funding b)**	ACTION The Chair requested that JS return to the September Board to report on the technical solution and on overall Project costs.	Jeff Smyth		Update on 16/09/2022: Belfast Exit is on the September Board agenda; paper will provide updates on technical solution and programme costs.	**To Close**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

30.	**13. Procurement/ Approval Requests**	ACTION AC noted that BG was very experienced in third party logistics so suggested that RH and WP meet with BG. BG advised that he was familiar with all the main players in the market, however thought that perhaps the golden triangle location was not the best given the competition for labour.	Brian Gaunt, Russell Hancock, William Porter, Stephen Faulkner-Atkinson		The team have supplied Brian with a 2-page briefing pack with the caveat that they can walk him through the pack via a Teams meeting, if required.	**To Close**
31.	**13.2 Payment Card Industry Compliance Funding**	ACTION TC advised that he may have misread the appendix to the paper, however queried whether the request was outside the original estimated programme total cost envelope. CS advised that she thought the initial approval was under the amount quoted in the paper. AC advised that he would arrange for this to be checked.	Al Cameron/ Jeff Smyth		Update on 16/09/2022: Approved costs for the PCI-DSS programme total cost envelope is £24.90m. This includes the funding request of £2.57M relating to the transfer of Audit SAN activities from the BEX Programme.	**To Close**
32.	**15.1 ATM Banking Strategy Programme: Lessons Learnt and AEI Assurance Review**	ACTION EJ shared his view that he did not think that the paper captured how badly the programme went and did not present a fair appraisal of the situation. NR advised that management could take the paper away and bring the item back for discussion to the September Board Meeting. The Chair requested that this item be included as an early item for discussion on the Agenda for September.	Nick Read/ Tim McInnes		ATM Banking Strategy Programme: Lessons Learnt and AEI Assurance Review is on the Board agenda for 27th September 2022.	**To Close**
33.	**16.1 Health & Safety Report**	ACTION EJ advised that the branch robbery stories should be shared and suggested that MR do this in his weekly update to Postmasters.	Martin Roberts/ Alexandra Burrell		We are planning to include in future communications, however recently with conferences and Post Office remuneration we have had to prioritise the weekly newsletter. We did however communicate across the network via the Field Teams. Alex (Head of Postmaster Communications) will plan to include hopefully during September with latest data.	**To Close**

POL00448625

Post Office Limited Board Actions as at 16.09.2022

	Board Strategy Away Day 13 July 2022					
34.	**Session II: Deciding the Way Forward on Mails and Strategic Commercial Considerations** **a)**	ACTION The Minister had advised that she wished to spend some time in branches and further afield. MR and his team would facilitate these visits. MR further advised that the Minister was interested to understand the retail blend in Post Offices, and that the Minister thought there could be opportunities for the Company to develop the retail aspect of the business.	Martin Roberts			
35.	**Session II: Deciding the Way Forward on Mails and Strategic Commercial Considerations** **b)**	ACTION TC asked for more detail on the working up of the projected market share. TC advised that this started at 2 – 3% then ramped up to 9%. CP advised that she did not currently have the numbers with her, however, would supply this detail to TC along with additional detail on the volume proposition.	Chrysanthy Pispinis/ Owen Woodley			
36.	**Session II: Deciding the Way Forward on Mails and Strategic Commercial Considerations** **c)**	TC noted the significance of building relationships with carriers and that it would take time to build something credible. ACTION TC requested that when the business case was returned to the Board that it contained this detail.	Chrysanthy Pispinis/ Owen Woodley			
37.	**Session II: Deciding the Way Forward on Mails and Strategic Commercial Considerations** **d)**	SI also raised the issue of bagging, and that the Company had never invested in paper bags. ACTION OW advised that the team would take this issue away and agreed that TCR was not the answer.	Owen Woodley			
38.	**Session II: Deciding the Way Forward on Mails and Strategic Commercial Considerations** **e)**	The Chair asked SI, if you had a choice between safety deposit boxes and stationery and you could only choose one, which one would it be? SI replied that it would be safety deposit boxes. ACTION The Chair asked that this possibility be explored.	Owen Woodley			

POL00448625

Post Office Limited Board Actions as at 16.09.2022

39.	**Session IV: Building a Resilient Network Equipped for the Decade Ahead**	The Chair asked whether there was a data base that existed holding information on each Post office as to how much we were making, staff and costs. If no data base existed could the area managers find this out and this seemed to be very basic question. ME replied that the information would be the Postmaster's personal data and we would need to persuade them to give this to us this; we had asked this question of Postmasters previously and they had not been forthcoming. The Chair advised that this information would be useful in order to assess different parts of the estate; we had asked this question 5 or 6 times and have not had this information. ACTION MR advised that the team would take this away and have a fresh look at it.	Martin Roberts			

POL00448625

Post Office Limited - Document Classification: INTERNAL



HIJ Remediation Phase 3

August 2022

POL00448625

Deliverables & Workstreams for Rem-Co Tracking

Deliverable/Workstream	Delivery Completion Milestone	Outcome
Enhanced Browser on Horizon (AKA Branch Hub on Horizon)	31st March 2023	Provides capability to enable POL to provide additional support tools to the Post Master directly from the Horizon terminal. These will include the Branch Hub support portal, enhanced help pages and the Branch Reporting Suite (via Branch Hub)
Branch Reporting Suite	31st March 2023	This meets HIJ remediation objectives to provide Post Masters with data directly that will enable them to 'self-investigate' discrepancies in branch. Post Masters will access this data using the Branch Hub portal (either directly at the counter or via their own devices)
PAM/RAM & Transactional Integrity Audit	31st March 2023	Provides POL with an independent assurance on 1. The process improvements delivered as part of HIJ Remediation robustly address the relevant HIJ fundings 2. That the current version of Horizon maintains integrity across the various inter-related systems and functions required to process branch transactions
Least Privilege Access Implementation	31st March 2023	Reduces Fujitsu access to the least possible level required for service operations. Addresses HIJ findings around privileged & remote access management
NRF Assessment of HIJ Remediation	31st March 2023	Provides POL with independent legal assurance that the overall remediation programme has/will comprehensively address all the HIJ findings

POL00448625

2.5

POST OFFICE LIMITED
BOARD REPORT

Title:	ATM Banking Strategy Programme: Lessons Learnt and AEI Assurance Review	**Meeting Date:**	27th September 2022
Author:	Joanne Welch, Head of Quality Assurance	**Sponsor:**	Tim McInnes, Strategy & Transformation Director

Input Sought: Discussion

Board are requested to discuss and confirm the recommendations from the recent PIRs concluded on AEI Exit & ATM Strategy Programmes.

Previous Governance Oversight

Approved by GE on 14th September 2022.

Executive Summary

Post implementation reviews have been recently performed on the AEI Exit Programme and ATM Strategy Programme. These were commissioned due to issues occurring as new technology or software was deployed/migrated and legacy practices and equipment were changed or decommissioned. This went to Board in July and it was requested the paper was revisited and to return in September ensuring the programmes performance indicated how poorly they had been managed and the subsequent impact to Postmasters. Both programmes impacted a similar demographic of Post-offices in short succession, causing significant disruption and in some cases, services were interrupted for a period of time. Both PIRs concluded these programmes were not structured or resourced to support the volume of change being undertaken, and contractual deadlines put additional pressure on delivery timelines. Below is a summary of the overall assessment and recommendations made. Throughout both reviews a number of common themes were identified. Both reports have been shared with accountable GE members and all fully support the PIR findings and the recommendations made, and action plans have been agreed.

AEI Exit Programme

Overall Assessment	Recommendations	No.
RED-Successful delivery of the project to time, cost and quality was not achieved. There are major post- delivery risks and/or issues which at this stage do not appear to be manageable or resolvable.	Priority Level 1	8
	Priority Level 2	6
	Priority Level 3	2
	Generic Lessons Learnt	17

ATM Strategy Programme

Overall Assessment	Recommendations	No.
Amber- Successful delivery of the project to time, cost and quality was broadly achieved: however issues existed post-delivery, requiring management attention.	Priority Level 1	7
	Priority Level 2	5
	Priority Level 3	0
	Generic Lessons Learnt	15

Questions addressed

To confirm board are happy with the conclusions & recommendations held within this paper?

Background

1. Concerns were raised at an ARC session regarding two inflight change programmes based on negative feedback from Postmasters. These were: (i) AEI Exit, where issues had been identified during deployment with defects interrupting both DVLA and SIA services plus significant physical branch disruption as legacy AEI booths were decommissioned; and (ii) ATMs, which impacted a similar cohort of Postmasters, this programme was enabling POL to take on the management of this service from Bank of Ireland but software issues had led to an increase in purged notes, leading to multiple engineer visits and a lack of spares to help repair the aging estate led to extended downtime. A failed disaster recovery exercise by Vocalink also led to the incorrect data for 205 branches being process, and for these branches further disrupted activities, a POL task force worked to rectify, issuing transaction corrections. PIRs were undertaken on both to identify lessons and recommendations that can help improve future change delivery. Common themes were identified across the two programmes.

2. For both programmes a project performance survey was issued to 10-15 respondents to identify areas of focus and where further investigation was required. In each case 3 workshops were held, and these were well attended with a total of 23 individuals over the 3 sessions for AEI Exit and 31 individuals for ATMs. These explored in detail areas of best practices, areas of dissatisfaction and lessons learned. The outputs of these workshops were reviewed, systematic issues identified, findings and recommendations were defined to remediate and prevent re-occurrence. The PIRs have been reviewed and agreed by relevant Group Executives, sponsors, and the Strategy & Transformation Director. A management response has been obtained where recommendations apply.

3. The PIRs identified 16 recommendations for the AEI Exit programme (8 Priority Level 1; 6 Priority Level 2; 2 Priority Level 3) and 15 for the ATMs (7 Priority Level 1; 5 Priority Level 5). Full reports are available in the reading room. These are summarised below.

AEI PIR Conclusion

4. This PIR concluded that although this project was expected to deliver its benefits, the decision not to extend legacy services when delivery timelines slipped resulted in services being deployed when they were not fit for purpose. Device ownership, IT testing (including user acceptance testing) and final release practices were unclear which led to additional confusion. It has since been agreed that this will sit within Technology under the CDIO. Clearly defined practices are also being developed to complement the existing business readiness process to ensure the correct stakeholders approve final deployment.

5. Ways to ensure the voice of the Postmaster and supporting teams are engaged to ensure solutions meet their needs must be reviewed and activities to ensure this cultural shift must be embedded further. Business readiness practices are being improved in conjunction with the network gateway team to ensure the network has capacity to accept the change and that the correct teams and Postmasters are engaged.

6. When the projects were merged in March 2021, it was not resourced appropriately to support the programme of activities being undertaken and the associated business change. Heads of Transformation Portfolios and Business Sponsors have been reminded of the importance of correctly structuring and resourcing a project, in particular when the project structure changes when in-flight, but this risk remains high due to the current constrained investment budget and the current change portfolio, which could lead to similar choices being made.

POL00448625

ATM PIR Conclusion

7. This PIR concluded that the ATM programme was highly complex, introducing changes in practice for Postmasters as well as multiple internal teams and although it had met delivery milestones, the project team was too lean with insufficient resource to ensure a smooth transition leading to Postmaster disruption and unplanned capacity issues for internal teams.

8. Internal business teams who ringfenced staff to help translate new ways of working were more successful in embedding changes. Projects need to engage and agree this support more formally and must where necessary cost into the business case the temporary additional capacity support teams may require.

9. Contracts with external suppliers and partners must ensure they contain the correct levers throughout their lifecycle up to termination to aid exit activities, and appropriate governance and oversite must be applied during the contract lifecycle.

Common Findings across the 2 Programmes

10. There were common findings identified across the 2 programmes. These were:
    i. Both programmes were constrained by a delivery schedule linked to a contract end date. Better forward planning by management is required as historically POLs ability to deliver quality outcomes when constrained is poor. This led to Postmasters bearing the brunt of issues caused as a result. This included:
        - Services being unavailable for an extended period (AEI)
        - Disruption to physical location (AEI/ATM)
        - Multiple visits by third parties to remediate issues (AEI/ATM)
        - Photo quality issues requiring additional peripherals to be provided (AEI).
    ii. Forward planning must also consider the Retail teams and Postmasters capacity to accept changes. Introducing 2 significant changes which impacted a similar demographic exacerbated the situation. The retail team are introducing a Central Operations Director to help plan network change more effectively. The strategic portfolio office will work collaboratively to ensure all capital projects feed into new processes developed.
    iii. Business support to help translate new practices was not formally assigned and sustained throughout each programme, business readiness has been strengthened to ensure named individuals are listed and the expectations are clear and where not met this will be escalated.
    iv. Integrated end to end testing including user acceptance testing for all impacted areas need system environments to support and to be robustly enforced. Technology has agreed integrated testing is their end goal, but may not be fully in place until NBIT is operating at scale.
    v. Contact details for Postmasters are inaccurate and do not facilitate robust communications when undertaking significant programmes of change, a working group is currently looking at how this can be improved for use by future programmes.
    vi. The revised POL culture of putting the Postmaster first was not seen in all interactions with our suppliers and unplanned disruptions were seen which impacted trading. All suppliers should be made aware of our culture and values and this should be monitored appropriately through contract management, and obligations tracking.

Other AEI P1 Findings

11. Additional priority one findings include:

POL00448625

i. Challenge by Governance forums needs to ensure Business cases are robust and include all elements to aid successful delivery, this has been re-iterated. Lessons and recommendations from both PIRs have been shared with the IADG.
ii. Project governance and steerco attendance needs to be enforced and roles and responsibilities clearly defined, and nonattendance escalated to ensure the correct representation is in place.
iii. Service termination notices should be revisited and extended if development of new solutions is delayed and it is possible it will compromise quality of end product deployment.
iv. AEI had a number of live operational fixes which needed to be fixed, which are being tracked to completion

Other ATM Strategy Programme. P1 Findings.

i. Contractual levers were not present in the BOI contract to ensure legacy vendors acted appropriately, this meant out of date software not including recent patches for polymer notes was provided, causing an increased volume of notes purging. In additional governance and oversight was lacking as the contract was old and there were several unidentified compliance issues across the legacy estate. New contractual obligation and practices are now in place with all new suppliers, in addition, compliance levels show improvements.
ii. Postmaster training, engagement & communication is fundamental when implementing change and ensuring the correct mix and approach is taken. Guidance and standards should be in place for projects to utilise, but this needs to be marshalled appropriately to ensure the network are not overwhelmed, a new central ops director is being recruited to help develop a pipeline of all changes, while the Postmaster engagement director will look to maintain the standards required.
iii. This project initially kicked off in 2017 but the full business case was not approved until 2020 there are many theories as to why but personnel changes have been made within this period, the delay in starting did put increased pressure on the successful delivery which was constrained by a contract termination date.

Common Best Practices

12. In both cases once issues arose and taskforces were invoked to rapidly respond to issues POL teams came together and collaborated well to resolve as quickly as possible.

13. Business sponsorship of both programmes was called out, with AEI sponsorship changed multiple times throughout the programmes but once Barbara Brannon (Product Portfolio Director - Lottery, Retail and Government Services) took ownership and accountability a noticeable change was seen within AEI Exit programme with clear direction and decision making. In ATM this remain static with Wendy Luczywo (Head of Automated Products), but this was also commended by many with ownership and clear leadership called out throughout its lifecycle helping to steer the programme.

Next Steps

14. All Recommendations have been agreed with accountable business areas and timelines agreed these will be tracked to their conclusion.

POL00448625

POST OFFICE LIMITED
BOARD REPORT

Title:	Chief Executive's Report	**Meeting Date:**	27th September 2022
Author:	Nick Read, Group CEO	**Sponsor:**	N/A

4

CEO Narrative

Despite the summer months typically delivering some respite before Peak, the period since the last Board meeting in July has brought with it a good deal of change. First, the deepening cost of living crisis has damaged consumer confidence significantly. The impending recession has had a marked impact on trading in P5 – our first period trading loss of 2022/3 – and footfall continues to slow. Postmasters too have reacted, unsurprisingly, to the leap in inflation, the energy crisis and the threat of interest rate hikes. The Voice of the Postmaster group mobilised effectively to challenge our PM Rem strategy and question our responsiveness as a business. Clearly we are unable to resolve macro economic issues, but we reacted quickly to the disquiet and implemented an immediate response, albeit not a remedy.

Alongside the mounting concerns of Postmasters we have experienced a number of days of industrial action across the DMB estate, supply chain and support and admin centres. This has been compounded by RMG strike action which has further complicated operational delivery. The dispute with the CWU and Unite is far from resolved and we can expect industrial action into the autumn. This will be mirrored at RMG. Our Printer issue has also absorbed management time and although we are now over the worst, the lead time for new printers is frustratingly long.

The implications of this situation is a likely increase to the cost base at a time when we need to respond to a halving in our trading profit. The demands from a highly unionised workforce will be difficult to ignore as will the challenges from a Postmaster network which has experienced years of under investment in pay. Add to this the ongoing decline of 10% in letters volume and the 8% YOY decline in parcels and it is clear that a reset in expectations is required. The one metric that has yet to go adverse is churn. At the end of P5 we continue to record the best churn numbers in a decade and the working churn figure is now less than 300 for the financial year.

Uncertainty and change is also evident within BEIS following the Conservative leadership contest. We have a new Secretary of State, in Jacob Rees-Mogg and, the promise of a new Postal Affairs Minister, although no announcement on this appointment has been forthcoming. We also have a change in leadership within the Board, not just Tim Parker but three other NED's have resigned which will of course result in significant dislocation. Finally the passing of HM Queen Elizabeth, in the very same week that brought us a new Head of Government saw the end of the long reign of our Head of State.

I have written to Buckingham Palace to ask that our deepest condolences be passed to His Majesty The King and to other members of the Royal Family on behalf of Post Office, Postmasters and colleagues. A long-standing of symbol of constancy in UK life over seven decades, her death marks a truly sombre moment for the country and I know many of us are both deeply saddened by it

POL00448625

and grateful for her years of public service. Given our historic relationship with the monarchy via Royal Mail, I am clear that the Post Office and its network should mark the State Funeral and allow colleagues and Postmasters to express their condolences. Combined, then, these three elements mark a moment of great turbulence for the UK.

It is in this context that I am focused on delivering as much certainty as we can to Post Office, our Postmasters and the UK more widely. For Post Office, the crux of our discussions at Board will revolve around IRRELEVANT, for which

IRRELEVANT

The effects of the cost of living crisis are particularly acute for our Postmasters, given they must not only weather rising costs, but also dampened consumer confidence. As the Board will be aware, we launched a package of measures to support Postmasters, averaging a 5% increase in remuneration, which has been welcomed by parts of the network – though other parts feel it does not go far enough. The new Government's announcement of energy support for businesses for six months will be further welcome news – and we are pushing for 'vulnerable business' status with BEIS. At the same time, we are in the midst of planning another Postmaster conference in November, where we will follow up on our announcements around remuneration, but also signal our intent for the future more widely. Assuming the BEIS policy review has been publicly announced at this stage, we should be able to set out our vision for the business with greater clarity for Postmasters.

Lastly, with a package of measures due to be announced by the Government to support communities through the autumn and winter, I am clear that Post Office has an important social role to play in the coming months. Despite typically being one of quietest months for cash, we saw another record month in August in volumes over our counters, with +£3.45bn moved through our branches – in part on account of consumers resorting to cash to budget their finances. Looking ahead, we also expect to issue as many as 7.6m vouchers to distribute the £400 Energy Bill Support Scheme (EBSS) payments to 1.3m pre-pay energy customers from October to March. There is, no doubt, more we can do to – and we will work with Government officials to see how else we might support communities, much as we did through Covid.

There are no easy options and I look forward to using the discussion at Board to weigh the options before us and, in doing so, align on how best to navigate the challenges ahead.

REPORT

Finance

Financial Performance

1. IRRELEVANT August trading, IRRELEVANT reflected the costs of the one-off and backdated elements of the Postmaster remuneration package

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announced in August. IRRELEVANT

IRRELEVANT

IRRELEVANT It is not clear whether the relative position is deteriorating or whether this is the one-off impacts of heat and strikes. IRRELEVANT

IRRELEVANT

IRRELEVANT We are at the end of peak travel.

2. Costs were IRRELEVANT Staff costs IRRELEVANT because of unfilled vacancies, IRRELEVANT

IRRELEVANT

Wider Updates

3. IRRELEVANT

4. Finally, the Annual Reports and Accounts for FY2021-22 has been signed and is due to be published in December.

Commercial

Mails, Parcels & Retail

5. YTD (to week 23) trading revenue is -4.1% vs budget, while total volume excluding stamps is -2.6%. Label sales, which represent 39% of income, have seen a 17% decline in volumes year on year, driven by small parcels (-20%). This is in part driven by wider UK online sales falling 6.2% in August.

6. 5,157 branches now offer one or more 'Click & Collect' clients, and we remain on track to reach 8,000 by Christmas. Our PUDO capabilities expanded with DHL Express signing a contract for 'Click & Collect' on 1st September, with an initial soft launch in Northern Ireland before further expansion next year. We also commenced our new Returns service trial with Amazon in 200 branches. If successful, we expect to expand Amazon Returns to ~2k branches for Christmas and more next year.

7. Royal Mail's (RMG) widened online price differential for small and medium sized parcels means the acceptance ratio increased to 24.7% in August (vs. 24.1% in July). RMG is now offering free doorstep collection through its Parcel Collect service, bypassing Post Office.

8. Strike action by CWU has resulted in the suspension of service guarantees, cancelled or delayed collections and some branches reaching their physical capacity to accept mail. Further strike dates have been announced in September and October and will disrupt volumes over peak if continued.

9. RMG's largest shareholder, Vesa, has advised BEIS of its intention to raise its stake in RMG from 22% to more than 25%, thereby triggering a National Security and Investment probe. Vesa holds stakes in Dutch postal operator PostNL (20%) and Sainsbury's (10%).

10. Looking ahead, we are developing the business cases for Mails Strategy work following July Board and separate prove cases are in development for Drop & Go enhancements and a new solution to ensure International Data Capture.

Confidential

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Banking, Payments and Transactional Products

11. Banking continues its strong performance, with +£3.45bn moved through our branches in August following significant increases in the volume and value of cash and bank closures driving up footfall. Actions are in hand to avoid the risk of cash shortages in branch as customers revert to budgeting in cash with the cost of living crisis.
12. Banking Hubs - now with a signed contract - will see three further go-live (total five) in 2022, with the remainder (and further commissions) planned for Q1 23/24. We are targeting 'in excess of 90' through 23/24. Enhanced POs with cash-handling automation will also start to be deployed by end of FY22/23. Meanwhile, LINK has announced 13 more Banking Hubs, with Post Office now contracted exclusively for delivery. This brings the announced total to 25. The commercial model for Postmasters has been developed with Postmaster and NFSP input.
13. Payments revenue continues to exceed budget, benefiting from exclusive utility deals and incremental volumes from Energy Bill Support Scheme letters.
14. Travel continued its strong recovery, with every product line performing well ahead of budget. We have also been working through some technical issues with Western Union. Our go-live for international money transfer is planned for January 2023.
15. More widely, due to concerns over money laundering, the FCA has written to all banks to impose various deposit limits (each bank imposing its own). This is leading to some diversion away from Post Office in favour of bank branches. We are in discussion with the FCA and UK Finance on the unintended consequences to Access to Cash.

Platform Products

16. Whilst we continue to outperform against budget, online demand for Travel Insurance has inevitably started to slow after the summer peak. We remain on track to meet or exceed latest forecast. Incentive commissions from the Bank of Ireland relationship are likely to remain enhanced with increasing interest rates. This will more than offset slowing Travel Insurance and uncertainty over Credit Card sales performance.
17. Positive momentum continues in the Digital Identity partnership with Yoti, with most major employment checking agencies signed up to enable digital 'Right to Work' checks.
18. Our Q3 Protection (Life Insurance) campaign has been paused following the death of HM Queen Elizabeth II, and we will be re-planning and rephasing marketing activity throughout the remainder of the year.
19. We have made good progress with the Post Office Insurance Board in planning our response to the new FCA consumer duty regulations which require all firms to 'deliver good outcomes for retail clients'.

Lottery, Retail and Government Services

20. Lottery is performing in line with budget and slightly above forecast with a small boost seen from Euro-Millions. Retail is up 2% on budget YTD, but Gift Cards are down 19% YoY due to the end of One4All exclusivity. Government Services is +£0.2m on budget as a result of product mix changes. DVLA performance has been consistently strong across its three

POL00448625

main products. While passports are down 15% YTD, this has been offset by a strong performance in UK Visa & Immigration Secure Card Collect.

21. Camelot has announced the withdrawal of its challenge to the outcome of the L4 Lottery Licence. We will now be allowed to engage with Allwyn to understand and review its proposed solutions in the context of the NBIT programme and develop the commercial business case/product profitability. We will revert to the Board with our strategy late in Q3.

22. Tablet performance has stabilised with some minor application improvement work underway in advance of project hand-over to IT BAU support. Branch remediation work from AEI removal has been completed on schedule. Finally, discussions continue with Crown Commercial Services around the new Government Services framework as it seeks to scope out the services which could be included.

Customer Experience

23. Our Customer Strategy programme is underway, focusing on customer data, segmentation and a number of customer culture initiatives.

24. The Summer Travel campaign has concluded, with 40% of branches exceeding their Travel Money sales target, driving £500k of net income and £600k remuneration. Following its success, we are working with FRES on a sales incentive, offering a short-term increase in remuneration on Travel Money Card (Sept – Dec), fully funded by FRES. Looking ahead, we are developing the Travel app migration business case, building more functionality to help us maintain our competitive position in the market.

25. The Contact Centre has a backlog of 1,100 customer enquiries (down from >3,000), with ongoing work on an automated tactical solution to direct ~25% messages to the correct point of contact (e.g. RM). Service performance remains strong, with significant improvements made in our travel insurance contact centre and customer support team.

26. New brand positioning 'We Can Help With That' has been developed. This will launch externally as part of Christmas Peak on 7 November. We also continue to support the 'Let's Talk Mails' campaign, tracking the positive outcomes (e.g. Special Delivery and Drop and Go penetration rates) of over 4k Area Manager visits to branches.

Postmaster & Network

Network coverage

27. Network numbers have remained stable over the month, with 11,600 branches trading during August. The numbers should be boosted over coming months with the accelerated roll-out of Drop & Collect, enabling us to reach over 100 sites by October and 250 by March 2023. This is subject to Royal Mail (RMG) approval for us to proceed beyond the initial trial branches, with positive signals to date that they will be supportive.

Back Office Postmaster Service & Support

28. Branch Support Centre service levels reduced in P5, with 57% of calls answered in 60 seconds (vs. 70% target), due to resourcing issues that are being addressed with ten new starters due to join in September and October.

29. However, Postmaster satisfaction has remained consistent over recent periods, standing at 81.3% in P5 (vs. 85% target). The number of

POL00448625

complaints resolved within the 10-day SLA stands at 78.9%, short of the 80% target. Meanwhile, good performance on discrepancy investigations in P5 with 74% of cases resolved within SLA, +10% on the previous month.

Postmaster Engagement – Remuneration Package

30. We identified a Facebook group called 'The Voice of the Postmaster' in early August, led by 6 disenfranchised Postmasters. The group's concerns are remuneration not keeping pace with inflation and the costs of living; the need for 'true independent representation', believing the NFSP to be failing in that regard; and greater transparency about Post Office's strategy. The group now has 660 members and has called for Postmasters to email me asking for urgent action in the current climate. 120 emails were received.
31. A package of remuneration improvements, IRRELEVANT, was announced on 23rd August, including increased remuneration for banking, label and pay-out transactions, plus a lump sum payment based on individual mails and travel sales for the year to date. The overall package, discussed with the NFSP and approved by GE and Board, was positioned as the first step on a wider journey to support Postmasters. We stated a further update would be provided at a Postmaster Conference in November.
32. There have been mixed reactions to the package. Some of our Regional Forum members, along with Strategic Partners, have expressed gratitude, whilst others perceive the package as insufficient but a step in the right direction. Others believe that the package is an insult, not addressing the concerns raised. Both the NFSP and Facebook group are campaigning for more improvements to be made. Since the update, 38 NFSP-templated letters have been received from Postmasters with a further 31 emails to me demanding further increases. At present the noise on the Voice of Postmaster site appears to have waned.
33. Branch remuneration statements showing the value of the announced package have been made available for Postmasters from 14th September via Branch Hub, while Area Managers will engage with Postmasters on the detail both verbally and face-to-face as required. Feedback will be collated from these engagements to gain a sense of how the numbers are landing. We have identified 40 'influential' Postmasters that we will engage through SLG members to talk through the package and gain feedback in a controlled way.
34. Preparation for the November conference in Glasgow is underway. The agenda will cover a CEO introduction on our business priorities, an update on Mails activity (including expanding our PUDO network), and further support for Postmasters. We will also recognise Postmasters for key achievements and long service. Options regarding further remuneration improvements are now being explored in the context of the 3 Year Plan.

Wider Postmaster Engagement

35. New Postmaster satisfaction with the onboarding journey has improved significantly, now standing at 80%, primarily due to team changes and more streamlined ways of working. Time to onboard a Postmaster has also reduced to 150 days (a 14-day reduction on previous period). A new target is in place to complete the onboarding journey in 12 weeks.
36. Overall satisfaction with training support is high with 94% of Postmasters feeling confident after their e-learning, and 96% confident after classroom

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training. An extra day of classroom training has been introduced for all, allowing more time for complex areas.

37. Discussions are ongoing with the NFSP regarding the signing of the Grant Fund Agreement. One outstanding issue remains around the treatment of VAT with both parties seeking advice on how to proceed.

Retail Field Teams

38. The first phase of network reorganisation has been implemented. It provides additional leadership support to the network and full line accountability to the Audit and Training teams, under single ownership. Peter Marsh joins the business in late September to lead the network teams, supported by North and South Retail Directors who are now in place. A new Central Ops Director will also join in October.

39. Area Manager activity is focused on ensuring every branch visited by end of November to support the 'Let's Talk about Mails' campaign; on preparing the network for industrial action should branches bulk out, encounter issues or require support (which has proved effective as the strike days to date have been managed well); and on PUDO activation to close out a backlog of non-active Amazon devices prior to any rollout of Returns.

Strategic Partnerships

40. A challenging trading period for Strategic Partners throughout P5, beating target by +2.3% (vs +6.1% in P4). YTD Strategic Partners are £58m (+4.7% to target), still positive but a step back from +5.3% YTD in P4. The targets and trajectory coming out of summer are more challenging to achieve. Most partners traded up on target for P5 and YTD.

41. McColls and OneStop both had negative performances for the period, with both now just on target YTD. The trading issues in OneStop are predominantly driven by reduced hours and closures as a result of staff losses and recruitment issues, which is being addressed in a joint retail action plan but is taking time to have a positive impact. Meanwhile, McColls are slow across the board with footfall decline still being seen since administration – we are working with Morrisons on interventions.

42. Morrisons' purchase of McColls has received a first view from the Competition and Markets Authority (CMA), which sets out 35 areas in which there are competition concerns. The Morrisons team will negotiate through this with a target of mid-Oct for settlement of the estate. A small POL team are working under strict confidentiality to understand the scale of the closure of unprofitable McColls stores which will be confirmed in an announcement relating to the purchase. Approximately 60 stores with post offices will close and guidance is being provided to Morrisons on the PR implications and the level of mitigation required.

Supply Chain

43. P5 saw an average weekly inflow of £438m a week (down from £452m in P4, +16% on same period last year). 100% of available deposits were processed on Day A in cash centres and productivity was slightly up on P4 and remains ahead of target YTD.

44. Stock availability was at 98% (vs 96% target) and value pouch accuracy at 99.46% (vs 99% target). Productivity was 49.6 lines per hour against a target of 42. Christmas planning is coming to an end, with the distribution

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starting on 19th September. Capricorn exit project is progressing with planned go-live in the new area in November.

45. Despite the extreme weather and Industrial Action challenges, CIT achieved Quality of Service of 95.3% (+3% on last period). Cash Management call centre measure of customer satisfaction was in line with last period at 91% - ahead of target.

46. Counterfeit notes coming into cash centres remain high at £51k in P5 (vs £60.8k in P4), vs £27k for the same period last year.

47. G4S are currently providing support for Belfast CIT depot that continue to struggle with acute staffing shortages due to long term absence. Meanwhile, in advance of nights drawing in and the increased risk of CViT robbery, enhanced (Cennox) cash carry boxes are being introduced into the operation on all routes at the six highest risk depots.

Strategy & Transformation

BEIS Policy Review

48. Work on the BEIS policy review continues, and we have now held briefings on our financials, network, commercial business, Postmasters and funding – as well as a series of branch and site visits for the BEIS and UKGI teams. Data has also been shared in response to questions raised. The aim of this process is to better familiarise BEIS and UKGI with our business and the challenges we face. Through this we are seeing a better level of understanding develop.

49. The policy review was mentioned in BEIS's briefing to the new Secretary of State so he is aware. We also referred to it in our letter congratulating him on his appointment, so we are hopeful of continued support for this work and the announcement of a Chair of the review over the coming weeks. BEIS have been having discussions with potential Chairs since the start of September and that they are hopeful of bringing these discussions to a close soon.

50. While BEIS remain committed to their timeline – concluding a first phase in Spring 2023 and a consultation by Spring 2024 – we will engage with the Secretary of State on certain topics covered by the review prior to this end-date. We will likely need to face into certain challenges in the network over this time where we will want a steer or support from BEIS. We will likely want to explore ways in which we can finance investment to protect income or cut costs. This will be covered in more detail in the Board discussion on the 3YP.

Change & Transformation

51. The latest business view of the IRRELEVANT. This is IRRELEVANT which, in turn, was already

IRRELEVANT

52. At the end of P5, our YTD change spend for active projects was £73m (excl. settlement), £26m below our budget, due to various movements across the portfolios – nearly all of which were delays rather than savings. The largest variances were in NBIT, Belfast Exit and HSS Post Offer. YTD incremental

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benefits for active projects was £8m, +£400k vs budget. Over half of the budgeted incremental benefits come from the ATM Strategy.

Historical Matters & Inquiry

Criminal Appeal Cases

53. Following our work with CCRC, disclosure is now being prepared on a further 15 cases, with 30 more requests expected. Good progress is being made with the non-Post Office prosecutors in both Scotland and Northern Ireland. The Scottish CCRC are considering 10 cases with a decision expected in September, while NI are considering two. We continue to make disclosure to assist their consideration of potential cases.

Historical Shortfall Scheme (HSS)

54. Best endeavours are being enacted to deliver a stretch target of 95% of offers issued by the end of October. The achievement of our target of 80% of outcome letters issued by the end of August was an excellent result. Work continues apace to ensure we keep on this trajectory, but our aim is to ensure that all claimants have a clear route to outcome resolution, anticipating that the remaining cases will feature a higher degree of complexity as we move towards the tail.

55. Alongside HSF we have commenced a review to forecast and consider what the 5% of cases are anticipated to be post-October 2022 to ensure we appreciate and are well prepared to complete these cases as quickly as possible.

Late Applications

56. Good progress is being made with BEIS on the subject of funding for Late Applications. We are currently reviewing their funding offer letter to understand the timelines and implications. Late Applications were raised at the recent Inquiry hearings, where Sir Wyn Williams noted that the failure to progress these applications was 'wholly unacceptable'.

Overturned Historical Convictions (OHC)

57. We are making good use of the positive outcome from the Early Neutral Evaluation (ENE) process to progress the settlement of non-pecuniary damages for the 10 Postmasters whose cases were considered by Lord Dyson, but also across the broader cohort. All 10 involved in ENE have accepted the offers made on their non-pecuniary damages and settlement agreements are close to being finalised. Dr Hudgell indicated that he would send through five new non-pecuniary claims each week – this has been slow to start but the cases are now starting to come through.

58. In terms of mediation, on Friday 9th September, a successful mediation process was concluded on the first two OHC claims to be considered. This is a substantial milestone and paves the way for other claimants to be progressed at speed. This remains a highly confidential decision at this stage but is the culmination of many months of work by our colleagues at HSF in partnership with the POL HMU team.

Postmaster Detriment

59. On suspension payments, our priority is to complete the delivery of the Operating Model to deal with this population, followed by final external project assurances (by Deloitte), and ensuring we obtain the relevant legal assurances of the Consequential Loss Principles.

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60. [redacted]

Sir Wyn's Inquiry

61. Following the hearings on 6 and 13 July 2022 and Sir Wyn's Progress Update issued on 15 August, we are working at pace to address his observations. HRC were presented with a number of papers on our recommendations on 8 September, some of which are still being reviewed. We met with our King's Counsel on 14 September to consider our next steps for updating the Inquiry, looking at a date in mid-October for our follow up submission.

Cost Challenge

62. Finance is supporting the work to reduce third party and internal costs in order to return Historical Matters to the original challenged budget. Options being considered are:

    i. HSF contract renegotiation and efficiency savings.
    ii. Moving to a 'POL Remediation Model' across OHC, and the benefits that would bring (i.e. the model suggested by KPMG).
    iii. Reduced assumption for the number of appellants – 150 (down from 293).
    iv. Revised, lower profile of Historical Shortfall Scheme disputes.
    v. Internal resource challenges.
    vi. How to deal with the HSS late applications costs to POL (noting these costs were not in the original HMU budgets).

Technology Operations

Service Performance

63. There were 2 major incidents in August, which is the lowest for a number of years and against an average of c.8 per month. One incident impacted 216 branches performing Travel Money transactions. We are investigating lessons to be learned for our pre-release testing process, which should have caught this issue. The second incident impacted our Cash Centres, where the main application was unable to process cash for deliveries for 24 hours due issues outside Post Office.

64. Given ongoing printer issues, our operational focus has been on reducing the volume of branches that are unable to trade for technical reasons. In August, we peaked at 185 "branch downs", with 95% of those due to our lack of printer stock. We deployed a new, multi-pronged approach, including twice daily meetings with our suppliers and the insertion of our small "Branch Availability" unit to guide or support suppliers. The results are that, as of 15 September, there were 55 branches down and unable to trade, with 70% of those having developed in the last 48 hours.

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65. An array of measures has been put in place to address the branch impact of a lack of functional printers to replace damaged ones, as well as prevent further damage:
    i. Initially, an aggressive printer swaps strategy (i.e. minimal to no field engineer requirement) was used to reduce any printer-related down time.
    ii. Our field support supplier, DXC, aggressively recruited and upskilled field engineers. DXC also brought in at their expense extra field engineering capacity from third parties. We now have c.40 engineers in the network (vs. 10-20 previously) – a sufficient number.
    iii. In parallel, we launched a large-scale campaign to eliminate use of non-OEM ink, from calling branches and partnering with Area Managers to deploying stickers advising of correct cleaning. Despite this, we still observe episodic usage of non-OEM ink, but not near the original scale. Anecdotally, Postmaster maintenance of printers remains low, contributing to breakdown rates.
    iv. We have begun a targeted campaign visiting the top 50 branches who frequently log printer issues to ensure they are fully trained on printer maintenance.
66. Today, the major outstanding gap is with the supply of new or repaired printers to replace damaged ones. We have an outstanding need of 1500 units, which is climbing. Between two measure, we should be on track to clear the backlog by the end of November:
    i. **Improving our printer repair success rates.** Due to the magnitude of the ink damage, initially we had less than 25% success rate with the repair process, which meant that 3 in 4 damaged printers remained non-functional. With practice and investment in specialist third-party knowledge, we are now slightly above 50% 'clean and repair' success rate.
    ii. **Purchasing new printers:** In July, we made an emergency investment in 1000 new printers. Subsequently, this investment was doubled to 2000. In the latest 3YP, a further 2000 printers will likely be provisioned. After some early production and customs delays, the first batch of 150 units will land the week of 26 September. A steady flow of 100-150 new printers is expected every week.

IT Service Desk (ITSD) Performance

67. The performance of ITSD continues to be a concern, affecting Postmasters and colleagues with long wait times. However, with the transfer of ITSD to Zdravko Mladenov earlier this year, the trajectory and KPIs have improved, alongside modest improvements in morale:
    i. **Call volume:** Volumes per month continue to fluctuate (August, 9409; July, 12,383; May, 10474). Notably, 77% of the calls in August were to log a new incident (vs. repeat callers) compared to only 56% in July. Alongside the decline in calls, this suggests incidents are being resolved more to the satisfaction of Postmasters in terms of quality and pace.

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ii. **Channel**: 77% of incidents were raised via phone (down from 79% in July). We noted a positive trend with 18% of incidents reported via Branch Hub (vs 15% previously). However, the overall channel distribution remains lopsided towards costly phones. Funding dependent, our intention remains to shift to online and self-help channels.

iii. **Response rate**: 77% of calls were answered, meaning the other 23% hung up due to not wanting to wait. This is broadly on par with historic ITSD performance. However, the average wait time was 7 mins 53 seconds (vs. 9 mins 28 seconds in July) and the longest wait time was 40 minutes (on par with previous months).

iv. **Root causes:** The main drivers for the levels of demand into ITSD continue to be printer issues, and particularly the now suspended use of non-OEM ink. As of 15 Sept, there are 1292 outstanding incidents – mostly printer-related.

v. **Resourcing**: ITSD remains materially down on headcount, but on a positive trajectory. c.20 agents work each day (target = 24), which is an improvement of 3 agents in the last report. Attrition remains high, so recruitment remains critical.

Cyber Security

68. Cyber-attacks remain on the rise in the UK, with many organisations being hit this year, including SPAR, Yodel, the NHS and the Ministry of Justice. Our response includes:

i.

ii.

iii. IRRELEVANT

iv.

69. Separately, work with Fujitsu continues, but has not completed, to reduce Fujitsu's privileges to the Horizon Counter for the purposes of support.

Horizon and In-Branch Live Service

70. The next Horizon application release (72.10) was successfully deployed with no issues raised and documentation added to central SharePoint library. The scope of Release 72.30 has been agreed internally, but 3 items were removed due to outstanding requirements.

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71. IRRELEVANT

72. We are now beginning to collaborate with the business as we prepare for Peak Period. From a Horizon operations perspective, this means more regular sessions with suppliers and internal teams to monitor overall preparedness (e.g. assurance non-printer stock will be available more urgently than in non-Peak times)

73. From a Horizon architecture perspective, minor improvements continue to be developed to meet business needs (e.g. a Direct Settlement mechanism for Lottery is in proof-of-concept phase, while a QR code is being developed to improve mid tier payments).

74. From a Commercial perspective, the Horizon Support Approval Process document has now been updated to reflect the latest agreements with Fujitsu. The next step will be to extend the coverage to include changes Fujitsu may need to make to cloud infrastructure.

Technology Programmes [SPMP and Belfast Exit covered in separate papers]

Horizons Issue Judgment (HIJ) Remediation

75. The scope for Phase 3 is now agreed and will complete formal governance in September. Work continues on providing web-browser capability on Horizon. Some of the technical challenges that caused the current delays in rollout have been addressed. The new timetable provisions for testing and launch of the pilot ahead of peak trading.

76. Meanwhile, the programme has launched an effort to improve the Reference Data and APADC scripts change control. This joint activity with the Post Office Data Services team will produce a more robust change process, adding in control, governance, standardisation and clarity of accountabilities. The programme is also now working on the scope of the Deloitte audit of transactional integrity and privileged and remote access.

77. More widely, implementation of restrictions to Fujitsu's access to the counter are being tested with a view to fully implementing these in September. Formal agreement and implementation of full disclosure from Fujitsu of all PEAKS live regardless of impact to give a holistic view of issues in the service. Lastly, 10 defects are now in the defects closure process for agreement to close post-delivery and release of 72.10.

People

Organisational Design

78. Work continues to ensure the implementation of the end-to-end Technology Target Operating Model. We are executing hiring plans and strategies for retaining key talent.

79. Our new Retail Operations Director joins on 26 September and the Central Operations Director joins on the 17 October, completing the Retail Leadership Team. Recruitment of the new Regional Managers, as we move from 9 to 12 regions, is ongoing and being managed by interim appointments to ensure consistency and support to the network.

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80. In People, the new ServiceNow case management system, "PeopleHub 2.0", will go live on 20 September, allowing employees to self-serve, with in-built case management capability. This follows successful pilots with the People and Supply Chain teams.

81. A change in approach to IR35 determination has led to a review of our existing contractors. We are defining our approach to transition contractors to an "Inside IR35" contract where required, while new contractors are engaged on the new policy. This follows the transition of our contractor provider from Intelligent Resource to Morson International.

Culture & Wellbeing

82. A colleague engagement survey will launch on 22 September to set a baseline for the coming years, to identify the progress that has been made and locate where we need to take action. Results will be available in November, forming the basis of action planning.

83. From October, we will roll out a programme to bring hybrid working to life through people managers as well as engaging the Workplace Champions to support the planning and move from FD. Separately, the Post Office Culture Club launches in October with c.20 representatives from across our colleague base acting as ambassadors.

84. The programme to support witnesses and their families in responding to the Post Office Inquiry continues with the support of Optima Health. This includes a dedicated helpline for potential witnesses and families and further workshops for witnesses and line managers.

85. We plan to re-establish the Health and Wellbeing Board to review our wellbeing strategy and priorities over the coming months and will be relaunching the Wellbeing portal with an Autumn campaign, including the offer of health checks. We have launched the flu voucher scheme to colleagues and have organised on site vaccinations by nurse in larger populated centres across Supply Chain and Future Walk.

Talent, Diversity & Inclusion

86. Talent reviews have been taking place with individual GE members to establish development interventions for the GE and GE-1 population. This has resulted in a number of executive coach assignments being established.

87. Following the success of Leading to Serve Module 1 with Senior Leaders, this programme is now being rolled out to the GE-2 population starting 22 September. There are 24 courses scheduled over the next 6 months with over 300 participants invited.

88. Following the launch of Everybody's Conversations in June, a number of drop-in sessions and workshops have been held, with 300+ people participating. Mid-Year Reviews start in October and workshops are being held with 130 employees signed up so far.

89. 929 colleagues took part in the annual D&I survey compared (vs 801 in 2021). Overall, the results this year are relatively stable compared to last year. High level results have been communicated; a detailed review is taking place to allow for a full analysis to be shared.

90. The revised diversity dashboard has been released and is sent to all senior managers monthly, along with a summary page posted to the EDI intranet site on the Hub. We are also working through the feedback from our

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Disability Confident analysis and prioritising improvements in partnership with the Disability Network Group, Be You. Meanwhile, The EDI team have been shortlisted for 'Team of the Year' at the European Diversity Awards.

Wider Updates

91. **Reward**: Bonuses were paid in August to 1,350 current colleagues (40% of the workforce).
92. **CWU Dispute:** Talks with the CWU at ACAS broke down following the rejection of a 5% pay increase, plus £500 lump sum offer. We have stipulated that this is our best and final offer. There will likely be a further ballot for more industrial action when the legal mandate expires on 27 September. Our strategy is now premised on considering the imposition of the pay award. Communication directly with CWU and through ACAS remain open.
93. **POL NED/Chair Search:** Henry Staunton, new Chair, commences 1 December. Ben Tidswell will act as interim Chair. We have approval from UKGI to start the search for three Non-Executive Director positions, and Green Park have been appointed to assist with this.

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POST OFFICE LIMITED
BOARD REPORT

Title:	August 2022 (P5) – Performance Overview	**Meeting Date:**	27th September 2022
Author:	Navin Batra – Strategic Financial Planning & Analysis Director	**Sponsor:**	Al Cameron - Group Chief Finance Officer

5.1

Input Sought
The Board is asked to discuss & note P5 performance.

Previous Governance Oversight
Approved/ Noted by GE on 14th September 2022.

Executive Summary

The purpose of this paper is to summarise our Period 5 financial performance, with further details and analysis provided in the accompanying reading room slide-deck.

POL traded IRRELEVANT P5, but ahead of budget on IRRELEVANT IRRELEVANT Overall Trading IRRELEVANT

IRRELEVANT

Key items of note are:

- IRRELEVANT driven by continued underperformance on Labels (cost of living crisis) and International (customs changes), offset in part by strong performance on Special Delivery. The gap to budget is widening, with YTD trading revenue IRRELEVANT has come in the last two periods.
- IRRELEVANT driven by higher volumes and values across personal and business deposits.
- Travel Money Revenue IRRELEVANT driving an IRRELEVANT IRRELEVANT in Postmaster Remuneration. However, this is the last month of the travel peak so we would expect the scale of the revenue to decrease. Our IRRELEVANT IRRELEVANT There was lower demand for Travel Insurance in P5, which ended in line with budget, not exceeding budget for the first time this year.
- The benefit of the Payout council tax rebate scheme in Bill Payments delivered a further IRRELEVANT
- IRRELEVANT
- IRRELEVANT with Banking growth and Travel recovery IRRELEVANT

IRRELEVANT

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agreed top ups and Travel recovery. IRRELEVANT IRRELEVANT

- The 4+8 forecast indicated a full year trading profit IRRELEVANT However, we have since agreed IRRELEVANT IRRELEVANT that were not budgeted for, and we expect to incur an additional IRRELEVANT IRRELEVANT While there is potential for some further upside from IRRELEVANT with discussions ongoing, we continue to work on managing our year to go costs, asking business areas not to reverse YTD favourable spend outcomes, and assessing emerging risks in the light of the broader economic environment in the UK.
- The open network fell to 11,600 branches in August as we continue to progress to plan, continuing the stability we have seen over recent months. The drop in the total open branch network across branch categories is normal over the Summer. We are forecasting a rise in September driven in particular by growth in the Drop & Collect format.
- IRRELEVANT
- A draft POL scorecard is attached to the appendix, highlighting key metrics across POL, Commercial and Retail. We are working on incorporating further IT and HMU metrics into this scorecard.

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POST OFFICE

Report

Overview

Mails Trading	• Trading revenue was IRRELEVANT IRRELEVANT Mails Trading was also IRRELEVANT IRRELEVANT
Banking Trading	• Strong banking services deposit performance in P5.
Postmaster Remuneration	• IRRELEVANT
Other Trading	• Other trading is in line or above expected levels, with Travel products (including FRES) outperforming budget in period and YTD.
Overall Profit	• IRRELEVANT
Branches	• The open branch network declined slightly to 11,600 in August in line with forecast.
Cashflows	• Security Headroom and Facility Headroom remain temporally boosted by Council Tax rebate prepayments.
Investments	• c. £2.0m less spend (excluding HM) to latest forecast in P5.
Overall POL	

5.1

1. POL Trading loss of IRRELEVANT PM Rem one-offs and top ups. On an underlying basis IRRELEVANT Travel Money and our FRES profit share continued to exceed expectations. However, this is the end of the Travel peak with the scale of revenue expected to decrease. Travel Insurance ended in line with budget in period. Mails trading IRRELEVANT IRRELEVANT Payment Services revenue has benefitted from the £150 Council Tax rebate scheme. Non-Staff Overheads were IRRELEVANT IRRELEVANT

IRRELEVANT

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Highlights

2. Overall **Mails** IRRELEVANT IRRELEVANT IRRELEVANT seeing continued shift from 1st to 2nd Class due to the higher price increase for 1st Class in the 0-1kg weight band. Volumes versus 21/22 IRRELEVANT IRRELEVANT due to VAT and customs changes. P5 variance to budget driven IRRELEVANT IRRELEVANT IRRELEVANT 'Let's Talk Mails' sales focus continued for top 30 branches with Special Delivery opportunity in each Area Manager region.

IRRELEVANT

3. **Banking Services** IRRELEVANT Deposits in P5 IRRELEVANT IRRELEVANT higher volumes and values across personal and business. August generally sees a dip in deposits due to the summer holidays.

IRRELEVANT

4. **Other trading** was in line or above expected levels. P5 **Travel** money transactions were IRRELEVANT IRRELEVANT. Transactions volumes in P5 have remained in line with P4. We expect the transactions to gradually decline over the next two months, following normal trading patterns. IRRELEVANT Travel

5.1

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Insurance sales saw a strong start to the year. P4 YTD sales were IRRELEVANT IRRELEVANT however in P5, IRRELEVANT IRRELEVANT IRRELEVANT now in P5 is the only channel performing above pre-pandemic levels. **Payment Services** revenue was IRRELEVANT relating to an increase in Payout revenue, driven by the Council Tax Rebate scheme. Further upside is expected later in the year when the £400 Energy Rebate scheme commences.

5. **Staff costs** were £0.3m favourable to budget as vacancies unfilled have more than offset budget challenge. **Non staff costs** were (£0.5m) adverse to budget predominantly from an increase in current Postmaster debt provision.

6. IRRELEVANT

7. **Investment** expenditure (excluding Historical Matters) of £7.7m was (£1.6m) under latest forecast due to CIO programmes, notably Belfast Exit, PCI and Connectively, as well as placeholder projects for People and Organisation Effectiveness that have been rephased to H2 this year.

8. The open **branch network** fell to 11,600 branches in August, which is normal over the Summer and in line with forecast. We have 28 Drop & Collect branches at the end of August and will roll out this programme significantly across September. Based on the forward planned activity the network will grow rapidly from the August 22 base. Growth from September onwards is driven by the opening of over 200 Drop & Collect branches by the end of the financial year. We are currently on target to deliver these working in close partnership with RMG and Payzone. Based on last year's churn rate of 321 we forecast closures as set out below and churn is currently trending slightly behind last year. However, we have also considered the more prudent assumption of 500 exits (equivalent to 151 additional closures by end March), reflecting the macro-economic challenges facing the UK and specific risks with certain Strategic Partners. With this additional risk provision, we forecast an open network of 11,590 by end March.

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Appendix

IRRELEVANT

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POST OFFICE LIMITED
BOARD REPORT

Title:	Working Capital Facility Increase for peak trading period FY22/23	**Meeting Date:**	27 September 2022
Author:	Peter Mitchell, Group Treasurer	**Sponsor:**	Alisdair Cameron, Group Chief Financial Officer

5.2

Input Sought: Approval

IRRELEVANT

Previous Governance Oversight

None

Executive Summary

POL has access to a £950m Working Capital Facility ("Facility") provided by BEIS, used mainly to fund cash inventory in the network. As per Treasury policy and at the Boards request, we have a pre agreed maximum Facility usage of £750m, leaving a £200m buffer for exceptional circumstances.

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Appendix 1

IRRELEVANT

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POST OFFICE LIMITED
BOARD PAPER

Title:	Three Year Plan	**Meeting Date:**	27 September 2022
Author:	Navin Batra – Director of FP&A	**Sponsor:**	Al Cameron - CFO

6.1

Executive Summary

Context

The Board must recommend a 3YP to our shareholder for approval, covering the funded years 2022-23, 2023-24 and 2024-25.

The initial submissions were short by c. IRRELEVANT This reflected a further decline in Labels, inflation and the rising costs of technology. The Board's discussion was postponed from June to assess the situation. The latest submission increased the gap, in spite of an improved Commercial forecast.

The purpose of this paper is to set down how we will close the gap, allowing us to discuss a realistic way forward.

Questions

The questions covered in this and subsequent papers are:

1. How has the gap arisen?
2. Are the forecasts realistic?
3. How will be close the gap?
4. What are the next steps?

Inputs and Decisions

IRRELEVANT

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We are in an intense period of decision-making and choices. These include:

- A de-risked plan for NBIT including the physical roll-out
- Products to be delivered through a second device
- A much smaller change plan, leading to reduced activity now
- New cost and headcount plans in each area
- A fortnightly group to monitor delivery, chaired by the CEO

We have included supporting papers:

- A first discussion of options to reduce losses in the network, extending our D&C ambitions and looking at focusing on potentially viable Postmasters
- Explaining the trajectory on Mails trading
- Highlighting choices in the approach to HMU as we seek to join up affordability, delivery and risk management
- Obtaining directional alignment on risk tolerance.

There is a separate paper recommending that we stop the current Belfast exit programme.

In addition, we will be seeking Board support to work on two or three submissions to the shareholder, all of which will be predicated upon the fact that we are already taking the necessary steps to close the gap. They will be:

- Seek borrowing to reduce our costs by £50m in the plan period and £50-70m per annum thereafter
- Seek support for the trade-off between Postmaster viability and the new network strategy, recognising the linkage with the policy review.
- Potentially seek a package of support for Postmasters that might be triggered if inflation rises further, depending on the detail behind the energy plans

We will build a business narrative setting out why we will be a better business, more focused on Postmasters at the end.

Next Steps

We provided a high-level briefing on the challenge to BEIS and UKGI on 15 September. We will continue to validate our options, seeking to present a 3YP for recommendation to BEIS to the Board on 1 November.

POL00448625

The Report

Background

1. IRRELEVANT
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How has the gap arisen?

5. The funding discussions were based on an Aug 2021 submission. Many things have changed.
6. IRRELEVANT

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9. IRRELEVANT

10.

Are the forecasts realistic?

11. Forecasts have multiple moving parts and the volatility is material. We have therefore made some overlays. The key elements of judgement are:

Postmaster remuneration

12. IRRELEVANT

13.

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15.

Pay

16. IRRELEVANT

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Mails

17. Competition, Brexit impacts on international parcels and difficulties at Royal Mail have been taken into account, with the trend lines on the core product sets as set out in the table below.

IRRELEVANT

18. We need to be clear that this is the right balance of expectations, considering:
    - Higher CPI increase than forecast applied to PM Rem on PUDO & Mails
    - Customer Incentives for Drop & Go
    - Improvement of Mails Segregation compliance
    - Macro-economic impact of cost of living/economic slow down
    - Evri PUDO income
    - Retailer Returns acceleration
    - Tracked 24/48 – modelling of options to take place
    - Labels 2 Go
    - RM Disintermediation/RM Retaliation
    - Impact of NBIT de-risking
    - International Data Capture impact on international parcels.

Other key assumptions

19. IRRELEVANT

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How will we close the gap?

20. Gap closure plans are developing along the following, proposed structure. These all needs validating and testing and the numbers will evolve:



BEX and NBIT

21. There is a separate paper on the BEX recommendation and Zdravko will provide a verbal update on NBIT.

22. Continuing with BEX would further increase the financial gap by c. £20-30m and we have no confidence that the delivery timetable or even that elevated budget can be delivered. As BEX is taking longer to deliver, the additional risk of maintaining the old data centres until March 2025 reduces. We are therefore recommending that the current programme is halted.

23. This does not mean that we cease spending on Belfast: there will be some money required to maintain the service and purchase spare equipment. In addition, specific activities will still have to be migrated.

24. We must be off Horizon by March 2025 and therefore NBIT must be fully rolled out. The team is de-risking the programme to give 6 months' contingency for things to go wrong or be delayed. A number of decisions flow from that.

25. Bill payment and Lottery will be built outside NBIT, at least for now. We will use the current Paypoint device, or some evolution, suitably supported, to deliver bill pay in all locations. This is sub-optimal both financially and for customers but is simpler and more realistic.

26. The early indications are that our financial assumptions are optimistic. In particular, we have to work through the physical roll-out plan, what else we have to stop and how we fund device 2 development and roll-out.

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Other change spend

27. We are working through reducing other change spend. The change plan excluding NBIT, BEX and HMU was £162m, which we looking to reduce by £75m. This is a challenging number, especially given the projects reduced and cut back previously.

28. IRRELEVANT

Historical Matters

29. There is also a separate paper on future approaches to HMU.

30. In essence we require the HMU and Inquiry teams to revert to their previous forecasts, reversing most of a forecast increase in costs of some £47m, even though the Inquiry will take longer and we have late applicants to deal with.

31. The clearest impact is that we must reduce the role of HSF as much as possible. Their quote for late applicants was double the cost of HSS cases. We must proceed with the rapid recruitment and appointment of other resource. We have had a helpful meeting with HRC where there was in principle alignment around savings of some £17m, around half the HMU gap, recognising that we will need to demonstrate that we can deliver safely.

32. The support for Inquiry participants and the level of attendance and sessions must fit our available funding and recognise the different levels of risk for different witnesses.

Commercial

33. IRRELEVANT However, the stipulation is that we will not increase optimism or our risk profile.

34. We expect some of this to come from IRRELEVANT

IRRELEVANT

35. We need to agree the approach to Lottery. The Commercial team is recommending it is not built on NBIT. We therefore have three choices: build it on a different device; seek a deal for Postmasters under our brand but without our equipment; or withdraw entirely. While there are many things we cannot know yet, the NBIT decision is urgent.

Operating costs

36. We need to save £55m from operating costs, accepting that we are keeping the lights on as we support Postmasters through the cost of living crisis. This means that we must be ruthless in the work we do not do and the improvements we do not make because we have limited resources. We have suggested £20m of redundancy payments to enable the changes to happen.

37. We are calling out one specific area, the scale of our support for Postmasters. This has been built piecemeal in response to the historical issues and there is an opportunity to focus it.

38. It requires a change in our culture, where we are much clearer with Postmasters what they must do and when. So for example, are we prepared to say that they must complete declarations and monthly balancing on time or they will not be able to trade – as we do for fit and proper.

39. In addition, we must have discipline over the channels. It must be clear what has to be done on branch hub, what the phone lines are for and what the role of the area managers is and we will have to be relentless in not just endlessly "helping out". This can be explicit with Postmasters: it is the price of increasing their share of turnover.

40. This will be important as we define the role of Area Managers, shifting from helping and building relationships with the positive Postmasters to delivering value, including the safe and accurate roll-out of NBIT.

41. In addition, we simply cannot afford to increase costs across the functions and we have to see FTE numbers declining. This does not mean we should stop recruiting in key areas or take a one-size-fits-all approach. We are asking the functions to work out how to hold their costs. We will reduce the proposed spend on technology but we will not be able to hold those costs: we have to dual run NBIT and Horizon for longer, increasing pay to Fujitsu.

42. Following this debate, we will revert with proposed targets by area.

Borrowing for cost reductions

43. We have to reduce our own costs but have limited money to do so, despite explaining the opportunity in the funding conversations. We have been exploring the opportunity to have partners fund the costs of change in DMBs and in wholesale cash. These are worth doing but will be small and delay the benefits.

44. As set out below, we will be looking to borrow the funding for specific benefit cases and repay it over a 10-15 year period. A borrowing period that extends beyond this funding round adds complexity. The opportunities we know exist are: complete the franchising of all DMBs; outsource Supply Chain; reduce loss-making branches further; and reduce our functional headcount by process engineering, automation and lean working practices. This last point tends to have the weakest business case but in a world where we do not have DMBs and SC, we also can't have a complex, insourced approach to payroll, for example.

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45. IRRELEVANT

Headroom

46. IRRELEVANT

Overview

47. These decisions are individually and collectively problematic and difficult. They are also necessary and allow us to right-size the business, putting Postmasters at its commercial heart.

48. We are considering whether we have the capacity and capability to deliver, even with a smaller change plan and less functional activity. Our preference is to own the activity: past experience suggests that outsourcing it to a third-party delays action and undermines delivery. That said, we will need some help to turn this into a deliverable programme and build the complex cases, such as for network change.

49. We have diarised a fortnightly Steering Group to govern the development and delivery of targets, chaired by the CEO, with secretariat provided by Finance.

What are the next steps?

50. Our role over the next few weeks is to narrow down these numbers and challenges as much as possible, setting up the workstreams that can take decisions into rapid execution.

51. The most important decision we can make is a clear recognition that this is necessary and we will approach it consistently and proactively with our teams and across the business.

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Accelerating the Network Strategy: overview of options

POST OFFICE

For discussion at Board meeting on 27th September 2022

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Executive Summary (1)

Context:

- At the July Board awayday we discussed our longer-term vision of IRRELEVANT

IRRELEVANT

- The current 3YP makes partial progress towards this long-term vision, IRRELEVANT

IRRELEVANT

- There is now a threefold imperative to accelerate the transition to a more commercial network: IRRELEVANT

IRRELEVANT

Overview of the options:

- Across the franchised network there are IRRELEVANT (excluding central costs).
-

IRRELEVANT

- The existing target for IRRELEVANT - and faster than any previous POL roll-out programme - but with a more flexible locations policy (including going closer to exiting branches) we could potentially target IRRELEVANT This IRRELEVANT
- Within this constraint, slides 5 & 6 set out the options for saving IRRELEVANT depending on our risk appetite to manage the customer, stakeholder and postmaster noise. *NB. A separate legal risk assessment is being prepared and this can be discussed at the Board.*
- We also recommend pursuing funding to resume DMB franchising, given the compelling financial case IRRELEVANT

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Executive Summary (2)

Decisions & questions for discussion at the 27/09 Board:

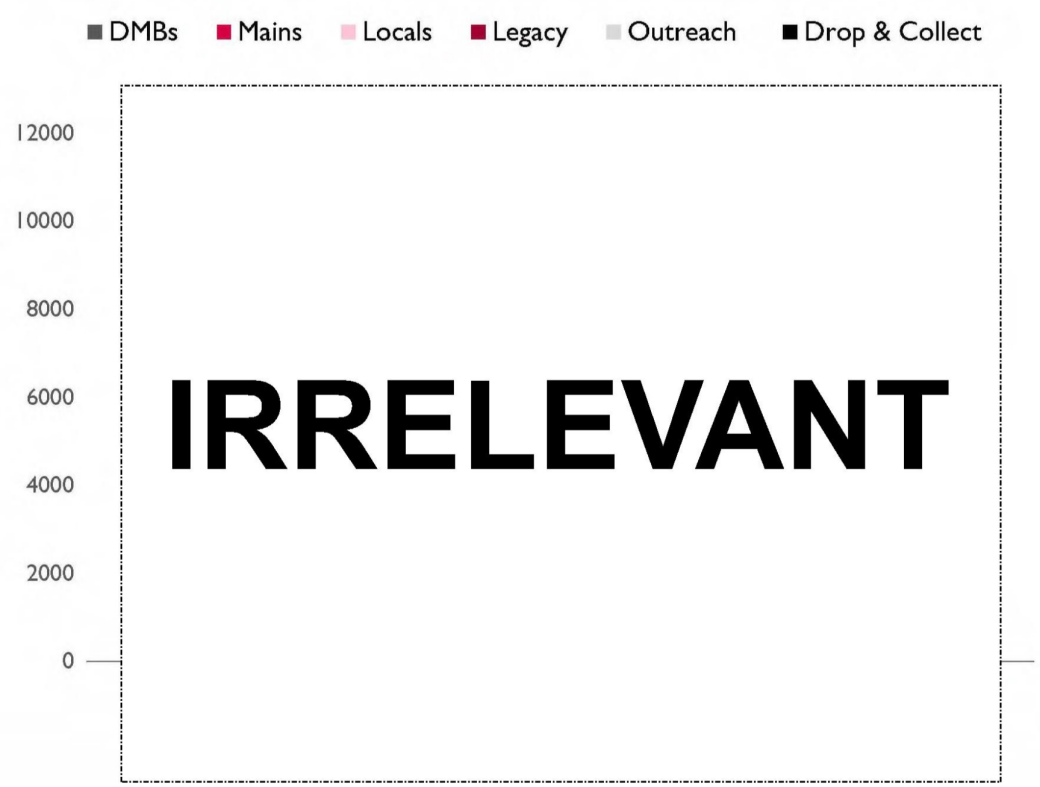
1. In the context of the other measures being considered to IRRELEVANT what is the Board's risk appetite to pursue the options outlined on slides 5 & 6 to tackle loss-making branches?
2. To offset these closures and maintain 11.5k branches, do we agree in principle with the steps necessary to support the more aggressive roll-out of D&C to up to IRRELEVANT, potentially including the relaxation of exclusion zones around existing branches (reducing from 0.5 to 0.25 miles) and/or allowing new host retailers to continue offering pre-existing parcels services from other providers?
3. Do we agree we should pursue additional funding from BEIS (potentially via external borrowing) to resume the DMB programme?

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Recap of the Post Office network that we're working towards

Our current 3YP will see us moving towards our ideal network by reducing Outreach and Legacy branches and increasing D&Cs – but we now need to accelerate this change

Evolution of the Post Office network over the next 3 years



The current Network Plan takes incremental steps to move us towards the optimum network and reduce costs over the 3YP period:

1.

2.

3.

4.

IRRELEVANT

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Which branches are loss-making for Post Office?

IRRELEVANT **branches are loss-making after remuneration and variable costs are allocated**

- IRRELEVANT

IRRELEVANT

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What is the (unconstrained) long list of levers to address all loss-making branches?

While there are some *relatively* easier options, major savings require large scale mandated closures



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How would we deploy these levers in practice over the 3YP period?

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IRRELEVANT

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Summary and next steps

1. The measures outlined in the previous slides will be *extremely* noisy with the impacted postmasters and communities, but given the context of the wider 3YP our recommendation is that we pursue at least some of them, starting with the *relatively* easier levers (removing exceptional rem, closing temp branches and realigning hours & rem).
2. The earlier we can implement these measures the better, freeing-up cash flow and providing clarity for NBIT IRRELEVANT IRRELEVANT Implementing the measures (IRRELEVANT in April 2023 would mean most branches drop out in April 2024 and we effectively have a full 2 years to IRRELEVANT with D&C (given the 11.5k is now formally measured each March).
3. This gives us just 6 months to complete the detailed branch-by-branch planning, engage BEIS and prepare the stakeholder management plans ready for execution. Some options (particular levers 2-4) can commence within this period, for example we are already starting the process of managing out high cost / low value exceptional rem branches.
4. In parallel, we will bring forward plans for enabling an accelerated roll-out of D&C to up to 2k locations by March 2025 – including proposals for creating a larger pool of candidate host retailers by relaxing exclusion zones & potentially product restrictions, the necessary enhancements to the proposition to increase take-up and the procurement requirements beyond the end of the current Service Concession Agreement with Payzone (which links to the work for enabling the use of their technology in PO branches).
5. If we can secure access to additional funding IRRELEVANT To validate our thinking, in parallel to the discussions on financing sources, we would propose pursuing confidential discussions with a small number of 'pluralist' IRRELEVANT

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Board Update
Mails 3YP

27th September 2022

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Contents overview

1. Executive summary & background — **Slide 3**
2. A reminder of the Strategic initiatives — **Slide 4**
3. 3YP for Mails: what has changed since the 2021 submission? — **Slides 5-8**
4. How are these changes impacting the Network? — **Slides 9 -10**
5. What is the latest on Royal Mail? — **Slides 11-12**
6. Key risks to delivering the 3YP — **Slide 13**
7. Incremental opportunities to the 3YP — **Slide 14**

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1. Executive summary & background

At the July Board Strategy Away day, we discussed four fundamental challenges to our Mails business including:

- Migration of sales online for marketplace sellers
- The slump in parcels volumes in the market following the pandemic
- IRRELEVANT and
- IRRELEVANT

In the intervening period, there is no sign of these challenges dissipating. The recent industrial action at RM is symptomatic of the wider cost and trading challenges facing our biggest commercial partner. These challenges are long term, and we are cognisant that as RM faces into these challenges, there may be IRRELEVANT for Post Office. This reinforces yet again the IRRELEVANT and execute our Mails strategy.

We are not presenting the Mails strategy again here following the Board's agreement to it. We have an implementation programme mobilising and will keep the Board updated on progress as we get towards execution. This paper, however, focuses on the 3YP.

The recently submitted 3YP differs materially from the version reported in 2021. The previous assumptions around volumes gained in Covid staying for the long term are no longer valid. Furthermore, changes in the market, including the significant tariff changes within the RM portfolio earlier this year, have altered our product mix. The heavy discounting on certain services flows directly through our P&L. This is all a reminder of the critical need to broaden our market reach which the Mails strategy is intended to do.

IRRELEVANT IRRELEVANT

What are we asking?

- The Board is asked to note the fundamentals around changes to the 3YP, risks and opportunities.

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2. While not the scope of this paper, here is a brief reminder of the Mails strategy initiatives, which we are executing as a priority…

IRRELEVANT

At the July Board Strategy Day we discussed diversification initiatives in the Mails & Parcels market. The following three are included in the 3YP:

1. **Full PUDO** – trading expected to commence in IRRELEVANT
2. IRRELEVANT
3. **Online Aggregator** – trading expected to commence in Q3 23/24

Their inclusion in our latest 3YP submission IRRELEVANT

We are working at pace on the implementation of these initiatives. The market is moving fast, and the evolution of the Mails 3YP over the last year, which is the focus of this paper, is yet another reminder of how critical it is that we execute at pace.

Remuneration is assumed to be like-for-like with our current product set until an alternative remuneration strategy is determined. The full business cases for these initiatives will also contain an updated and more detailed view of benefits.

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3. The latest Mails 3YP shows IRRELEVANT

IRRELEVANT reflecting market changes and loss of volumes gained during Covid



This outlook aligns with trends we are seeing in this year's results and were noted by Interpath during its assurance processes and reports.

Postmaster Remuneration has IRRELEVANT This movement flows from IRRELEVANT IRRELEVANT as we also see changes in sales mix. We expect the Mails Strategy Initiatives to contribute IRRELEVANT

Costs have increased by IRRELEVANT due to 1) PUDO run costs that were previously forecast in the project are now included in BAU IRRELEVANT and 2) updated forecasting of Mails Segregation service IRRELEVANT based on 21/22 outturn and IRRELEVANT which is likely to be ongoing.

The cost of living crisis, and subsequent changes in consumer spending habits are two of the many variables that are challenging to forecast how the recent government intervention on energy bills mitigates this picture remains to be seen.

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3. A significant IRRELEVANT in RM's business IRRELEVANT
IRRELEVANT - for illustrative purposes, we have modelled volumes falling by a IRRELEVANT

IRRELEVANT

- # IRRELEVANT

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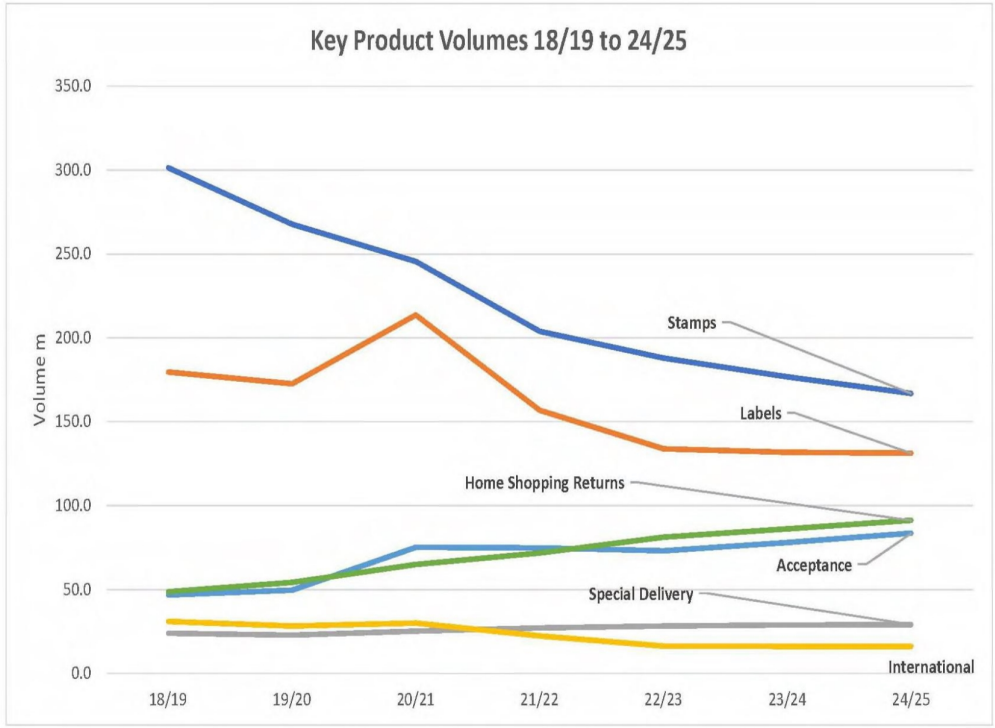
3. Loss of Covid volumes and market shifts decrease income in the IRRELEVANT

IRRELEVANT

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3. The market is changing fast as e-commerce slows and competitors invest in capacity/automation



Market Overview

- **E-commerce growth slowing** as cost of living crisis intensifies: online sales -4.1% YoY in Aug 22
- Customers continue to migrate to **cheaper online channels** for the purchase of post: online acceptance ratio has increased to 25%
- Competitors continue to invest to **boost network capacity** and automated OOH solutions: InPost locker estate up 25% in the past 6 months to c.4k sites; DPD partnering with Quadient to launch 500 smart lockers
- Industry players remain **cautious on outlook** due to low consumer confidence, with some predictions of inflation reaching 20%

Key Product Volume Assumptions

- **Stamps** - historic volume reduction continues with ongoing decline in letters and social senders
- **Labels & International** - excluding additional volumes gained during Covid restrictions, current trend is broadly in line with pre Covid direction - with a levelling out of volumes in outer years
- **Acceptance/Home Shopping Returns** - we expect these to continue to grow at similar rates
- **Special Delivery** - continues to grow slowly to saturation at March 2025

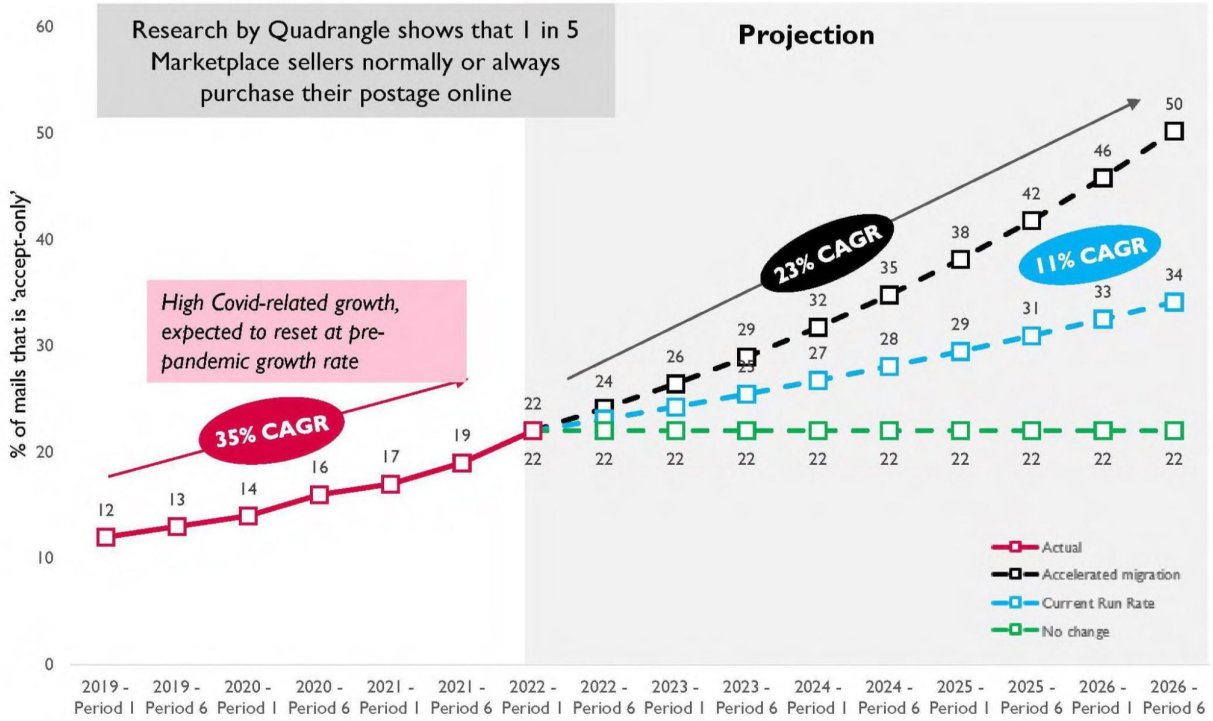
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4. Face to face 'sales' will continue to decline in our branches in line with the changing market as IRRELEVANT correspondingly

% of mails that is IRRELEVANT

If current trends continue, then by 2026 IRRELEVANT



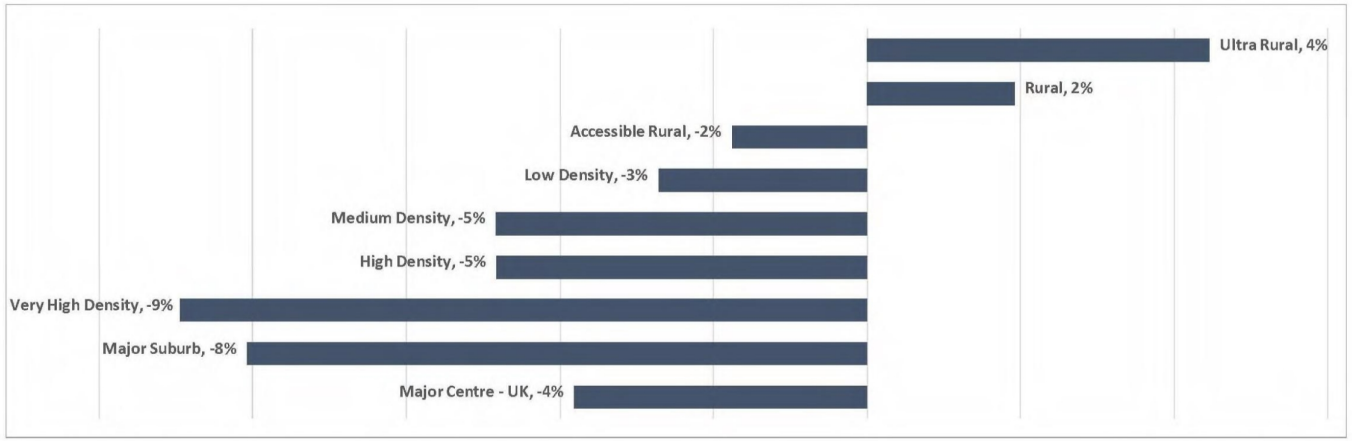
The shift to online sales will have a huge impact on Postmasters over the next 10 years

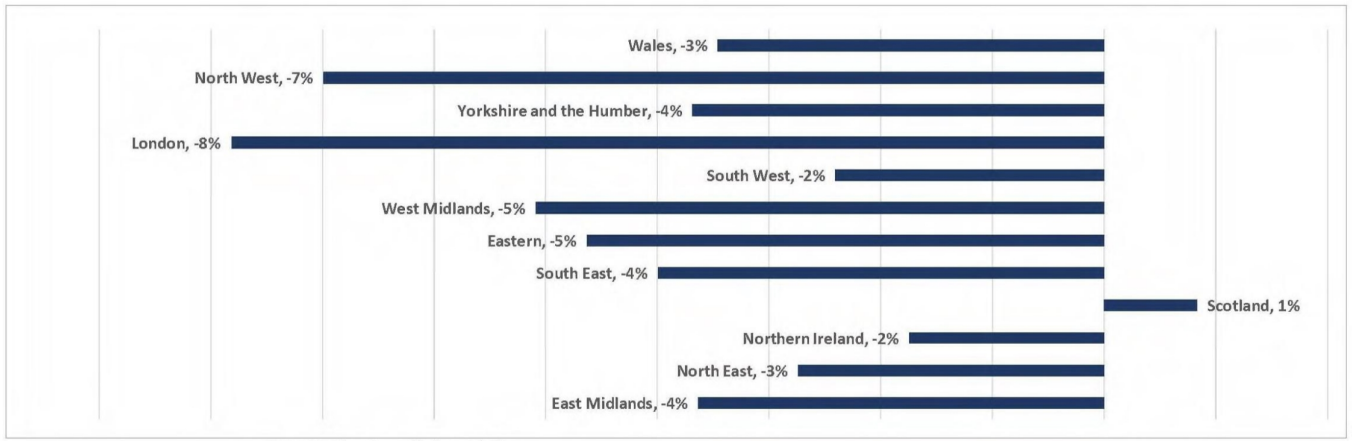
- IRRELEVANT

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4. This clearly impacts Postmaster remuneration, affecting a broad range of density segments and geographies

- The most recent trends we are seeing versus last year show that all areas except Rural are impacted by the Mails downturn, with the higher density areas being affected most heavily.
- This trend continues at a regional level, with all geographies (with the exception of Scotland, which is majority rural) seeing remuneration declines in Mails.
- We would expect any further declines in Mails to follow a similar pattern i.e. impacting a wide population of the branch network.
- This would also suggest that the focus of strategic initiatives should be on the very high density areas in the first instance.





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5. RM's planned transformation is under significant pressure due to industrial action and a slowdown in parcels market growth but see the battel with the unions as one that they simply have to win

RM is aiming to transform into a more customer-focused, parcels-led business

- Losing £1m a day as benefits from the pandemic period unwind.
- Accelerating requirement for operational change and cost reduction programme due to revenue and cost headwinds.
- Focusing on new market segments such as healthcare, larger parcels and Sunday deliveries.
- Despite heavy investment in parcels automation, efficiency improvements needed for long-term growth have stalled.

The industrial relations environment is existential for RM

- CWU Industrial Action against "pay-for-change" deal is creating major operational disruption; negotiating sides remain far apart. Strike action is weakening RM's financial position, putting the position of the company and jobs at risk.
- Creation of new holdings company indicates the Group is preparing for break-up in the event that significant change within RM is not achieved.
- At the same time, RM's largest shareholder, Vesa has advised BEIS of its intention to raise its stake in RM to more than 25%, increasing the risk of a split, with Vesa's interest lying in RM's successful GLS business.

RM has stepped up IRRELEVANT

- Widening the gap between online and in-branch pricing - increasing online discounting whilst also increasing in-branch pricing on the majority of parcels services.
- Heavily promoting online Click & Drop channel whilst temporarily removing the cost of its Parcel Collect doorstep collection service.
- IRRELEVANT

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5. Whilst we execute our new strategy, we will increase engagement with RM to try and reduce IRRELEVANT and protect and develop revenue and joint service initiatives

Key areas	Indicative actions
Sales initiatives	• Recovery plan for International products • Product enhancements for marketplace users (e.g. bolt-on EasyID features, POint-to-POint service) • Joint sales approaches to selected retailers and business users
Operational and cost efficiencies	• Simplification of in-branch sortation • Tech
Customer	• Share customer data to drive product and service improvement • Simplify products • Joint marketing initiatives
Service improvement	• Focus on product service performance through clear KPIs and reporting
Minimise disintermediation	• Look for ways to improve product access and customer experience through collaboration
Joint commercial strategy	• Develop a joint Commercial Board to meet quarterly to review Trading Performance, pricing and marketing decisions

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6. Key risks to delivering our 3YP in Mails

Risk	Impact	Mitigation	Financial Impact
Market risk - cost of living crisis	Lack of disposable income and lower consumer confidence may reduce volumes achievable	Mails team to monitor risk/opps on monthly basis through forecast cycle and use external market research to confirm trends	IRRELEVANT
RM Industrial Action could lead GLS or PFWW being split off from RM	IA could lead to break-up of RM (sale of GLS and/or Parcelforce). Dilution of POL product offering, customer confusion, very different partnership required between POL and RM	Engagement plan with RM, branch engagement plan and remuneration strategy. Work to assess contractual and other implications	Unknown
IRRELEVANT	Focus on IRRELEVANT delivery may reduce business capacity to support IRRELEVANT initiatives rollout	Sponsor to engage with IRRELEVANT and IT leadership to ensure delivery not limited by IRRELEVANT rollout. Business to set IRRELEVANT delivery as key priority after IRRELEVANT	Delayed programme and benefit delivery
Resource - Change and Mails	To meet the critical path schedule of design kick off, the required resources must be recruited into an empowering structure now and during the next six weeks.	Support from SPO and wider teams to confirm availability of required resources including potential re-prioritisation. On-boarding of resource before business case approval will be required.	Late delivery of benefits
Timelines	Current initiative timelines are ambitious and leave little room for delays.	Prioritisation of key activities and workstreams to ensure critical path maintained. Clear governance roadmap required to ensure approval obtained from all required forums before spend commences	Delayed programme and benefit delivery

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7. Potential incremental opportunities to the 3YP in Mails

Opportunity	Impact	Financial Impact
Non-RM In Branch Sales	In-branch sales with another carrier could be introduced to further enhance our product offering to customers. IRRELEVANT IRRELEVANT	IRRELEVANT
CPI impact higher than planned	Higher CPI increase than forecast (plan for 4.0% 23/24, 1.5% 24/25) (CPI Increase – increase to 13% in 23/24 and 5.5% in 25/25 per BoE assumptions	
Mails Segregation Service Credits	Improve compliance on L/LL bag will increase remuneration and reduce service credits to RM	
Any Government intervention in RMG as USO provider yet to be determined (also a risk)	Government's intervention	
International	Volumes in strategic initiatives are domestic only; international volumes for PUDO and International inbound (as part of returns) could create further volume opportunity	
Increased sales organisation	Adding sales resource and capabilities to focus on support of product and segment sales initiatives	

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Royal Mail - Board Reading Document

27th September 2022

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Impact of latest RM developments on PO

The purpose of this paper is to provide the Board with an overview of recent fast-moving developments at Royal Mail ('RM'), including its share price collapse, the industrial relations situation and the potential impacts on PO.

The key take-outs are as follows:

- We can expect prolonged industrial action ('IA') at RM; the CWU and RM management are miles apart ideologically
  - RM is losing £1m per day; its intent is to urgently deliver operational change and it is raising the stakes with CWU to achieve this
- However, RM's current share price is not just company-specific - it is also reflective of wider macro- and industry-specific headwinds
- Prolonged IA would have a material impact on Post Office income and associated Postmaster remuneration
  - RM will likely accelerate its IRRELEVANT and work IRRELEVANT and furthermore, some customers are likely to move away permanently to other carriers
- So the need for a IRRELEVANT
  - We are progressing our Mails Strategy initiatives at pace, as endorsed by the Board in the July Strategy Away Day

This paper will be walked into the Board meeting and will be handed out to Board members to review subsequently - the team is ready to answer any follow up questions that might arise.

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RM's strategic intent is to deliver urgent operational change to drive long-term sustainability - it is raising the stakes with CWU to achieve this

- Everything we have read and heard to date leads us to believe that RM intends to stick to a 'pay for change' offer with CWU. RM has already paid a 2% salary increase to demonstrate its intent. It is very unlikely to cede to the union's demands for a no-strings inflation-related pay rise which is anyway unaffordable.
- With RM losing £1m a day, it must urgently implement its operational transformation plans, including plans for a separate premium parcels delivery network, if it is to succeed in an increasingly competitive market.
- The company is pulling every lever it can to prioritise critical mails during strike days, including rewarding managers for working on a Saturday. RM knows these actions are inflammatory to the CWU, but their challenge is now an existential one...

  "If we don't deliver change, we face extinction."[1]
- To break the deadlock after five months of negotiations, three dispute resolution procedures and three days of CWU national strikes, RM is proposing to take its talks with the union to arbitration. It is also exercising its right to serve notice on its 'unique, complex, costly and highly restrictive' agreements with CWU. The union views these actions as a major escalation of their disputes aimed at breaking the company up, introducing a gig-style parcels network, and making the USO unsustainable.
- Friday's 'mini-budget' forthcoming legislation on strikes (requiring unions to put pay deals to their members) may be helpful to RM in the event of a long running dispute. But it is not yet clear if the legislation will be fast-tracked through parliament and therefore the timescales are unknown at this point.

IRRELEVANT

[1] RM Chairman, Keith Williams, The Times, 9 July 2022

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Source: RM Manager briefing

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RM's current weak share price reflects wider macro-economic, industry-specific issues as well as company-related headwinds

Macro: cost of living crunch and an impending recession is impacting global stocks, but especially the UK where the economy is being hit hard.

- Weaker than expected growth figures from the ONS suggest that the economy has little momentum and already in recession.
- Concerns about personal finances curbing consumers' discretionary spend.

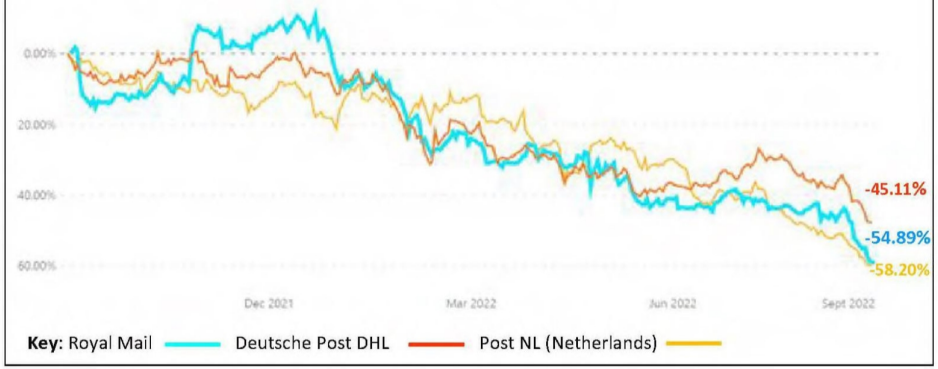
Industry specific: e-commerce market has gone from returning to 'normality' to worsening as consumer confidence withers.

- FedEx, considered a transportation industry bellwether, unexpectedly released figures on 15 September showing a dramatic quarterly downturn and warning about a 'global recession'. The weak outlook has had a negative read-across for all industry stocks, not just RM.
- RM's European postal peers have also seen large declines in their share prices over the past year and similar trends to RM. All peers have seen high single-digit declines in their share prices during the past week.

Company-related: weak financial performance reported at Q1, with the UK company expected to break even if transformation achieved. Ongoing strike action reflects the structural challenges facing the business.

- Stock downgrade to 'neutral' by JP Morgan also caused shares to decline further last week. The broker simultaneously downgraded DP DHL.
- Credit ratings agency Standard & Poor's also downgraded RM outlook to 'negative' watch with the possibility of a further debt downgrade. Poorer ratings mean it will be harder to borrow / investment will cost more.

European postal peers have seen similar share price trends to Royal Mail over the past year[1]



Potential impact of further RM share price decline:

- Further RM selective price increases.
- Lowering or cancellation of dividend, making shares less attractive.
- Further cost cutting measures / deferral or cancellation of investment.
- RM asset sell-off, including its 'jewel in the crown' property portfolio.
- Both RM (incl. PFW) and GLS are vulnerable to takeover bids or tender offers.
- Possibility of a GLS management buy-out.

[1] MSN Money share price comparison, 26/09/2022

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Potential impact of prolonged IA on external stakeholders

Royal Mail	• Deepening losses, currently running at £1m / day; investor targets become unachievable. • Efficiency and productivity gains not achieved, resulting in customers of all sizes switching and further regulatory fines. • If 'significant operational change' cannot be achieved, possible separation of RM and GLS. • RM's ability to continue to offer everyone a job will be diminished – compulsory redundancies could be necessary, despite a commitment to avoid these as set out in the joint 2020 Pathway to Change agreement. • RM is reviewing with a view to modernising all historical agreements with CWU as progress on pay talks has been frustrated. • RM as a standalone business is unlikely to be an attractive investor proposition with its declining core, inability to make productivity and efficiency gains, unionised workforce and USO. If not bought or re-privatised, the company could collapse. • Government and regulatory intervention would be required to protect the USO.
Competitors	• Having expanded capacity during the pandemic, more agile competitors will be able to cherry-pick more lucrative areas, leaving RM with a network that is hard to reach and costly to serve. • Evri could accelerate its strategy to recruit small businesses and expand to retailers outside of the RM network, reducing prices to gain volume share. • Retailers could turn to more automated delivery options, e.g. Parcel Lockers which are benefitting from greater investment, availability and take-up by carriers. Increased parcel volumes could bypass both Post Office and Royal Mail. • Digital parcel send solution development accelerated, including by Amazon, e.g. automated drop boxes for consumers and small businesses. • Hostile takeover bid for of RM by competitor; DPD, DHL, FedEx, UPS and Yodel unlikely to be interested in the RM UK business, while Amazon and Evri may be interested in certain non-regulated UK assets only. Both FedEx and UPS could be interested in the GLS business at the right price.
CWU members	• CWU is ideologically opposed to RM's proposed pay and terms and is fighting to remain relevant. • More official strikes means less pay for members taking action. At a time of rising inflation and in the run-up to Christmas, prolonged strike action will become unsustainable for many members. CWU hardship fund will not sufficiently compensate all members (especially as CWU is simultaneously escalating its dispute with BT). • Return to work possible, but under work-to-rule conditions and relationship with management will be severely fractured.

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RM challenges and possible responses & short/medium-term impacts on PO

Rate/Scale of IRRELEVANT (online, alternative acceptance channels etc)

RM challenges

- Unable to realise benefits of investment in technology.
  - Requirement to change ways of working to enable service enhancements in line with competitors' offerings e.g. automation, 24hr working, Sunday deliveries etc.
- Competitors better placed to challenge and adapt.
- Market reducing in specific areas, particularly international.
- Need to respond to the cost of living crisis against the backdrop of an already expensive and increasing high cost model.
- BEIS enquiry into Vesa Equity's interest in increasing its shareholding in Royal Mail to >25%. Potential for USO to be under international ownership.
- Potential organisational split following a restructure with new holding company, therefore potential for a sell off or the need for Government intervention in future.
- RM's creation of a new holding company, International Distributions Solutions, has been presented as a buffer to sell-off GLS in the event that progress on modernisation cannot be achieved. But a GLS demerger would bring many complexities of its own.

Potential behavioural impact on PO

- RM will likely continue to IRRELEVANT PO
  - More aggressive pricing via RM's online channels/app. Likely.
  - Business Account sign-ups drive. Likely as increases 'stickiness' of customers to RM
  - Increased promotion of RM owned acceptance channels - doorstep and Customer Service Points.
- RM will work to IRRELEVANT
  - Contracts with alternative retail acceptance networks. Less likely for full network as increases RM's cost base so would need to IRRELEVANT IRRELEVANT
  - IRRELEVANT
  - Charge costs for new collections (churn replacements and Drop & Collect). Been mooted previously, so this is possible.
  - Reduce services available in Network - limit USO products to c5k branches to meet USO obligation. – Unlikely until RM severely cost challenged.
- Structure/product changes
  - Price review to grow revenue in areas with less competition e.g. Large Letters and 1st class. Customer switching to 2nd class resulting in less profit and revenue for PO and Postmasters.
  - Expansion of print in branch (Labels to Go) accelerating channel shift.
  - Delay of tracked 24/48 being sold in PO and potential for pricing differential vs online sales.

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Quantifying the impacts of IA on Post Office in the immediate term

- To date, individual strike days have resulted in income losses of c£100k/day, and associated Postmaster remuneration of IRRELEVANT This represents 2-IRRELEVANT of our IRRELEVANT weekly Mails income.

- Our assumption is that income losses will be much greater on multiple strike days.
  - For example, although the latest second strike day was cancelled by CWU due to the period of national mourning, we still saw a c£85K loss of income on that day.
- We expect the percentage of lost income to increase over time as customers shift to competitors, potentially on a permanent basis:
  - Social customers - primarily impacting Special Delivery
  - Marketplace sellers - primarily impacting Labels
  - Businesses - switching from RM will primarily impact on Returns

- The current CWU strike mandate is valid for the next four months (total six months). As Royal Mail and CWU are unlikely to reach an agreement during this time (subject to arbitration), we expect industrial action of 2-3 days per month over the next four months. A re-ballot could potentially take place in January.

- The daily loss of income is assumed to be much higher over peak period, increasing to IRRELEVANT income as Special Delivery in particular will be impacted IRRELEVANT.

- Extrapolating these assumptions, and assuming 3 days of strike action per month in October and November, and 3 further days in December, we would be looking at a potential income IRRELEVANT related to IA action alone.

- An ongoing lack of collections in branches will lead to more Post Office branches reaching capacity, meaning Postmasters could have to find additional capacity or turn customers away.

- This will put immense pressure on Postmasters and longer-term, the lack of income could put PO's ability to delivery our BEIS network commitments at risk.

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Potential longer term financial impact of prolonged IA…

What we have laid out below is not a revised 3YP, but setting out potential worse case trading scenarios should IA persist long-term

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Indicative timeline for key Board updates

- The following timeline outlines key known events only.
- The Board will only be asked to make decisions IRRELEVANT IRRELEVANT
- We continue to monitor market dynamics, RM share price and investor announcements, with reporting to GE on significant exceptional events and their actual and potential impact on PO. Weekly trading updates will continue as usual.
- We continue to engage on a day-to-day basis with RM on joint initiatives, e.g. Tracked 24/48, whilst simultaneously executing our strategy.

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POST OFFICE

HRC
HMBU Cost Challenge

September 2022

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6.4

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1.0 HMBU Cost Challenge – Background

By way of background, our original cost challenge was £15m. This rose to c£35m once extra costs were accounted for across HMU.

This table details those extra costs, as well as recommended big-ticket savings that are detailed later in this pack.

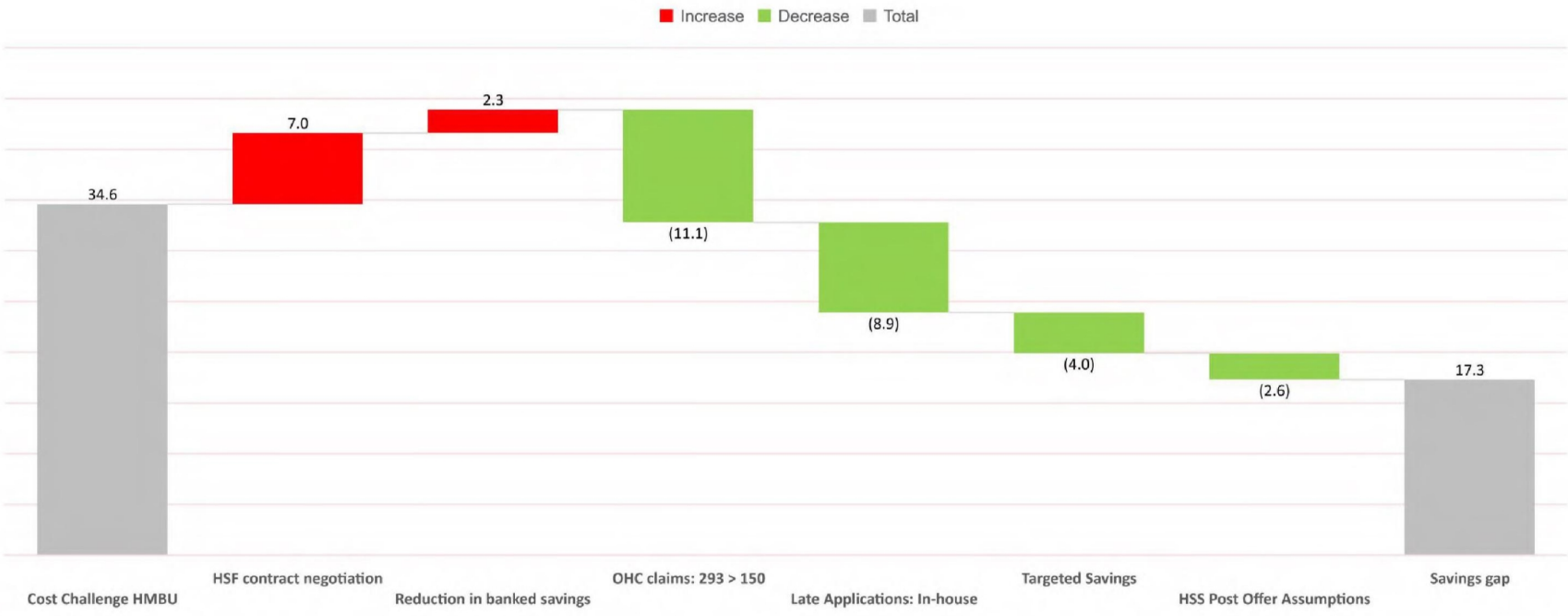
£m	Slide Ref	HSS	OHC	CCRC	PMD	Other	Total to Mar-25
FY21 11+1 Forecast spend to end March-2025		40.4	26.5	13.6	5.7	5.0	91.2
Cost Challenge (11+1)						(15.0)	**(15.0)**
Spend to P5 FY22		(11.3)	(2.7)	(3.2)	(1.1)	(0.8)	(19.1)
Future Forecast		29.1	23.8	10.4	4.6	(10.8)	57.1
Cost Challenge (11+1)						15.0	15.0
OHC forecast risk (Additional HSF cost if they ran OHC)			17.0				17.0
Late applications: Based on HSF assumptions	2.2	13.9					13.9
Additional resources within HMU		3.5	3.0				6.5
PM Det, PFA Triage and Independent Panel not in original forecast		1.1		0.9	2.4		4.4
OHC Remediation model	2.0		(10.1)				(10.1)
Embedded savings:							-
- Contract renegotiation with HSF		(7.0)					(7.0)
- Operational efficiencies within HMU		(1.5)		(0.8)		(0.4)	(2.7)
- Savings from Rod C exercise		(2.3)					(2.3)
Revised Cost Challenge		**7.7**	**9.9**	**0.1**	**2.4**	**14.6**	**34.6**
Reverse embedded savings:							
- Contract renegotiation with HSF (added back in due to uncertainty)		7.0					7.0
- Savings from Rod C exercise (added back in due to uncertainty)		2.3					2.3
Revise OHC Claim Forecast (293 > 150)	2.3		(11.1)				(11.1)
Late Applications: In-House	2.2	(8.9)					(8.9)
Targeted Savings	2.4					(4.0)	(4.0)
Revise HSS Post Offer forecast	2.3	(2.6)					(2.6)
Savings Gap		**5.5**	**(1.2)**	**0.1**	**2.4**	**10.6**	**17.3**

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1.1 HMBU Cost Challenge - Walkdown

- Further to the £34.6m cost challenge, a number of incremental costs and realistic savings options are presented, to leave a residual cost gap of £17.3m. A number of these savings options will require HRC decisions to progress.



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1.2 HMBU Cost Challenge – Summary

This paper responds to the challenge to reduce Historical Matters costs by c£35m against forecast in the period to 31 March 2025. If we continue at the current trajectory we will be over budget. This potential overspend needs to be addressed, and a number of HRC decisions are required for HMBU to take interventive action. We have given thought to how these processes could operate in HMU POL, and we have made a preliminary forecast against these proposed cost savings, however they would all be subject to further due diligence and a full business case.

To address this shortfall this paper seeks approval of the following:

OHC Cost Savings:

1) HRC and POL Board to approve the implementation of a remediation approach in OHC
2) HRC to approve revised forecasts at 150 cases (prev. assumption 293)

HSS Late Applications

1) HRC to approve the review of HSS cases by POL, as distinct to HSF, and to accept that this will be a change of approach to the main HSS cohort.
2) HRC to agree how the decision making process will work, i.e. we could run a decision making panel in HMU, or pay for an external independent panel per the existing model.
3) HRC to agree what is an acceptable timescale to resolve the current late applications

HSS Post Offer

1) HRC to approve revised forecasts based on lower dispute volumes and earlier resolution in DRP

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2.0 OHC – Approve Remediation Approach

HRC and POL Board to approve the implementation of a remediation approach in OHC (impact £10.1m)

Savings of £10.1m from an 'OHC Remediation Model' approach have been assumed within the £35m challenge, in advance of approval. For this to be realised HRC needs to approve implementation of a remediation approach in OHC

- **Decision: Recommend approve moving to an OHC remediation model led by principles**
  - The current approach is for HSF to deliver OHC using a negotiation legal process. We forecast this to cost £37m to Mar-25 (based on working level assumptions from HSF, though we are yet to receive a full business case from HSF) of which only £20m is currently budgeted. This is not affordable.
  - The recommended alternative approach is to deliver OHC via a principle led 'Remediation model'. Under this model, recommended by KPMG and designed by NBW, the project proactively works with postmasters and their advisers to provide swift and fair compensation to postmasters in a non-adversarial manner. It will be run by a POL 'OHC Compensation Unit', using a mixture of POL, Consultant and Contractor resource. This is forecast to cost £26.9m to Mar-25, representing a £10.1m saving against the current approach.
  - Note that this approach does not necessarily require engagement of NBW.
  - Note that on 8th Sept-22 a paper detailing the principles and processes to run this remediation model including full costings went to HRC asking for approval. At the time of writing this decision was outstanding. HRC's two areas of concern were i) Transition risk; and ii) Buy-in from third-party advisors. Note that this approach is being discussed with Hudgells.
  - Note: Current costs are based on 293 current volume assumption, if we reforecast to 150 this brings in an addition £11.1m of savings, as detailed on slide 1.0 and 2.3.
  - Risk: Real or perceived loss of independence of using the current HSF process. This may impact confidence and buy-in from claimants' legal advisors
  - Risk mitigation: Sample based Assessment assurance performed by HSF, and POL and BEIS oversight of outcome determination.

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2.1 HSS Late Applications – Approve POL approach

(1 of 2)

HRC to approve the review of HSS cases by POL, as distinct to HSF, and to accept that this will be a change of approach to the main HSS cohort.

Late Application costs of £13.9m have arisen because applicants will be remediated despite applying post the HSS deadline. Amending the approach delivers a potential saving of £8.9m (Note: An estimated delivery cost of £5.0m has been used, based on prior modelling by the Operational team. This will need further process and cost modelling work.)

- **Decision: HRC to approve recommended alternative approach**
  - An IAP should be used, as this continues to ensure a level of independence which, for all parties (PMs, POL, HMG), is an important part of the Scheme's credibility. Alternatives can be considered, as bringing this in house would drive further savings.
  - The quicker we want to deal with Late Applications the more expensive it is. Therefore to run as cost efficiently as possible we would potentially stretch the resolution over the full provision period. We are mindful that some of these customers will therefore have been waiting a long period for an answer, which could potentially be mitigated by interim payments.
  - We need to debate what is an acceptable period to complete the late applications. We are mindful some of these have been waiting c2 years. It is a balance of cost and SPM experience.
  - The proposed approach is to exclude the involvement of HSF Belfast, using alternate HMU resource. The further benefit of running both Late Applications and OHC ourselves is the ability to leverage fungibility of the skilled resource to bring economies across the two schemes.
  - The proposed approach reduces HSF London support to a minimum - dealing with legal exceptions only
  - Because these applicants are late, they will go through a different process. The principles applied will be the same as HSS, so they should get the same outcome.
  - Estimated cost of HSF approach is £27.5k per applicant; estimated cost of HMU approach is £10k per applicant.

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2.2 HSS Late Applications – Approve POL approach

(2 of 2)

HRC to approve the review of HSS cases by POL, as distinct to HSF, and to accept that this will be a change of approach to the main HSS cohort.

- **Detail of resourcing proposal under alternative approach**
  - We will use appropriately qualified internal resource to cover the HSF Belfast / London scope of work transitioned to POL – primarily legal contract resource due to the fact that the case assessment involves the application of principles, many of which are legal principles.
  - To cover the Late Application work performed by HSF Belfast, a team of c. 9 FTE is required.
    - The skillset required covers case assessment, eligibility assessment, RFI, creating panel packs and writing offer letters. We would also need to replicate some of the seniority range present in HSF Belfast, which ranges from Partner to legal support
    - The source of this internal resource is proposed to be Jacki Adam's Detriment Team. It currently contains 15 legal contractors, and by cherry-picking 9 FTE against a skills matrix we believe that a capable team could be stood up.
    - Availability contingent of release from Detriment work. Impact to Detriment delivery needs to be accepted.
  - To cover the Late Application work performed by HSF London, a team of c. 2 FTE is required.
    - The skillset required is a more core Legal skillset
    - The source of this internal resource could be either Jacki Adam's Detriment Team, other legal resource within HMU, or new external contractors.
  - The approach to writing of Outcome letters is still under consideration
  - Our assumption in pricing the new model is to not include the potential benefit of de minimis cases (c30%)

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2.3 OHC & HSS - Approval of Cases reduction

HRC to approve update to Volume Assumptions, as recommended below:

Saving: Potential savings totalling £11.1m have been identified as a result of lower volumes in OHC. Details as follows:-

- **Potential Saving: £10.1m**
  - Basis of Saving: the OHC Claimant population assumption of 293 now seems overstated, given current flow rates and learnings from a triage exercise. We propose revising to 150. This will lower operational cost.
  - Risk: Latest P&P forecast is a range of 162-210 claimants. Taking 200, at the upper end, reduces potential savings by £4m to £6.1m
  - Risk: The number of claimants is not within POL control
- **Potential Saving: £1.0m**
  - Basis of Saving: The original OHC Programme assumed 293 claimants. Updating this assumption to 150 OHC Claimants is expected to drive £1.0m reduction in P&P costs
  - Risk: This is outside POL control, and the most likely final population is subject to uncertainty

Saving: Potential savings have been identified in as a result of lower volumes in HSS Post Offer. Details as follows:-

- **Potential Saving: £2.6m**
  - Basis of Saving: The original assumption that 40% of HSS cases would dispute their original offer appears overstated. Fewer than expected cases have been entering the Dispute Resolution Process, and due to productive post-offer engagement with disputing applicants more cases have accepted the offer earlier in the DRP, with much lower volumes in the expensive later stages of DRP. Recent numbers: i) GFM 40% > 35%; and ii) Escalation Meetings 60% > 25%.
  - Note: This saving does not involve a change to the current process, but simply recognises the financial impact of lower dispute volumes.
  - Risk: The reduction in dispute number assumptions is untested, due to the mix of complexity (i.e. only now dealing with dissolved, termination and PI cases).

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2.4 Targeted Savings

We still have a savings gap of £17.3 after accounting for big-ticket cost savings. Therefore these are the further potential savings we are pursuing:

These potential savings need more work to confirm feasibility and accurately quantify. Where these would necessitate a change of approach, these will be brought back to HRC for approval.

Details as follows:-

- HMU plan to impose a £4.0m Resource Cost Challenge across HMU teams to deliver targeted savings.
- The Late Applicants internally resourced cost - further process and cost modelling work may yield addition efficiencies and savings.
- Commercial Discount from HSF. A value of £7m has previously been discussed. A discount is not impossible, and still being pursued by Rod Campbell, but the probability and quantum is impacted by other proposals that will reduce our spend with HSF.
- PFA triage – as per HRC discussion on 8-Sept-2022. Current budget c. £0.9m, which has potential to be reduced.
- Resource savings. Potential opportunities are believed to exist across operational teams, and are being explored with the Operational Managers.
- Maximise leverage of internal Legal Team across all projects. Direct as much work internally as possible rather than to more expensive external Legal resource.
- Reduce HSF involvement in the remaining HSS work as we move through the last 20% of stock.
- Reduce HSF involvement in the physical Settlements process.
- Potential further savings in HSS / Late Applications in MI, Relativity vs. Dynamics, and Admin areas
- Further savings identified under the Rod Campbell work that are currently being worked through.
- Further volume savings are possible. For example, costings are based on 500 Late Applications as a forecast, however so far only 200 have been received. The final number is expected to be 200 – 500. A final volume lower than 500 will drive potential cost savings. Further, our assumption in pricing the new model is to not include the potential benefit of de minimis cases, which could be c30% of population.

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2.5 Rejected Options

Some savings have been considered as potential responses to the cost challenge, but have been rejected on the grounds of feasibility, risk, or other blockers. These have been excluded from our proposed response, but are noted here for reference. Details as follows:-

- Transferring work currently handled by HMU programme resource (Governance, Finance, Legal and CoSec services) to functional BAU teams. This has been rejected on grounds of feasibility given the lack of capacity within central BAU teams.

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3.0 HMBU Cost Challenge – Actions needed

This slide summarises approvals that are required from HRC.

Option	Detail on Appendix slide:	Saving to Mar-25	Action to deliver:	What further evidence or assurances are needed for HRC get comfy to make a decision?
Remediation Model	2.0	£10.1m	• **HRC to approve** the implementation of a remediation approach in OHC • **HRC / Board to sign-off** NBW as a supplier	
Late Applications	2.1	£8.9m	• **HRC to approve** moving this activity in-house from HSF • **HRC to approve** decision making process will work • **HRC to agree** what is an acceptable timescale to resolve the current late applications	
OHC Claimant Volume Reduction	2.3	£11.1m	• **HRC to approve** revised forecasts at 150 cases (previously 293) • HMBU to ensure internal and P&P cost reduction commensurate with activity	
HSS Post Offer Volume Reduction	2.3	£2.6m	• **HRC to approve** revised forecasts based on lower dispute volumes	

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POST OFFICE LIMITED
BOARD PAPER

Title:	Risk in the 3YP	**Meeting Date:**	27 September 2022
Author:		**Sponsor:**	Al Cameron - CFO

6.5

Executive Summary

Context

The Board is discussing the 3YP to March 2025. As set out in the earlier paper, we are seeking to IRRELEVANT

This will require us to shift our risk appetite. The purpose of this paper is to set down what we think that might look like and the implications for the business.

Inputs and Decisions

We are seeking alignment from the Board in principle, enabling us to put forward a recommended 3YP at the next meeting. Feedback on red lines will be appreciated. The Board will need to recognise and support the change in approach if we are going to deliver the outcomes.

The Report

How will our risk appetite change?

We need to make a number of difficult choices to save money and most of these steps will either trigger specific risks or increase our overarching risk profile. These are principally caused by a reduced levels of activity in operations and in change, or simplified and streamlined processes where we will not have the capacity or resources to deliver at the levels we have done in the past.

This list is intended to inform debate and to gauge the Board's views on our likely direction of travel. It is illustrative but it is not exhaustive.

Network

1. We will increase our appetite for taking difficult and potentially unpopular action within the network, withdrawing discretionary fixed remuneration from branches and taking steps to close loss-making Post Offices, potentially without compensation, for which there is long-established precedent. This will be visible and unpopular in communities.
2. We expect to deploy a significant number of Drop & Collect branches in urban areas, shifting the network away from rural areas and reducing the current "white space" proximity rules. This may be seen as a loss or degradation of service by customers and changes to proximity rules will land poorly with Postmasters.
3. We may close branches before we have replacements, though we will at all times make sure that we have a plan to meet the 11,500 branch and access criteria requirements at the measurement points agreed with BEIS.

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4. We will partially re-balance the relationship with Postmasters so there is more focus on the reciprocal nature of the relationship; i.e. there will be clear consequences for breaching protocol or guidance. We will also reduce contact channels so there is less choice and a greater focus on self-support.

5. We will have to legally recover some Postmaster debt and continue to share criminal cases with the Police. We may have to reduce the amount of cash in the network again.

Technology

1. We will remain in the Belfast data centres until March 2025, minimising spend to secure the service they provide. We will not complete full end-to-end disaster recovery testing. This has potentially material business continuity risk.

2. We will need to roll-out NBIT during peak, and the roll-out will not be supported by classroom training. Much of the roll-out is likely to be supported by area managers, who will not be available for BAU support, limiting what we can deliver and manage in the network.

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4. We will not invest materially in our data systems or governance, living with the limitations of today's infrastructure and the risk profile this presents. This may have operational consequences, it will hold us back from progress we ultimately have to make and may have consequences for our positioning around physical data.

5. We will minimise all other technology spend and apply a top-down challenge to risk and resilience budgets as well as other key projects (e.g. Copper Stop Sell, PED replacements, etc.)

Pay, Administration and Governance

6. We will not increase the pay of our people in line with high inflation rates, creating retention and recruitment challenges. There are likely to be operational risks associated with this.

7. The change plan will be much smaller, especially outside NBIT and Historical Matters, both of which have their own governance. We will therefore streamline change governance and the team that supports it.

8. We will simplify the way in which the business reports, internally and externally, with reduced frequency of business-as-usual reporting, shorter papers and simplified governance. We will need to engage with UKGI and BEIS on this.

9. In the same spirit, we believe less should come to the Board. The authority delegated to the Executive was reduced a few years ago from £20m to £5m and, recognising the reduced levels of activity and capacity, this should be reversed.

Legal, Risk and Procurement

10. We will increase the materiality thresholds applied by the Legal team in determining where contract and other decisions require formal review and a legal risk note, enabling us to focus resources on our key risks. Consequently, legal and regulatory risks may crystalise more frequently and it may be harder to respond to unplanned requests.

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11. We are planning to halve the size of the Risk team and reduce a number of internal audits from full audit to health-check. We expect to materially reduce the size of the second-line Compliance team.

12. We will not undertake a comprehensive programme of control frameworks but we will maintain what we have.

13. We will take a less risk averse approach to procurement – particularly in technology – and we will push as many contract renewals (e.g. Verizon, Accenture) post-NBIT because we simply do not have the capacity to implement any change.

Historical Matters

14. In HMU we need to operate very differently. We will minimise the involvement of HSF and insource more. We will maintain key principles, such as independent review but recommended changes will increase operational and consistency risk and this risk will have to be managed.

15. We will continue the existing controls work which is focused on CIJ/HIJ without which Post Office cannot demonstrate ongoing conformance but there will be no further roll out to other areas of the business.

16. Our approach to the Inquiry is being reviewed, recognising that we do not have the funds to carry on as we are, given the extension to the timeline. Witness support may have to be weighted towards the importance of the testimony. Again, we will have to rapidly reduce the dependence on HSF and this will create risk in timely delivery.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Belfast Exit Programme	**Meeting Date:**	27th September 2022
Author:	Zdravko Mladenov (Group Chief Digital Information Officer)	**Sponsor:**	Zdravko Mladenov (Group Chief Digital Information Officer)

Input Sought: Decision

Board is requested to:

- Approve management's recommendation to stop the current delivery of the Belfast Exit programme, moving away from a migration of the datacentres to AWS Cloud and towards a reinforcement of the legacy data centres. At the same time POL will retain the scope within Belfast Exit that is shared with, and is necessary for the successful execution of, NBIT.
- Approve £5m programme funding for October within the current Belfast Exit wrapper to ensure programme activity can start to be wound down and that new scope of work – specifically Belfast fortification and components shared with NBIT – can be stood up.

8

Previous Governance Oversight

- Board Belfast Exit Progress Update – July 2022
- GE Progress Update/Discussion of Delivery Challenges & Strategic Options - 17th August 2022

Executive Summary

- In July the programme leadership agreed to return to Board with a clear recommendation on whether POL should continue with the current strategy or to change direction to stay in Belfast. The table below summarises two main options and a high level view of the associated risks:

	Migrate Horizon to AWS Cloud	Stay in Belfast Physical Datacentres
Summary	Continue with the current plan to migrate all of Horizon to the cloud and exit the Belfast datacentres	Cease the branch / database migration activities and tactically invest in Belfast to mitigate the risk of critical equipment failures. Retain scope related to shared components for NBIT
Completion	• Planned exit from Belfast in March 2024	• Planned completion of fortification in October 2023

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		• Planned completion of shared NBIT components March 2025 • Planned exit from Belfast in March 2025
Technical Risk	AWS work is bespoke to the Post Office, resulting in multiple emergent technical challenges	Upgrading production equipment 'live' environments requires planning to mitigate risks of unintended Horizon outages
Delivery Risk	Large number of technical unknowns may continue to cause execution delays	Similar datacentre upgrade work has been completed before, and the challenges are understood
Cost Risk	Large number of technical unknowns may continue to cause cost escalations	After the upgrade scope is agreed, costs can be reasonably accurately estimated
Estimated Cost to Complete	**£56m-£78m** ***Low level of certainty***	**£40m-£52m** ***Medium level of certainty***

- Given the relative risk profiles of the two options, and the constrained funding position POL is presently in, management's recommendation is to cease current migration activity to AWS Cloud and to remain in the Belfast datacentres.
- In parallel with this management also recommends investing in the Belfast datacentres to ensure the Belfast infrastructure is appropriately fortified to ensure service continuity, and that parts of the scope of the Belfast Exit programme that are shared with NBIT continue to be delivered. Stopping Belfast Exit does not therefore mean spending will stop.
- This recommendation is predicated on the following key assumptions:
  - Upgrades to security, resilience, and operability will be rapidly completed. Absent remediations, POL must accept critical hardware failure risks;
  - NBIT will be fully delivered by March 2025. If this is not the case, then the cost and risk profile of the 'Stay in Belfast' option would be adversely affected.
- Subject to Board approval, the next steps would be:
  - Immediately reduce spend on cloud migration and archive work completed to date. This will involve standing down much of the POL team;
  - Engaging with Fujitsu, Oracle and AWS as well as UKGI / BEIS on POL's change in approach. These conversations will need to be managed carefully; and
  - Launch recommended Belfast fortification activity and transfer scope of shared NBIT components to a new project, to ensure continuity of delivery.
- Subject to the Board's decision we will present an updated funding request in October setting out more detail on the new and retained Belfast workstreams.
- Note this recommendation has implications for POL's RemCo as Belfast Exit outcomes represent targets in certain remuneration incentive structures.

8

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Overview

1. What is the summary of Belfast datacentre exit progress since July?

- While remediation of existing critical issues (e.g. data migration and integrity issues associated with the AWS-supplied Data Migration Services toolset), has progressed, further issues have manifested, requiring further defect remediation by AWS and pausing some previously ongoing activity. The short-term impact is a delay in key delivery activities (e.g. client file comparison activity by Fujitsu to validate identical output from the new AWS target cloud database). Thus, this phase of activity will now not be completed until mid-October.
- The programme has asked AWS to contribute to the overall budget due to the on-going issues relating to Data Replication. The package equates to about $12m / £10m of value for POL, split between consultancy and deferred hosting fees. Specifically, AWS are assisting with key deliverables that will also be used for NBIT (Post Office Data Gateway – PODG, and our tool for Voucher and Postal Orders management).

2. What are the options and the recommendation?

- The following options exist:
  - The current **Plan A** option is to continue migrating the physical data centre infrastructure to AWS Cloud.
  - The **Plan B** option is to stay in Belfast, while noting that the Fujitsu data centres have had minimal technology investment over the last 5 years. Thus, this plan has 4 sub-options (see Appendix 1 for details). Those options vary depending on spend levels, which correlates with degrees of risk mitigation for key risks (e.g. hardware or security failures in the data centres).
  - **Plan C** would be to move to a hybrid cloud option utilising Oracle (for cloud hosting) and AWS for compute services. While initially attractive, because our existing legacy database is an Oracle one, upon further review this option has now been discounted as too technically difficult, as well as requiring very challenging co-delivery and extensive co-management of Oracle and AWS. **Plan C** has not been considered any further as a feasible option.
- The programme recommends Plan B – Stay in Belfast, with the associated focused hardware and software investment.
  - From a risk of delivery perspective, Appendix 2 and Appendix 3 outline the various risks and possible mitigations. Plan A now exhibits the greatest level of intrinsic risk and uncertainty around timescales of deliverability.
  - From a cost perspective, Plan A is considered unaffordable given the broader macro financial position. The risk profile of Plan A costs is also difficult to manage, compared to the greater level of confidence around Plan B costs.
  - Thus, the recommendation is to proceed with Plan B. Within Plan B sub-options, the recommended option is Scheme 3 - Replace Security and Cooling Devices, whilst building an inventory of spares. This provides the optimum balance of risk and costs whilst satisfying some minimum recommendations from Fujitsu.

8

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- Critically, it should be noted that without the required targeted upgrades to improve the data centres' security, resilience, and operability, POL would be accepting critical failure risk.

- The costs associated with remaining in Belfast, including datacentre fortification activities outlined in Scheme 3 are currently expected to have a funding profile of £24m-£30m. Fortification costs are estimated to around for ca.£14m of this total.

3. What does the recommendation mean for NBIT?

- The Belfast Exit programme has been delivering strategic components, which NBIT requires for migration off Horizon (e.g. Application Modernisation, APOP and PODG)
- NBIT will still need to deliver those remaining elements. Using the Belfast Migration estimates, this will require between £16m and £22m to be established elsewhere to fund the delivery of these parallel Horizon / NBIT dependencies.
- Coexistence dependencies with PODG and APOP will need to be addressed during the branch and branch data migration of NBIT. These require a policy decision to be agreed upon with Fujitsu, which is currently being negotiated and is expected to be viable, provided we have a credible Fujitsu Exit plan.
- It is critical to note that, previously, the Belfast Exit programme was a reasonable mitigation for any potential NBIT completion delay. Should NBIT be delayed, a longer duration to remain in the Belfast Datacentres could be costly and risky as many components (e.g. the SAN and Oracle Database) will be further out of support.
- Thus, the recommendation presumes that NBIT will be fully delivered by March 2025. If this is not the case, then the cost and risk comparison between Plan A and Plan B could be materially affected.

4. What are the recommended next steps?

- Subject to the Board's approval of a change in approach to Plan B POL will halt work on the cloud migration and we will archive database / branch migration work completed to date. This will allow spending to be reduced at the earliest opportunity.
- POL will also need to engage with Fujitsu, Oracle and AWS as well as UKGI / BEIS on its change in approach. These conversations will need to be managed carefully, particularly with AWS given POL's wider strategic relationship and UKGI / BEIS given spending approved and incurred to date. POL will also launch a Belfast fortification programme of reinforcement activities, alongside the delivery of shared components Belfast Exit is delivering for NBIT.

  To support this recommendation the Board is requested to approve an initial drawdown of £5m to ensure funding cover is available for October (Appendix 4 highlights activity being stopped, continued and started as a result of a positive approval, relative to current Belfast Exit programme activity). A further request will be presented to the Board in October setting out an update on progress made in October subsequent to this meeting, as well as the new and retained Belfast workstreams (incl. milestones and financial / cost models).

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Appendix 1: Summary of Upgrade Schemes considered

Upgrade Element		Scheme 1		Scheme 2		Scheme 3		Scheme 4	
Security Devices	Upgrade the infrastructure, including new firewalls, routers, and appliances that are out of service life. Many of these provide perimeter security defence.	Continue as –is with minimal spares and look for Risk Mitigation activities	£0m	Refresh security critical firewalls, routers, appliances, and switches	£6m	Refresh security critical firewalls, routers, appliances, and switches	£6m	Refresh security critical firewalls, routers, appliances, and switches	£6m
Software Security	Upgrade the software beyond service life, including Operating Systems with broad privileges across the infrastructure.	Continue as –is with minimal spares and look for Risk Mitigation activities	£0m	Upgrade security-critical software, including OS, crypto libraries and move to SHA2 certificates	£5m	Upgrade security-critical software, including OS, crypto libraries and move to SHA2 certificates	£5m	Upgrade security-critical software, including OS, crypto libraries and move to SHA2 certificates	£5m
Plant	Provide new Air Conditioning in the IRE11.	Continue as –is with existing equipment	£0m	Partial refresh of cooling	£1m	Partial refresh of cooling	£1m	Partial refresh of cooling	£1m
Hardware	While the infrastructure is resilient, 75% of the infrastructure is either out of or within 6 months of the end of service life. Upgrade our stock of spare equipment to deal with failures.	Continue as –is with minimal spares and look for Risk Mitigation activities	£0m	Continue as –is with minimal spares and look for Risk Mitigation activities	£0m	Seek equivalent / recycled used hardware as failure insurance	£2m	Refresh core compute and storage technology and upgrade Oracle	£40m
Software	Provide additional support for Oracle from a 3rd party in 2023 and 2024.	Continue as –is with a 3rd party is Oracle stop support in 2024	£0m	Continue as –is with a 3rd party is Oracle stop support in 2024	£0m	Continue as –is with a 3rd party is Oracle stop support in 2024	£0m		
		Scheme 1 estimated cost	**£0m**	**Scheme 2 estimated cost**	£12m	**Scheme 3 estimated cost**	£14m	**Scheme 4 estimated cost**	£52m

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Appendix 2: Summary of Datacentre Scheme risks

The team, including Fujitsu, have analysed Belfast using a framework using the following dimensions: Service Life Status and EOL support availability. A priority score has been calculated based on this framework.

Risk		Scheme 1- Mitigation	Scheme 2 - Mitigation	Scheme 3 - Mitigation	Scheme 4 - Mitigation
Security Devices	IRRELEVANT				
Software Security					
Plant	Cooling in IRE11 is old and at Risk of not being maintainable. There is a risk that failing cooling would compromise DC operation. In case of failure, we have a high risk of Hardware issues occurring due to the high heat or the equipment automatically shutting down, which will affect the service	Risk Acceptance The Air Conditioning is maintained, but it must run 24/7 due to the heat generated in the data centre. No Guarantees can be provided that it won't fail.	Upgrade of Cooling System	Upgrade of Cooling System	Upgrade of Cooling System
Hardware	While the infrastructure is resilient, 75% of the infrastructure is either out of or within 6 months of the end of service life. . There is a risk that hardware failure will result in a single point of failure for an extended period raising the likelihood of an impacting service issue	Risk Acceptance Procure from the market when failures occur. Re-purpose hardware from IRE19 where possible – This will prevent change and erode cross datacenter resilience.	Risk Acceptance Procure from the market when failures occur. Re-purpose hardware from IRE19 where possible – This will prevent change and erode cross datacenter resilience.	Seek equivalent / recycled used hardware as failure insurance	Refresh core compute and storage technology and upgrade Oracle
Software	There is a risk that supports for Oracle is not established beyond 2023 as Oracle has not committed to providing support post-December 2023	Budget to procure support from a 3rd party in 2024	Budget to procure support from a 3rd party in 2024	Budget to procure support from a 3rd party in 2024	
Project	The Risk that the programme of work won't be completed in time to ensure the continued service of Belfast, these mitigation options need to be completed as soon as possible	No effort required	It will take 12 -18 Months to complete from the initial engagement with Fujitsu, assumed to be in October 2022.	It will take 12 -18 Months to complete the initial engagement with Fujitsu, assumed to be in October 2022	It will take 24-36 Months to complete the initial engagement with Fujitsu, assumed to be in October 2022

6

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Appendix 3: Review of Risks and Mitigations

Risk Category		Plan A – Migrate to AWS Cloud	Plan B – Stay in Belfast
Risk of Equipment Failure affecting Horizon service	Risk Details	**1 - Minor Risk** The AWS Cloud will provide for any localised cloud hardware failures once Migration is complete. The Risk exists during the period that Horizon runs in Belfast without upgrades.	**2 - Moderate Risk** The Data centre is well engineered and has multiple levels of resilience. The Risk of hardware failure will increase as the hardware ages. The Post Office cannot economically replace all the ageing hardware. The Storage Array and Oracle database will remain risks
	Likelihood	**2 – Unlikely** The Risk is unlikely to occur as Belfast is well engineered with no single point of failure.	**2 – Unlikely** There are no single points of failure where a single piece of equipment would halt Horizon's operation, and multiple failures would be required.
	Mitigation	Complete the Migration to reduce the dependency on the Belfast Data Centre	Targeted hardware replacements will reduce the likelihood of hardware failure of the components replaced.
Risk of Spares being unavailable when they are required.	Risk Details	**1 - Minor Risk** The AWS Cloud will provide for any localised cloud failures once Migration is complete. The Risk exists during the period that Horizon runs in Belfast without upgrades.	**2 - Moderate Risk** Kit sourcing gets more difficult/uncertain over time, with reduced availability when required. This Risk will become a major concern in any post-March 2025 scenario
	Likelihood	**2 – Unlikely** The Risk is unlikely to occur as the kit is predicted to be available for the next 12 months.	**2 – Unlikely** The Risk is unlikely to occur as a backlog of spares will be created, and there is a good track record of repairing hardware.
	Mitigation	Complete the Migration to reduce the dependency on the Belfast Data Centre	Proactive spare holding and testing is the minimum recommendation. However, should it become necessary in an emergency, there is the option to take the kit out of one data centre to keep the other moving. However, there are unknowns with this approach as the kit may not turn back on.
Risk of Plant Failure (HVAC, Power, Fire Suppression) within the Datacentre	Risk Details	**1 - Minor Risk** The AWS Cloud will provide for any localised cloud failures once Migration is complete. The Risk exists during the period that Horizon runs in Belfast without upgrades.	**2 - Moderate Risk** The plant is ageing but operational and serviced, and it is at the end of its operational life.
	Likelihood	**2 – Unlikely** The Risk is unlikely to occur as the kit is predicted to be available for the next 12 months.	**3 – Possible**

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			The HVAC is at the end of its life and cannot be guaranteed; spares are likely to be difficult to source, scarcity of options, provenance unknown
	Mitigation	Complete the Migration to reduce the dependency on the Belfast Data Centre.	Replace the HVAC is recommended, and this will completely resolve this Risk
Risk of the Database Support ending before March 2025	Risk Details	**1 - Minor Risk** Aurora Postgres support arrangements are known.	**3 – Significant** Oracle will provide 11.2 market-driven support for 2023, but the future position is not certain. After this time 3rd, party support may be required if Oracle support is withdrawn.
	Likelihood	**1 – Rare** Strategic Platform for AWS, support will be provided.	**2 – Unlikely** 3rd Party Support in 2024 is available and will provide support. The database isn't internet-facing, reducing the Risk as any security exposure is smaller.
	Mitigation	No Mitigation required	Upgrade the Network and security to protect the database. Any Upgrade of the Oracle Database will take years, and although it will completely resolve this Risk isn't recommended.
Risk of Post office not being able to implement mandatory change	Risk Details	**1 - Minor Risk** Intrinsically more options as availability of parallel environments on demand to validate changes before promotion to Production	**1 - Minor Risk** Performing live changes in a production data centre is risky (but possible) and will require resource-intensive planning with out-of-prime-hours change management
	Likelihood	**2 – Unlikely** Even in a cloud environment, we will require simulators for 3rd parties as the 3rd parties do not offer POL test facilities	**2 – Unlikely** The technical changes are well understood and have been completed in other datacentres
	Mitigation	Ensure the test environments are set up as part of the BeX programme. However, there will be an extended change freeze during the Branch Migration	Ensure the Hardware replacement project is correctly resourced. Although Horizon change should slow as 2025 and NBIT is deployed.
Risk of POL being exposed to Security and Vulnerability issues	Risk Details	**1 – Minor Risk** More recent software versions for AWS-hosted components make this an easier task and, in many cases, an AWS responsibility.	**3 – Significant** Much of the datacentre software is unsupported, and security patching/intrusion detection scanning is marginal. There may be some Cyber Insurance implications which have yet to be assessed
	Likelihood	**1 – Rare** Strategic Platform for AWS, support will be provided.	**2 – Unlikely**

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			The unsupported kit can be replaced to reduce the vulnerabilities
	Mitigation	Periodic External review of security rules	We need to make calculated replacement decisions with the Post Office Security team. The hardware replacement will mitigate but not eliminate security risks
Risk of issues found during Branch Migration	**Risk Details**	**4 – Major** One of the major technical challenges for the AWS solution is the domain where we have had the most technical obstacles and uncertainty. The programme hasn't proven that Branches can be moved without data loss.	**0 – No Risk** No direct risk as the existing Horizon solution is extended
	Likelihood	**4 – Likely** Until the solution has been rigorously tested, Branch migration won't begin.	**0 – N/A**
	Mitigation	More testing of each solution as problems are found. However, this adds time and cost.	N/A
Risk of Technical Operating & Support issues being discovered	**Risk Details**	**3 – Possible** Initially higher than the status quo, but knowledge availability for cloud is good.	**1 - Minor Risk** Worsening Risk of knowledge decline, but currently no service concerns. It will become a major issue if Belfast is required post-2025.
	Likelihood	**3 – Possible** Greater POL responsibility in Service Management. Whichever system is deployed first, Horizon or NBIT will have initial issues.	**2 – Unlikely** Fujitsu are committed to the contract till March 2025
	Mitigation	Knowledge availability for the cloud is good, albeit expensive to acquire. We will have access to a combination of our capability, outsourced out-of-hours cover and AWS advisory services.	Fujitsu staff retention strategies to retain knowledge until the end of the Horizon contract in March 2025.
Risk of additional Time being required	**Risk Details**	**4 – Major** There are many delivery unknowns as the work completed by AWS has demonstrated that there isn't a playbook for the Migration, and all the processes are being written for the Post Office. It is impossible to highlight where the next technical issue will come from, but there will probably be more delays.	**2 - Moderate Risk** The Data Centre is a well-understood environment to work within, and Fujitsu has a good track record of planning and executing change.

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	Likelihood	**4 – Likely** Past performance indicates that further delays are likely.	**2 – Unlikely** The environment and scope are understood as the start of the programme.
	Mitigation	AWS is deploying resources to resolve issues quickly and make product changes when required.	The upgrade work will be in the primary control of Fujitsu
Risk of additional funding being required	**Risk Details**	**4 – Major** The probability of unknown technical delays makes it difficult to predict cost with any certainty. The upper bound has added in a risk profile that Branch migration is delayed to late 2024, and the programme delivers no benefits before NBIT deployment	**2 - Moderate Risk** There remains the possibility that the SHA1 upgrade could cost more than planned once a detailed analysis is completed, but the other elements are well understood.
	Likelihood	**4 – Likely** The programme can run till June 2024 under the upper-cost prediction. If this occurs, then given the current NBIT plan, Horizon will only run in the cloud for 9 months before it is decommissioned	**2 – Unlikely** Focus on software and SHA1 as a primary first step.
	Mitigation	Contingency is now predicted considering with past performance.	Fujitsu has been involved in assessing the Belfast Data Centre, but the Risk remains that the costs provided to date are best estimates, not quotes.

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Appendix 4: 'Start – Stop – Continue' plan for the Belfast Exit programme

Start	Stop	Continue
1. Strategic Design with NBIT for the following components to reduce any possibility of Regret Spend • PODG • APOP • Bank Account Checker • Application Modernisation 2. Launch Belfast fortification activity, and complete detailed resilience planning activity 3. The Belfast Exit Teams responsible for the above will be transferred to a new governance structure to end the programme.	1. All Non – Strategic Work to move Horizon to the cloud, Including supplier work on: - • Batch • DMS (non-prod) • Postgres (non-prod) • DV capability • BAL • HBS Counter • HBS Retail • Data Reconciliation Service (DRS) 2. Roll Off and Supplier Halts communications for all components.	1. Complete the SCC knowledge transfer to allow technical support to continue 2. Construct a service wrapper for the Oracle Staging Server on which the HIJ delivery BRS will depend. 3. Calculate the final cost position for Belfast Exit and agree on the funding position for the close-down provision. 4. Submit funding requests for reallocation of funds.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Historical Matters Programme Update	**Meeting Date:**	27th September 2022
Author:	Simon Recaldin, Historical Matters Director	**Sponsor:**	Ben Foat, Group General Counsel

Input Sought: Noting

To Note the updates below on the activities being undertaken on Historical Matters (HM) workstreams.

Executive Summary

The Strategic priorities for HMU are outlined below with a fuller Operational Summary of HMU Workstreams detailed later in this update.

- **Criminal Appeal Cases**
  Since the last report, 5 convictions have been overturned by the Court of Appeal (all cases were conceded by POL) and a further 2 are expected to be lodged imminently (early indications are that POL will concede both). Following the work with CCRC, disclosure is now being prepared on a further 15 cases, with 30 more requests expected. Good progress is being made with the non-POL prosecutors in both Scotland and NI. The SCCRC are considering 10 cases with a decision expected in September and NI are considering 2. We continue to make disclosure to assist their consideration of potential cases.

- **Historical Shortfall Scheme (HSS)**
  The achievement of our target of 80% of outcome letters issued by the end of August was an excellent result due to the efforts of all involved. Work continues apace to ensure we keep on this trajectory, but our strategic aim is to ensure that all challenge cohorts have a clear route to outcome, anticipating that the remaining cases will feature a higher degree of complexity as we move towards the tail. Alongside HSF we have commenced a review to forecast and consider what the 5% of cases are anticipated to be post October 2022 to ensure we appreciate and are well prepared to complete these cases as quickly as possible.

- **Late Applications**
  Our key priority is to gain funding approval to process Late Applications, with a submission currently with BEIS for consideration. The topic of Late Applications was raised at the recent Inquiry hearings, where Sir Wyn Williams noted that the failure to progress these applications was 'wholly unacceptable'.

- **Overturned Historical Convictions – ENE Process**
  We are making good use of the positive outcome form the ENE process to progress the settlement of non-pecuniary damages both for the 10 postmasters whose cases were considered by Lord Dyson but also across the broader cohort. All 10 involved in ENE have accepted the offers made on their non-pecuniary damages and settlement agreements are close to being finalised. Dr Hudgell indicated that he would send through 5 new non-

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pecuniary claims each week – this has been slow to start but the cases are now starting to come through.

- **Postmaster Detriment – Suspension Payments**
  Our strategic priority is to complete the delivery of the Operating Model to deal with this population, followed by final external project assurances, to be delivered by Deloitte, alongside obtaining the relevant legal assurances of the Consequential Loss Guidelines and Principles.

- **Postmaster Detriment – Outstanding Balances**
  [redacted] HRC have asked for further information on how the unreconciled balances in general arose prior to making a decision on this issue, as well as for more detailed information on the position of those postmasters currently making repayments. Funding conversations are ongoing with UKGI/BEIS with a meeting scheduled for 15 September to discuss the way forward. A further paper will be presented to HRC in October.

- **Inquiry update**
  Following the hearings on 6 and 13 July 2022, and Sir Wyn's Progress Update issued on 15 August, we are working at pace to address his key observations. HRC will be presented with a number of papers on our recommendation for their consideration on 8 September 2022.

- **Cost Challenge**
  Finance is supporting the work to reduce third party and internal costs in order to return Historical Matters to the original challenged budget. Options being considered are:
  i) HSF contract renegotiation and efficiency savings.
  ii) Moving to a 'POL Remediation Model' across OHC, and the benefits that would bring (i.e. the model suggested by KPMG).
  iii) Reduced assumption for the number of appellants – 150 (down from 293).
  iv) Revised, lower profile of Historical Shortfall Scheme disputes.
  v) Internal resource challenges.

Workstream Operational Updates

Criminal Cases: Appeals

1. The total number of overturned historical convictions is currently 81. This comprises 64 overturned by the CACD and 17 conceded at Southwark Crown Court. Within the cohort of Southwark cases, one is a CPS conviction.

2. In the case of Joanne O'Donnell, who is deceased, POL must file its Respondent's Notice by 23 September 2022. POL is opposing this appeal. This is because:
   a. it is not a classic unexplained shortfall case but rather a Pension & Allowance fraud, the proof of which was not dependent on Horizon; and
   b. there is a strong circumstantial case that Mrs O'Donnell perpetrated the fraud.

3. The CCRC referred the case of Elena Herd to Southwark Crown Court on 12 August 2022. This appeal, which is conceded by POL, is due to be listed in September where Ms Herd's conviction will be overturned.

4. In the week commencing 29 August 2022, the CACD handed down its judgment in the case of *Grant Allen & Others*, which was heard on 25 July 2022. On the day of the hearings, the CACD formally overturned the five historical convictions in question. The judgment set out the CACD's reasoning for these decisions.

5. Since *Hamilton*, 25 appeals[1] to the CACD have been opposed by POL which have then either been refused permission to appeal (i.e. rejected) by the CACD or abandoned by the appellants.

Criminal cases: Disclosure – investigation into former employee allegations

6. [redacted]

7. Following this liaison, on 24 August 2022, P&P made disclosure in the PCDE in relation to this issue and, on 26 August 2022, the POL Inquiry Team shared the same information with the Inquiry. The note making this disclosure also set out the results of the NBSC call log enquiries (and loss of data of these call logs). This disclosure was held back so that both issues could be dealt with in a single Disclosure Note.

Criminal cases: Other appeals in the pipeline

8. The CCRC is currently considering 26 cases which includes 22 POL-prosecuted cases which may have relied on Horizon data and 4 non-POL prosecuted cases. One case is likely to be referred by the CCRC very soon and Hudgell has informed P&P of an imminent appeal to the CACD. On initial review, POL is likely to concede both appeals.

9. The SCCRC is currently considering 10 cases prosecuted by Crown Office and Procurator Fiscal Service ('COPFS') in Scotland that may have relied on Horizon data (one of which POL was not previously aware, as it may have been investigated by a National Multiple/Strategic Partner rather than POL). Decisions are expected in September on whether they will be referred for appeal. The Public Prosecution Service of Northern Ireland ('PPSNI') has been notified directly of two appeals (see further below in NPPs section regarding other activity in Northern Ireland). PPSNI (or its predecessor) would have been the prosecutor so POL would not be the Respondent.

Criminal Cases: Potential Future Appellants (PFAs)

10. POL identified 706 individuals who may have been convicted in an historical prosecution brought by POL which may have relied on Horizon evidence.

[1] Twenty-five including the case of Robert Clements, which is not included in the 706 potential future appellant number on the basis that the conviction was a pre-Horizon case.

11. The PFA tracing and contact exercise that started in May 2021 has seen POL trace and contact 97% of all POL PFAs[2].

Tracing Results

12. Following mailouts in March and April, 47 PFAs remain uncontacted[3]:
    i. 9 are untraceable with all tracing avenues of enquiry exhausted;
    ii. 4 are deceased with no next of kin;
    iii. 2 letters have been drafted since the last report to attempt contact with the PFA via their next of kin (these PFA's are not deceased);
    iv. 15 are under investigation with POL with 4 of these PFA's in active tracing;
    v. 17 require further investigation by P&P with the results due mid-September.

CCRC involvement in PFA mailing

13. POL and P&P continue to coordinate with the CCRC, with a meeting scheduled to take place on 8 September 2022 to consider further CCRC mailouts. POL will report on the progress of, and response to contact attempts. POL and P&P will collaborate on the content, timing and sequencing of mailouts with the CCRC.
14. On 21 July 2022, POL provided the CCRC with details of the PFAs who had requested no further contact and those that POL had not been able to trace. The CCRC is considering how it can use its section 17 powers to aid tracing these PFAs.
15. As of 30 August 2022, we await a disclosure request from 30 PFAs who have had their identification verified[4]. Disclosure collation has started following a request from 15 PFAs. In addition, POL have made disclosure to 140 PFAs whom have not appealed to date. This is the best indication of potential future appeals.

Criminal cases: Non-POL PFAs

16. There are 279 individuals who were, or may have been, convicted by public prosecutors (e.g. DWP, CPS) using Horizon evidence provided by POL. Although POL would not be the Respondent to any appeals and owes no direct legal duty of disclosure to these PFAs, POL continues to liaise with the non-POL prosecutors ('NPPs') to help identify all PFAs, provide disclosure and ensure consistency of approach. Following proactive steps by POL and P&P, the CCRC is now liaising directly with the NPPs with a view to the CCRC taking responsibility for contacting these PFAs.

[2] 684 PFAs have been traced and contacted, including PFAs engaging POL via their solicitor as well as current and prior appellants.
[3] Due to the unique circumstances in most of these cases, MI reporting will need new categories on Relativity to maintain reporting integrity and a consistent audit trail in the data. The team are working on defining these categories in Relativity.

[4] Of these 30 PFAs that have had their identification verified, 25 requests are older than six months and 5 are not more than six months old.

17. Apart from some HSD Call Logs still awaited from FSL and emails from Mimecast, the document gathering exercise has largely concluded. As a result, POL/P&P has now made disclosure to the following NPPs:

    a. DWP: Disclosure of 10 sample cases on 3 August 2022;
    b. CPS: Disclosure of 8 sample cases on 5 August 2022;
    c. SCCRC: Disclosure of additional material identified for 9 existing SCCRC applicants, and 1 new applicant on 23 August 2022;
    d. RMG: Disclosure of all documents identified relevant to RMG PFAs on 24 August 2022.

18. POL/P&P anticipates making disclosure to PPSNI and COPFS during w/c 5 September and 12 September respectively.

19. By way of update regarding each NPPs activity:

    a. COPFS[5] has been able to identify on its own systems any case where POL reported a case to COPFS. COPFS is reconciling this list and will provide us with any additional names if there is a difference in the number of PFAs it has identified, compared to the list compiled from POL's records.
    b. DWP is presently taking advice from counsel regarding its post-conviction disclosure duties, and has made some discrete requests for information which are being dealt with by P&P and the disclosure from POL to proceed;
    c. There has been significant activity in Northern Ireland, according to PPSNI:
        i. Of 23 cases, all PFA's have been traced with disclosure provided to 9 PFA's.
        ii. Two appeals have been lodged with the NI Court of Appeal, both represented by Hudgell. No date has been set for either case but the term resumes in September.
        iii. Two individuals have contacted PPSNI in response to PPSNI's mailout to its PFAs. One has been provided with disclosure.
        iv. One case has been withdrawn: POL was not sure whether this case resulted in a conviction, but it appears that the individual did not respond to a summons to appear in court, and in light of the new information in Bates/Hamilton, a decision was taken not to proceed with the case any further and it was withdrawn.
        v. One case has been returned to the original prosecutor who made the decision to prosecute, to consider whether in light of the new information in Bates/Hamilton, the prosecutor would have proceeded to charge the case.
        vi. One case has been overturned as a result of a caution being rescinded, on the basis that the original prosecuting officer considered that the test for prosecution would not have been met had the information in the latest judgments been known to him at the time.
    d. No further information from RMG despite disclosure being made;
    e. CPS indicated that the material that has been disclosed does not appear to be helpful (given that it is not prosecution material) but that it is in continuing discussions with the CCRC about how best to contact its PFAs.
        i. Of 74 cases, all PFA's have been traced and contacted with disclosure provided to 10 PFA's.

[5] Crown Office Procurator Fiscal Service ("COPFS")

Criminal cases: Caution cases

20. [redacted]

Criminal cases: PFA triage

2[redacted]

22. Subject to funding, HRC has approved:
    a. the completion of the review (stages 2 and 3) in respect of those 120 cases;
    b. for those cases confirmed as 'Horizon', contact by POL with the PFAs to inform them of POL's stance if they appealed; and
    c. the commencement of the review of the remaining 390 cases.

9.1

Overturned Historical Convictions (OHC)

23. HSF and POL continue to process applications for interim payments as they are made by individuals whose convictions have been overturned.

24. Key strategic points are:

24.1. [redacted]

24.2.

24.3.

24.4.



Status of Interim Payments (at 26 August 2022)

25. **80** (out of **81**) applications have been made with £100k interim payments made in **69** cases, £75k in **1** case and **3** applications were declined. **6** applicants have been made offers but are yet to accept them. **1** application has recently been received and is being assessed by HSF. **1** applicant has indicated he does not intend to make an application.

Settlement Obligations

9.1

26. As part of the GLO Settlement, POL agreed to take steps to resolve outstanding issues with claimants who were suspended, subject to civil proceedings/charging orders and/or engaged in a bankruptcy process. Completion of these activities has taken time due to dependencies on third parties (i.e. courts, bankruptcy trustees, the GLO Claimants' solicitors, and the GLO Claimants themselves). All outstanding steps are now completed in respect of 73 out of 79 cases, with no further steps needing to be taken in 4 cases *(See Appendix 1).* Steps are now being taken to conclude all actions in the remaining 2 cases ASAP one of which sits with POL.

Postmaster Detriment – Suspension payments

27. [redacted]
Operations Agreement has been written and is currently in the feedback process with UKGI/BEIS.

28. Programme and Process Assurances are underway with Deloitte and are progressing to plan. The first draft of the Programme Assurance has been provided and this document is being finalised prior to then being provide to HMC/HRC for noting. No areas of concern have been found with this assurance with the report largely green with some yellows (potential improvement identified) The Process Assurance is expected to be completed by mid- September and discussions are ongoing regarding the legal aspects of the process now HSF have produced the Case Assessment and consequential loss Principles.

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Discussions on governance are currently being finalised, such as whether there is an internal or external panel and papers are due to be presented to HRC on 27 September 2022 for decisions.

29. Suspension Data assurance is now complete with a 100% QA check on all data.

30. The legal case assessment team is being stood up with two LCA's recruited and a further LCA to join the team in November. Discussions are ongoing with the legal team to ensure resource to review CL claims is in place when required.

Postmaster Detriment - Outstanding Balances

31. A meeting is scheduled for 15 September with UKGI/BEIS to agree the way forward in respect of outstanding balances, however work continues to progress in advance of the strategic decision being taken.
32. Work continues on products / processes which have been identified that may have given rise to detriment in the outstanding balance population. There are now 14 such issues identified. The review of six areas is complete and three are nearing completion, with the rest to be finalised by the end of October. From these areas, 3 have been confirmed as actual detriment, 3 as potential detriment and 1 with no detriment. The other items continue to be investigated.
33. A review of 10 postmaster accounts where payments continue to be made is currently being undertaken to determine whether POL can identify why payments are being repaid. This information will be provided to HRC in October to inform further decision making.

Detriment - Significant Risks/Issues

34. **Unreconciled Loss (outstanding/repaid balances) Detriment**
Given the timescales that have now passed, urgent attention is required on the remaining detriment and potential detriment populations in order to disclose, present viable operational solutions and gain funding. This is particularly the case given the very clear legal advice that POL is acting in breach of the CIJ by continuing to accept payments on outstanding balances. As noted above, BEIS and UKGI are not prepared to commit to additional funding for this area until our estimate of the potential detriment is more robust. We feel unable to assess the potential detriment more accurately without inviting Postmasters to claim. A proposal to manage this risk, is to try and accommodate this potential financial detriment exposure within existing funding envelopes such as HSS or OHC.

35. **Suspended Payments Postmaster Detriment**
There remains a risk that funding will not be confirmed within the next reporting cycle and could result in reputational damage given the disclosure of the Suspensions issue has now been made. UKGI/BEIS expect the final approval once the new Government is in place.

36. There is a risk that Postmasters who have been suspended and are contacted in regard to redress could seek compensation for shortfalls which resulted in their suspension. These cases will be dealt with on an individual basis if received and if a claim could have been made via the HSS, will follow the late applications process as agreed at Board.

37. There is a risk that Postmasters who have been suspended and are contacted in regard to redress could seek compensation in relation to the basis of their suspension rather than just the loss of remuneration. If this crystalises, then these cases will be dealt with on an individual basis.

Historical Shortfall Scheme (HSS)

38. **HSS Pre Offer** - Best endeavours are being engaged to deliver a stretch target of 95% of Offers issued by end of Oct 2022, currently on plan for the stretch target of 87% by end of September 2022. The external target is to send out 95% of offers by end of 2022. Risks remain to the delivery of the internal target of 95% of offers by end Oct 2022 (e.g. Panel capacity, obtaining responses from applicants to requests for information, case complexity leading to additional work required and governance requirements), however in mitigation HMC and HRC track performance against forecast on a weekly and two-weekly basis respectively, including risk and issue review and decision-making support.

39. **HSS Post Offer** – Progress is continuing to reduce the time Queried and Disputed Offers spend in the Dispute Resolution process. This includes using experienced POL Senior Managers (Dispute Resolution Team) to support Applicants, providing a single point of contact to keep them informed of progress and manage their disputes more effectively. In addition, an approach has now been agreed with UKGI/BEIS to manage claims immediately prior to Mediation, which will be implemented on a pilot 'test case' basis subject to HRC (Board sub-committee) approval and similarly during the Mediation process itself.

Stamp Scheme (SS)

40. The scheme is now 99% complete - of 181 eligible claimants, 180 have received an Offer (or a suspension letter in 2 cases). Only 1 Offer is left to be sent, which is expected in September 2022.
41. 2 claims have progressed to dispute resolution of which one was resolved post the Good Faith Meeting. The other, which is complex and has received HRC attention/direction, is expected to go to Mediation in late September unless a resolution can be reached before.
42. There is a risk that the complex case which is going to Mediation in late September will not be settled due to the complexity involved and as a result may go to Arbitration, which could lead to adverse publicity. Mitigation: Efforts are focused on reaching an appropriate outcome at Mediation.
43. Project closure activities have commenced ahead of the resolution of the final claim.

Finance

44. POL are awaiting a reforecast of HSF legal costs using the HSF Legal Cost Model (previously called the KPMG model) with estimates for 22/23 to 24/25. These figures will determine the forthcoming budgets and be fed into the Cost Challenge model.
45. As highlighted in the Executive Summary, work continues on the Cost Challenge piece of work with a paper due to be submitted to HRC for discussion in late September.

POL00448625

Appendix 1 - Settlement Implementation status

		Outstanding						
		21-Jul-22		31-Aug-22		Change	Summary	Expected closure date
A	Suspended Claimants	1/21	5%	1/21	5%	0%	1 Individual negotiation with claimant ongoing - Tombstone drafted and awaiting HM legal approval	30 September 2022
B	Claimants with Civil Proceedings	1/19	5%	1/19	5%	0%	1 Northern Ireland based counsel - Final draft of affidavit agreed by HM legal and with Freeths to review before submission to the court.	30 September 2022
C	Bankrupt claimants	0/28	0%	0/28	0%	0%	FULLY COMPLETE	
D	Claimants with Civil Proceedings and Bankrupt	1/4	25%	1/4	25%	0%	1 waiting for signed consent order	TBC
E	Other claimants	3/7	43%	3/7	43%	0%	3 convicted claimants with no current leave to appeal.	TBC
	Totals	6/79	8%	6/79	8%	0%		

		Fully complete				
		21-Jul-22		31-Aug-22		Change
A	Suspended Claimants	20/21	90%	20/21	90%	0%
B	Claimants with Civil Proceedings	18/19	95%	18/19	95%	0%
C	Bankrupt claimants	28/28	100%	28/28	100%	0%
D	Claimants with Civil Proceedings and Bankrupt	3/4	75%	3/4	75%	0%
E	Other claimants	4/7	57%	4/7	57%	0%
	Totals	73/79	92%	73/79	92%	0%

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POST OFFICE

HMBU Finance Update

27th September 2022

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Contents

Finance Update

1. HMBU Summary of Costs

2. Historical Shortfall Scheme

3. Overturned Historical Convictions

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Executive Summary

- Total actual costs in the month were £4.9m versus a forecast of £5.4m. Costs were lower than forecast in CCRC due to a delay in appeals, Ops Remediation due to timing of Deloitte assurance and OHC due to timing of ENE costs.
- Settlement costs in the month totalled £9.3m, which related to HSS settlements of £9.0m and OHC Interim Payments of £0.3m.
- The 3-Year forecast has been updated after the FY22/23 budget, which was approved by the Board on 4th May. The latest update includes the estimated costs driven by the NBW review and operational costs for Late Applicants. As a result, **the forecast increased by £30m for HMBU over the 3 Year Plan period for the additional expected costs in OHC and HSS Late Applicants, which are partly offset by efficiency savings driven by Rod Campbell's review.**

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Historical Matters P4 Actuals

	Period 4					YTD		
Programme Costs (£m)	**Actual**	**Budget**	**Variance**	**Forecast**	**Variance**	**Actual**	**Budget**	**Variance**
Post GLO - Ops Imp. and Contrac	-	-	-	-	-	-	-	-
CCRC/Prosecution Activity	1.0	0.7	(0.3)	1.3	0.3	2.8	3.5	0.7
Judicial Review	-	-	-	-	-	-	-	-
Post GLO Small Projects	0.0	0.0	(0.0)	0.0	(0.0)	0.1	0.1	0.0
Aged Balances	-	-	-	-	-	0.0	0.2	0.2
Legal / General Advice	0.1	0.3	0.1	0.3	0.1	0.9	1.0	0.2
Historical Shortfall Scheme	2.8	1.8	(1.0)	2.1	(0.7)	8.6	7.3	(1.3)
Overturned Historical Convictio	0.5	0.8	0.3	0.9	0.4	2.1	3.0	0.9
Stamps Scheme	0.0	-	(0.0)	0.0	0.0	0.0	0.0	0.0
HM Ops Remediation	0.2	0.5	0.3	0.4	0.3	0.6	1.6	1.0
HSS Post Offer	0.2	0.8	0.5	0.4	0.1	0.8	2.3	1.5
Total	**4.9**	**4.9**	**(0.1)**	**5.4**	**0.5**	**16.0**	**19.0**	**3.1**

Settlement Costs (£m)	**Actual**	**Budget**	**Variance**	**Forecast**	**Variance**	**Actual**	**Budget**	**Variance**
Overturned Historical Convictio	0.3	-	(0.3)	-	(0.3)	-	-	-
Historical Shortfall Scheme	9.0	18.1	9.1	18.1	9.1	16.4	68.5	52.1
Stamps Scheme	-	-	-		-	0.2	-	(0.2)
Total	**9.3**	**18.1**	**8.8**	**18.1**	**8.8**	**16.6**	**68.5**	**51.9**

Total HMBU Change	**14.3**	**23.0**	**8.7**	**23.5**	**9.3**	**32.6**	**87.5**	**55.0**

Opex costs (£m)	**Actual**	**Budget**	**Variance**	**Forecast**	**Variance**	**Actual**	**Budget**	**Variance**
Staff Costs	0.1	0.1	(0.0)	0.1	(0.0)	0.3	0.2	(0.1)
Total	**0.1**	**0.1**	**(0.0)**	**0.1**	**(0.0)**	**0.3**	**0.2**	**(0.1)**

Total HMBU	**14.3**	**23.0**	**8.7**	**23.6**	**9.2**	**32.8**	**87.8**	**54.9**

- **CCRC:** £0.3m lower than forecast in the month and £0.7m lower than budget YTD due to lower appeals activity.
- **Historical Shortfall Scheme (HSS):** GR timing issue resolved in the month – underspent in P3. Higher than budget YTD due to additional independent panel costs.
- **Overturned Historical Convictions (OHC) :** Lower than forecast and budget YTD due to delays in offers being made to the initial (test) cases.
- **Legal / General Advice:** Lower than forecast due to timing of DSAR / FOIR activity.
- **HM Ops Remediation:** Lower than forecast and budget YTD due to timing of Deloitte assurance on PM Detriment and HSF advice.
- **HSS Post Offer:** Lower than forecast and budget due to fewer good faith meetings than expected as well as no escalations or mediations taking place.
- **Aged Balances:** Work has been paused on Aged Balances. Any future remediation is expected to be rolled up into PM Detriment.
- **Settlement Costs:** Lower than budgeted HSS payments were made due to delays in receiving responses from claimants. £600k of interim payments made in OHC.

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2.1 Historical Shortfall Scheme Pre Offer– FY22/23 Actual Costs

Summary

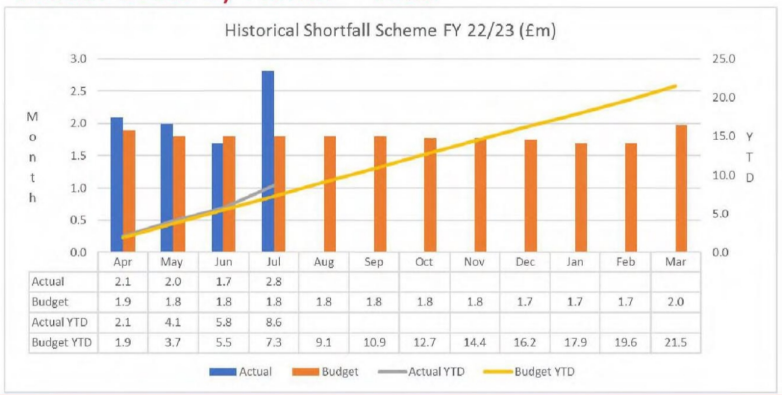
- GR timing issue of £0.6m due to approved budget not being applied to CFS in P3. Higher than budget YTD due to additional independent panel costs and extra central HMBU resources being allocated to HSS, who are assisting with the wider programme.

	Period 4					YTD		
£m	Act	Bud	Var	Forc	Var	Act	Bud	Var
HSF Legal	1.5	1.2	(0.3)	1.1	(0.4)	5.0	5.0	0.0
POL Resource	0.7	0.4	(0.3)	0.6	(0.1)	2.3	1.6	(0.8)
Other	0.6	0.2	(0.4)	0.3	(0.3)	1.2	0.7	(0.6)
Total	**2.8**	**1.8**	**(1.0)**	**2.0**	**(0.8)**	**8.6**	**7.3**	**(1.3)**

Actual Cost Commentary

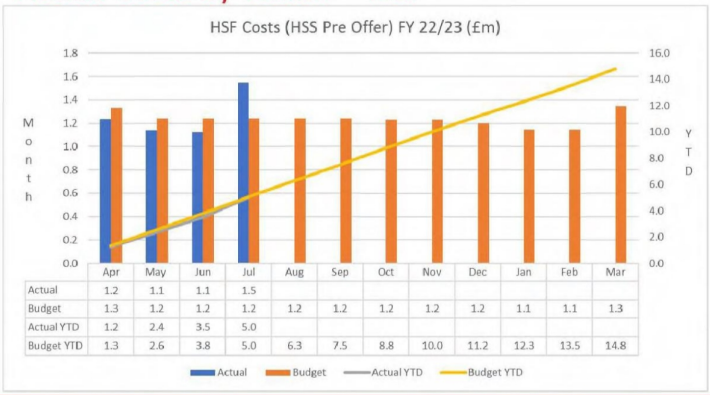
- The costs are £0.8m above the 3+9 forecast due to a governance delay, where the approved budget was not applied to CFS, following the Board meeting on 7th June. As a result two GR transactions failed and now appear in P4. This is now rectified going forward
- YTD costs are adverse to budget due to the increased independent panel costs, which were agreed by HRC in May. Additionally central HMBU resources are charged to the project and will be forecast from P5.

Actual Costs by Month – Total



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	2.1	2.0	1.7	2.8								
Budget	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7	2.0
Actual YTD	2.1	4.1	5.8	8.6								
Budget YTD	1.9	3.7	5.5	7.3	9.1	10.9	12.7	14.4	16.2	17.9	19.6	21.5

Actual Costs by Month – HSF



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	1.2	1.1	1.1	1.5								
Budget	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.3
Actual YTD	1.2	2.4	3.5	5.0								
Budget YTD	1.3	2.6	3.8	5.0	6.3	7.5	8.8	10.0	11.2	12.3	13.5	14.8

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2.2 Historical Shortfall Scheme Post Offer– FY22/23 Actual Costs

Summary

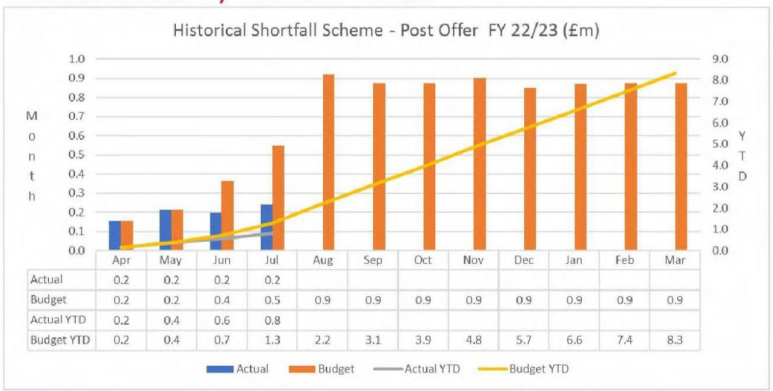
- Slightly reduced costs vs. forecast due to lower dispute volumes.

Actual Cost Commentary

- Actuals are broadly in line with forecast. The slight reduction is due to lower dispute volumes. There have been no mediations in the month.
- The original budget included a significant number of disputes, which have not yet materialised.

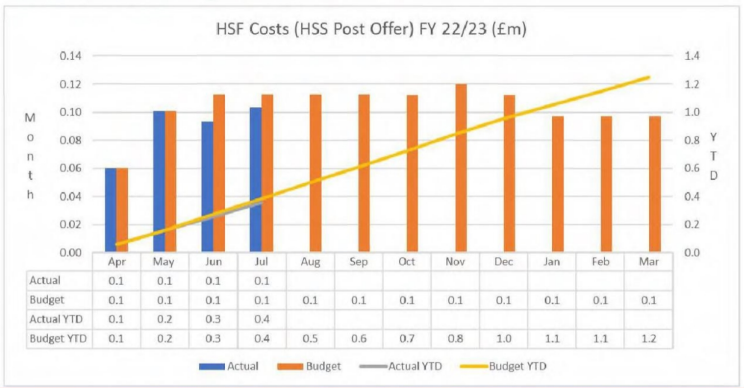
	Period 4					YTD		
£m	Act	Bud	Var	Forc	Var	Act	Bud	Var
HSF Legal	0.1	0.1	0.0	0.1	(0.0)	0.4	0.4	0.0
POL Resource	0.1	0.2	0.0	0.2	0.0	0.4	0.5	0.1
Other	0.0	0.3	0.3	0.1	0.0	0.0	0.4	0.3
Total	**0.2**	**0.5**	**0.3**	**0.3**	**0.1**	**0.8**	**1.3**	**0.5**

Actual Costs by Month – Total



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	0.2	0.2	0.2	0.2								
Budget	0.2	0.2	0.4	0.5	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Actual YTD	0.2	0.4	0.6	0.8								
Budget YTD	0.2	0.4	0.7	1.3	2.2	3.1	3.9	4.8	5.7	6.6	7.4	8.3

Actual Costs by Month – HSF



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	0.1	0.1	0.1	0.1								
Budget	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Actual YTD	0.1	0.2	0.3	0.4								
Budget YTD	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	1.0	1.1	1.1	1.2

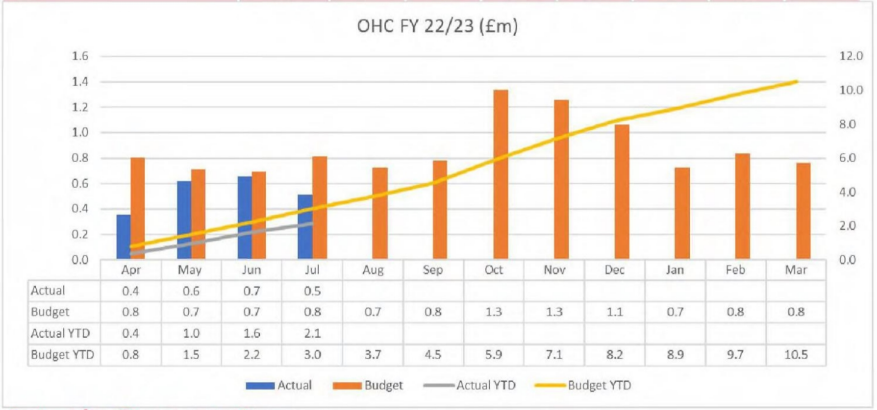
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3.1 Overturned Historical Convictions

YTD Actual Costs

£m	Period 4					YTD		
	Act	Bud	Var	Forc	Var	Act	Bud	Var
HSF Legal	0.3	0.6	0.3	0.6	0.4	1.4	1.9	0.5
Other Legal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
POL Resource	0.1	0.1	0.0	0.1	(0.0)	0.3	0.3	(0.0)
Other	0.2	0.0	(0.2)	0.2	0.0	0.5	0.0	(0.5)
Total	**0.5**	**0.7**	**0.2**	**0.9**	**0.4**	**2.1**	**2.2**	**0.1**



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	0.4	0.6	0.7	0.5								
Budget	0.8	0.7	0.7	0.8	0.7	0.8	1.3	1.3	1.1	0.7	0.8	0.8
Actual YTD	0.4	1.0	1.6	2.1								
Budget YTD	0.8	1.5	2.2	3.0	3.7	4.5	5.9	7.1	8.2	8.9	9.7	10.5

Actuals Commentary

- Actual costs in the month were £0.4m under forecast due to delays in offers being made to test cases, partly offset by additional costs of managing the ENE process.

Forecast (4+8)

OHC	20/21	21/22	22/23	23/24	24/25	Total
HSF Legal	0.0	3.5	4.9	0.0	0.0	**8.4**
Other	0.0	0.4	1.3	13.7	9.0	**24.4**
POL Resource	0.0	0.2	1.3	1.3	1.3	**4.1**
Total	**0.0**	**4.1**	**7.5**	**15.0**	**10.3**	**36.9**

Forecast Commentary

- A reforecast has been completed, which shows an increase of £17m over 3 years, based on costs paper from NBW to remediate 293 claimants.
- The forecast will be refined in the coming months, as the costs are refined for the number of cases.

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3.2 Overturned Historical Convictions Settlement Model Update

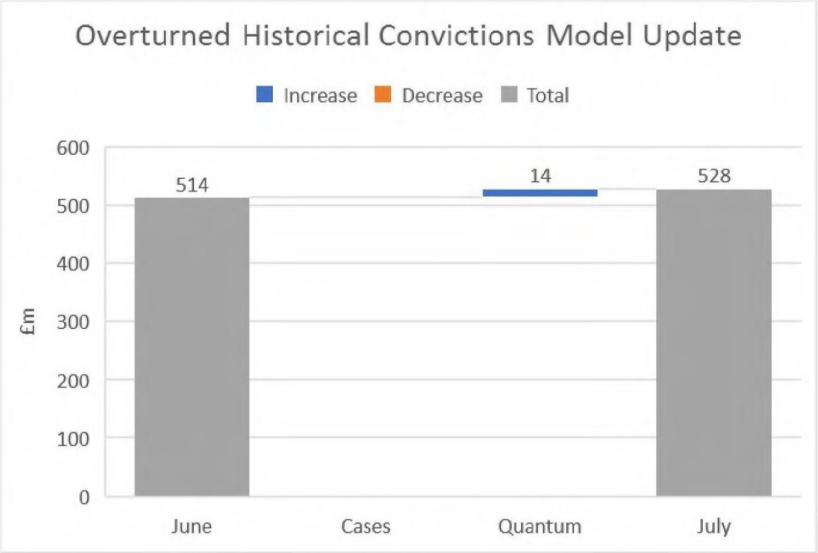
- The provision has increased to £528m, due to the ENE report from Lord Dyson, resulting in movements in some non-pecuniary Heads of Loss.

Commentary

- Revised assumptions based on 293 cases.
- Interest rate treatment is 3.45% compound basis.
- The Quantum per case increased to c. £1.8m.

Model Assumptions

Number of cases – 293
Quantum per Case - £1.8m



Estimated Cases

Potential Exposure	Estimates No Of Cases
P&P Lower	***269***
P&P Higher	***409***
HSF Worst Case	***650***
Average P&P	***339***

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POST OFFICE LIMITED
BOARD REPORT

Title:	HSS Pre-Offer Funding October 2022	**Meeting Date:**	27th September 2022
Author:	Catherine Connolly, Project Manager	**Sponsor:**	Ben Foat, Group General Counsel

Input Sought: Noting

The Board is requested:

To note without presentation following approval from HMFM: a funding request for £2.053m (including IVAT) to cover pre-Offer HSS running costs for the month of October 2022 only.

This request includes output from the HSF modelling and subsequent HSF London cost challenges which were included in the HM budget paper for 2021/2022.

The HSS Pre Offer budget is currently being reviewed as part of Rod Campbell's challenge with HSF. It is expected that this challenge will be complete by the end of November 2022 with the potential for savings to be made.

Previous Governance Oversight

- HM Review Group (HMRG) - 1st September 2022
- HM Funding Meeting (HMFM) - Offline Approval 14th September 2022

9.1

Executive Summary

The Historical Shortfall Scheme (HSS) reached its internal stretch target to issue 80% of Offers by the end of August 2022. The focus has now shifted to hitting the internal stretch target of 95% of Offers sent out by the end of October 2022.

The Historical Shortfall Scheme was launched on 1st May 2020 and officially closed to claimants on the 14th of August 2020, though exceptional circumstances led to applications being allowed until the 27th of November 2020.

POL originally assumed approximately 500 applicants to the scheme but to date there are 2,543 applications. Consequently, this has led to an increase in initial cost estimates to manage the scheme and extended the timeline for resolution of all claims.

The scheme is being managed using the external legal firm Herbert Smith Freehills (HSF), with resource from Post Office operational areas. The core teams are:

- HSF - managing the assessment and triage of claims into the scheme and recommendations to the Independent Advisory Panel (Panel).
- POL Case review resource - managing the scheme mailbox and interactions with Claimants including completing eligibility/IDV and sending offer letters.
- POL Claim review team - responsible for the document collation and shortfall analysis for claims into the scheme
- POL Payroll Team – Process payments and calculating PAYE/NIC for current and former PMs (Project Manager).

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- Independent Advisory Panel - review HSF's output and making recommendations on claims into the scheme
- HM Resource across Legal/PMO and the HSS Project Team

These teams carry out specific tasks but come together to provide the end-to-end scheme process. Detailed process flows have been drawn up by the HSS project team detailing the claim lifecycle at a granular level.

In Feb 2021, the HSS project team requested a detailed breakdown of forecasted costs and activities from HSF for the period June 2021 to February 2022. The forecasts received were significantly higher than originally anticipated. Following discussions with HMU Legal and Finance, it was agreed that the tracking of forecast vs actual spend needed to be improved to ensure POL receives value for money. Controls are in place to review monthly forecasts with HSF. Once received HSF London invoice content is reviewed with HMU Legal. Any subsequent challenge on time and costs is then taken up with HSF.

Questions addressed

1. What does the HSS provide?

   Administering the HSS provides Post Office with a mechanism to effectively manage its obligations to Postmasters and reduce the Threat of costly group litigation action and the adverse media coverage seen previously.

Report

Financial Impact

2. Funding required to ensure that HSS Pre Offer stays within Financial Governance Post September 2022.

Risk Assessment, Mitigations & Legal Implications

3. Effect on schedule:
   Schedule will be delayed without the funding.

4. Effect on resource requirements:
   Current resource requirements for October 2022 will not be met without this funding being approved

5. Effect on other projects /activities /programmes:
   Without funding the HSS scheme would not be able to deliver against the current plan, nor be able to redress claimants, opening the possibility of legal challenges from claimants. This would impact the organisation both reputationally and financially.

6. Effect on Postmasters of this change to the project:
   Without funding claims will not be progressed through to completion according to the project schedule.

7. Effect on benefits plan:
   Without funding the HSS and POL won't be in a position to deliver against the current plan and offer redress for those who may have experienced shortfalls related to previous versions of the Horizon computer system.

9.1

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8. Effect on risk profile:
Without funding the risk is that HSS operates outside of financial governance beyond Sept 2022.

Stakeholder Implications

9. Funding to continue the HSS ensures that BEIS/UKGI and POL can provide fair recompense to impacted Postmasters.

Other Options Considered

10. As the project is moving to issue the final 20% of current HSS claim offers, other options for delivery are not being considered as this would impact the plan and the goal to reach internal stretch target of 95% of Offer letters sent out by the end of Oct 2022.

Next Steps & Timelines

11. HSS Pre Offer to submit a further CR in October for additional funding to be approved at POL Board on the 1st November.

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Appendix 1

Cost Forecast:

Cost forecast breakdown: October 2022 Funding (Inc. IVAT)

£'000 Inc iVAT(where applicable)	Oct 22	Total + iVAT*
HSF Belfast		
Claim Assessment [1]	927	
Apportionment to Post Offer	**-55**	
Total HSF Belfast	**872**	**872**
HSF London - Disbursement		
Independent Advisory Panel Costs [2]	290	
Total HSF Panel Disbursement	**290**	**290**
HSF London - Legal Advice		
General [3]	78	
Shortfall Assessments [4]	27	
HSF Independent Advisory Panel Support [5]	75	
HSF Governance [6]	29	
UKGI (UK Government Investments) Requests from HSF [7]	22	
Out of scope adhoc HSF Legal Advice [8]	20	
De minimis [9]	1	
RFI's [10]	5	
QC Costs [11]	7	
HSF London Legal Project Management Fee [11a]	38	
Total HSF London	**302**	**302**
POL Resource		
POL Programme Resource (PM/BA/PMO/Finance/Legal) [12]	275	
POL Operational Resource		
POL Case/Claim Review Team [13]	204	
DSAR Team [14]	12	
Other		
Data Protection Resource [15]	40	
FJ ARQ (Audit Record Query) Requests [16]	6	
Oasis Branch File Scanning [17]	2	
Brodies Legal Advice [18]	1	
Payroll Team Resource [19]	2	
KPMG Cost for Relativity Hosting [20]	47	
Total Resources	**589**	**589**

Total Funding Required		**2053**

9.1

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POST OFFICE LIMITED
BOARD REPORT

Title:	HSS Post-Offer Funding October 2022	**Meeting Date:**	27th September 2022
Author:	Paul Gallagher, Project Manager	**Sponsor:**	Ben Foat, Group General Counsel

Input Sought: Noting

The Board is requested to:

To note without presentation following approval from HMFM: a funding request for £475k (incl. IVAT) to cover HSS Post Offer work stream running costs in October 2022.

This request includes output from the HSF modelling and subsequent HSF London cost challenges which were included in the HM budget paper for 2021/2022.

Elements of the HSS Post Offer Budget are currently being reviewed as part of Rod Campbells challenge with HSF. It is expected that this challenge will be complete by the end of November 22 with the potential for savings to be made.

Previous Governance Oversight

- HM Review Group (HMRG) - 1st September 2022
- HM Funding Meeting (HMFM) - Offline Approval 14th September 2022

9.1

Executive Summary

The HSS Post Offer workstream manages and tracks each case from the point the Settlement Offer is sent to the Applicant. This includes the Disputes Resolution Process which applies where an Applicant is dissatisfied with the outcome of their Application.

The Dispute Resolution Process drives three main costs in the HSS Post Offer Workstream:

i. Applicant triggered event costs – each stage of the Dispute Resolution Process (Good Faith Meeting, Escalation Meeting, Mediation, Arbitration) incurs a cost. The volume and timings of these events can be uncertain due to the factors involved individual cases. A model is used to forecast events using assumptions provided by HSF and HM Legal. These assumptions are being challenged as more offers are sent out.

ii. HSF Legal costs – these costs are variable, dependent upon the volume of cases moving through the Dispute Resolution Process.

iii. Running costs – primarily made up of resource costs and HSF e-Discovery costs from HSF ALT. These costs can be forecast to a degree of certainty.

A cost saving of £1.437m will be realised over the next 3 months (of which c.£479 will be realised during October), this is primarily driven from changes to assumptions made in terms of the flow of cases through the dispute resolution process. These changes to assumptions are driven by two factors:

1. The introduction of a Dispute Resolution Team, which has enabled more cases to be solved earlier in the Dispute process than previously assumed
2. Underlying changes to applicant behaviour when compared to what was previously assumed.

The volume of 'Disputes-in-Progress' within the DRP is expected to peak at ~270 cases in early December 2022, which will require the current work stream to be at full strength.

Question addressed

1. Why is this funding necessary?

   Administering the HSS provides Post Office with a mechanism to effectively manage its obligations to Postmasters and reduce the threat of costly group litigation action and the adverse media coverage seen previously. Not providing funding for an effective dispute resolution would inevitably create litigation costs in the future.

Report

Financial Impact

2. Funding required to ensure that HSS Post Offer stays within Financial Governance Post September 2022, when current funding runs out.

Risk Assessment, Mitigations & Legal Implications

3. Effect on schedule:
   Schedule will be delayed without the funding, which will impact applicants in dispute

4. Effect on resource requirements:
   Current resource requirements will not be met without this funding being approved

5. Effect on other projects /activities /programmes:
   Without funding the HSS Post Offer Workstream would not be able to provide effective and fair resolution for claims in dispute. This would impact the organisation both reputationally and financially.

6. Effect on Postmasters of this change to the project:
   Claims will be progressed through to completion providing closure for impacted applicants.

7. Effect on benefits plan:
   Without funding HSS and POL will not deliver against the current plan or be able to effectually resolve claims in dispute for those who may have experienced shortfalls and other Heads of Loss related to previous versions of the Horizon computer system.

8. Effect on risk profile:
   This will mitigate the risk that HSS stays within financial governance beyond Sept 2022.

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Stakeholder Implications

9. Funding to continue the HSS ensures that BEIS/UKGI and POL can provide fair recompense to impacted Postmasters without further litigation for disputed cases.

Other Options Considered

10. Options to use the DRT in other stages of DRP reducing the reliance on external lawyers is being reviewed.

Next Steps & Timelines

11. HSS Post Offer to submit a further CR in October for additional funding to be approved at POL Board on the 1st November.

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Appendix 1

Cost Forecast:

£'000s including iVAT where applicable	Oct 22	Total (Inc IVAT)
DRP Event 1 Good Faith Meeting (GFM): 47 events [1]		
HSF ALT Post offer Project Mgmt & Claim Mgmt time [2]	55	
HSF - Moderate Good Faith Meetings (GFM) at £900 [3]	28	
HSF - Complex Good Faith Meetings (GFM) at £1500 [4]	31	
Post GFM Correspondence [5]	4	
Post GFM Correspondence Bespoke Letter [6]	4	
DRT - 4 Senior Managers +1 admin Dispute Res Team Resource [8]	24	
POL Project Team Resource [29]	25	
Total	**171**	171
DRP Event 2 Escalation Meeting: 9 events [7]		
DRT- 5 Senior Managers +1 Admin Dispute Res Team Resource [8]	43	
POL Project Team Resource [29]	25	
Total	**68**	68
DRP Event 3: Mediation Meetings: 3 events [9]		
Standard Mediations WMS [10]	8	
Complex Mediations WMS [11]	6	
Confliction Resolution / Mediation Training [12]		
Mediation Solicitor Fees Moderate [13]	28	
Mediation Solicitor Fees Complex [14]	24	
Mediation Meeting Room Costs [15]	3	
HSF ALT Project Management fee for Mediation Meetings [16]	7	
Total	**76**	76
HSF London - Legal Advice events [17]		
Bi-weekly calls [18]	5	
Engage with HMU on the DR process (Esc Mtgs & Med) [19]	8	
Engage with HMU on elements of the DR process (GFMs) [20]	4	
Engaging with HMU on applicant rejects and queries [21]	9	
Sup ALT answering questions in relation to GFMs [22]	20	
Sup ALT answering questions in relation to Initial Triage [23]	1	
Total	**47**	47
HSF ALT Discovery		
HSF ALT eDiscovery Costs [24]	11	
Total	**11**	11
POL Resource:		
POL Project Team Resource [25]	25	
Post Office Operations [28]	17	
Total	**42**	42
20% Internal IAP Recharge Pre to Post Offer [27]	60	
Total	**60**	60
Total Funding Requested		**475**

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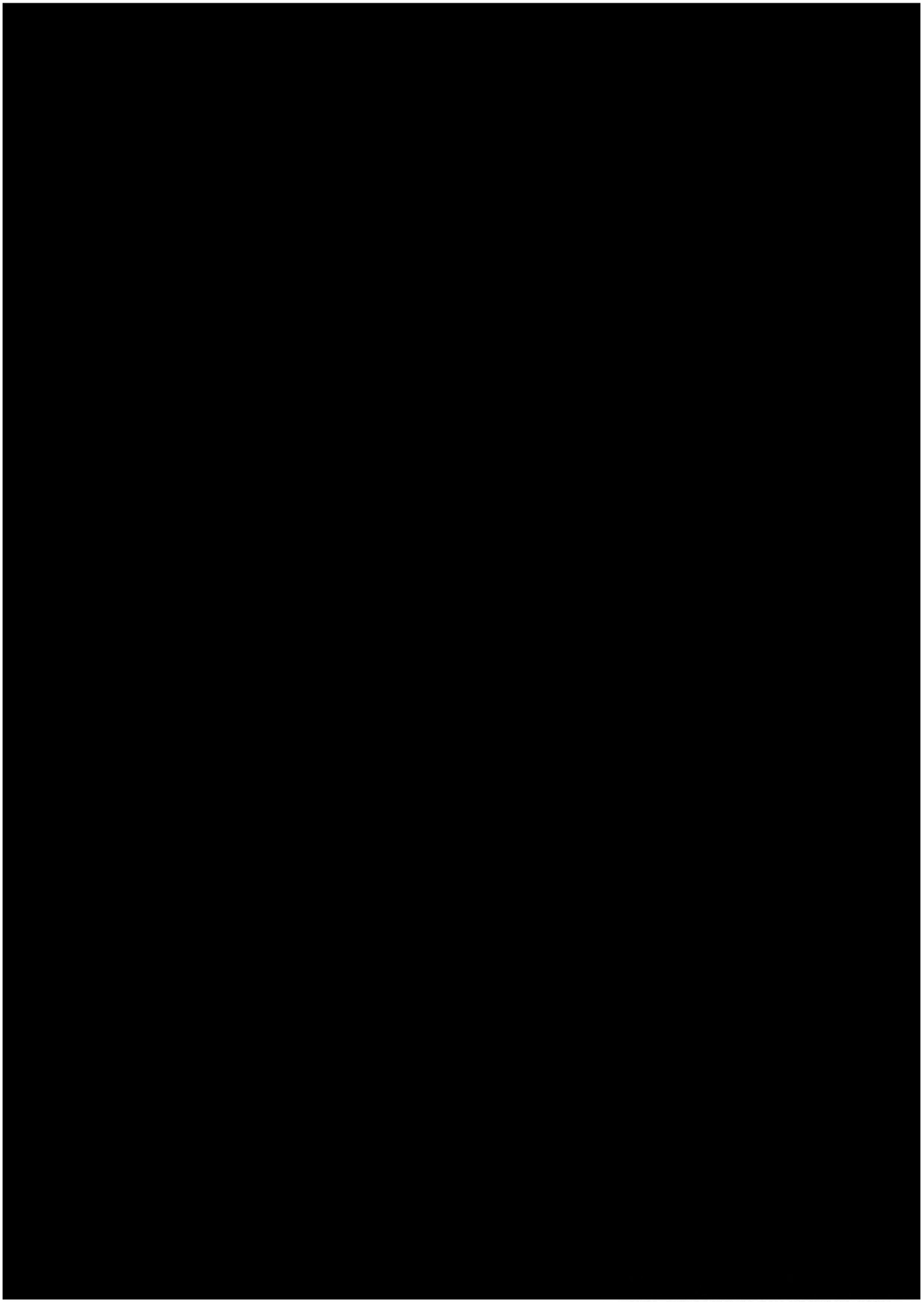
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POST OFFICE LIMITED
BOARD REPORT

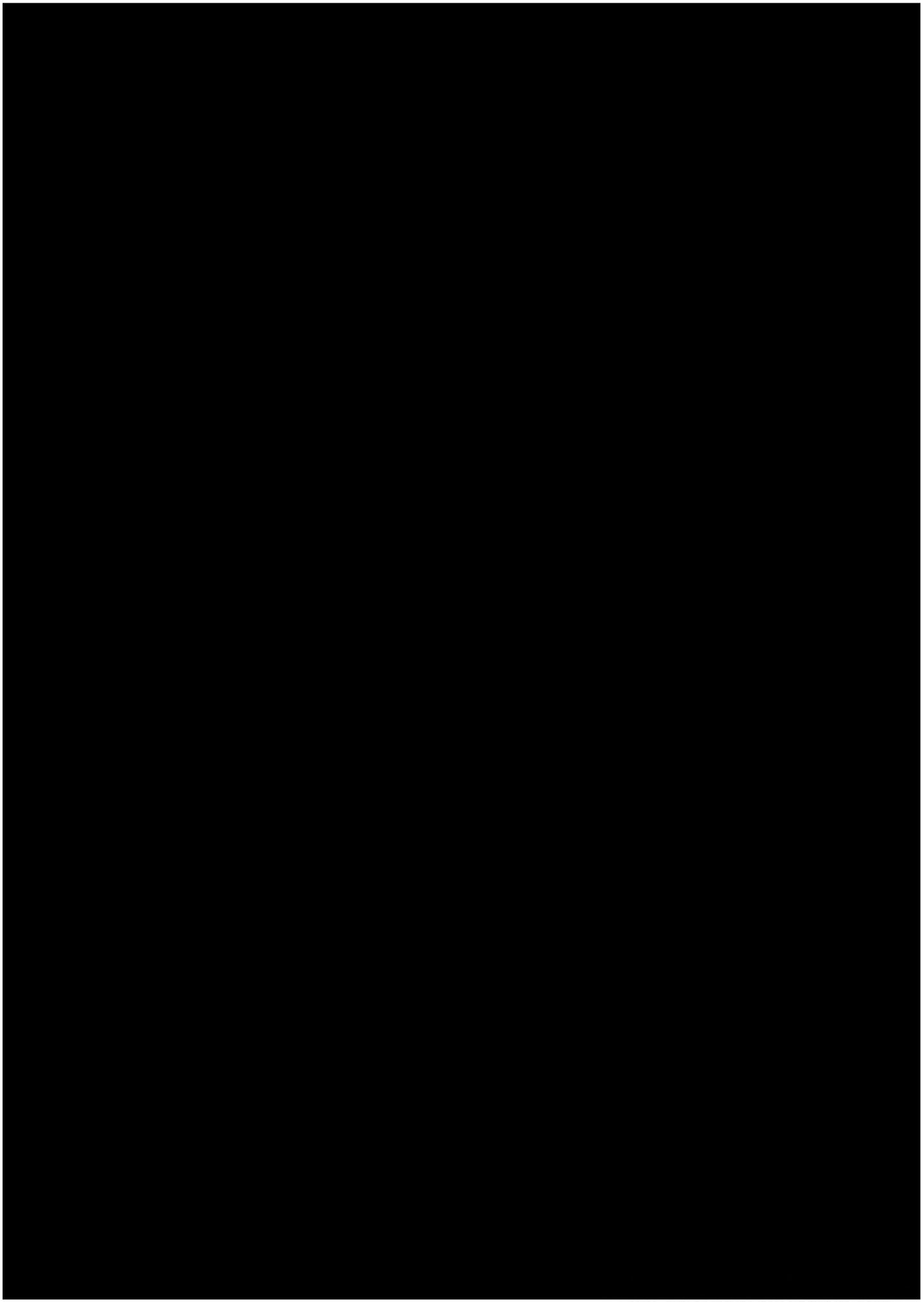
Title:	Post Office Horizon IT Inquiry: Update	**Meeting Date:**	27 September 2022
Author:	Tom Crawford: Senior Legal Counsel Fintan Canavan: Inquiry Director	**Sponsor:**	Ben Foat: Group General Counsel

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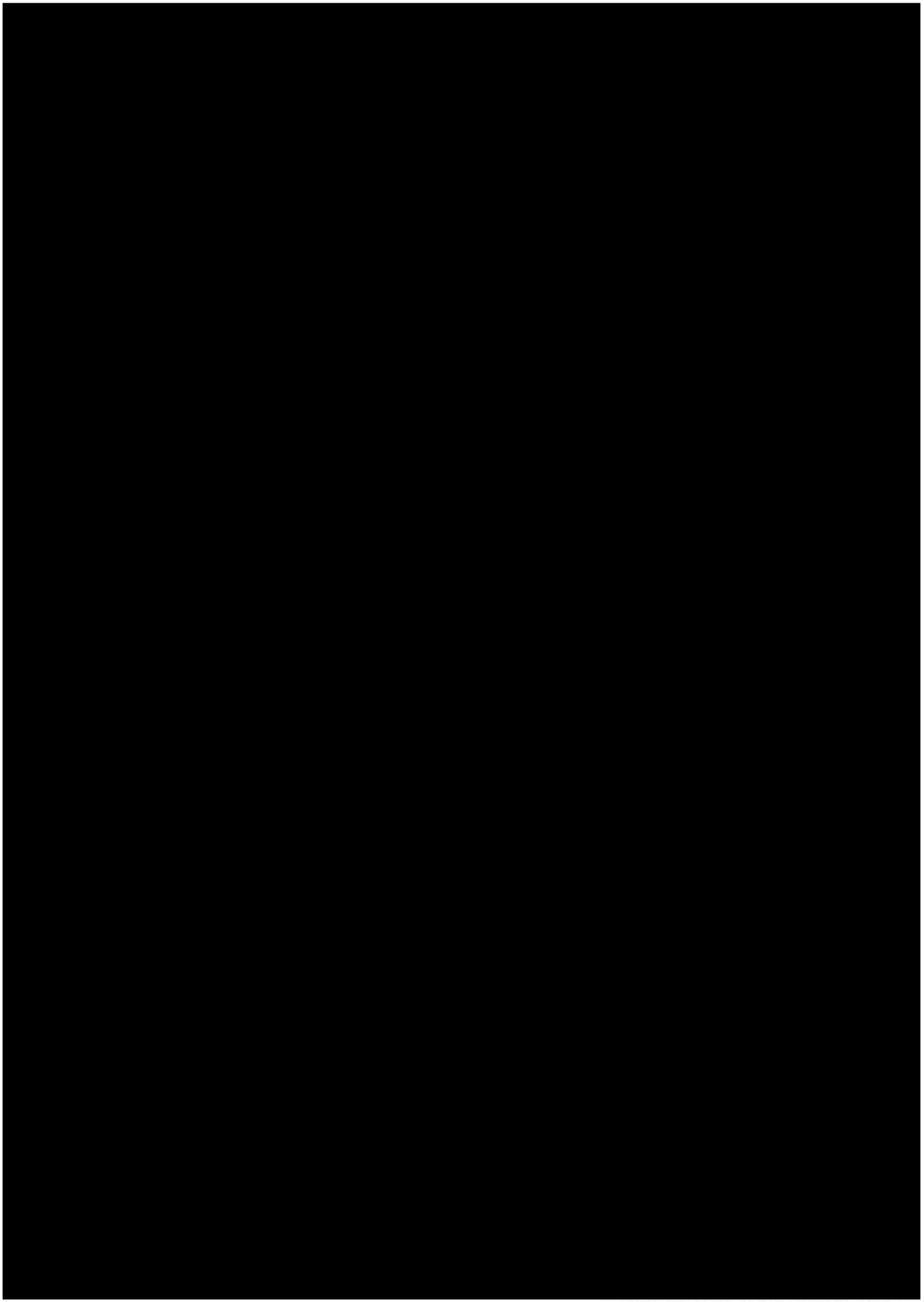
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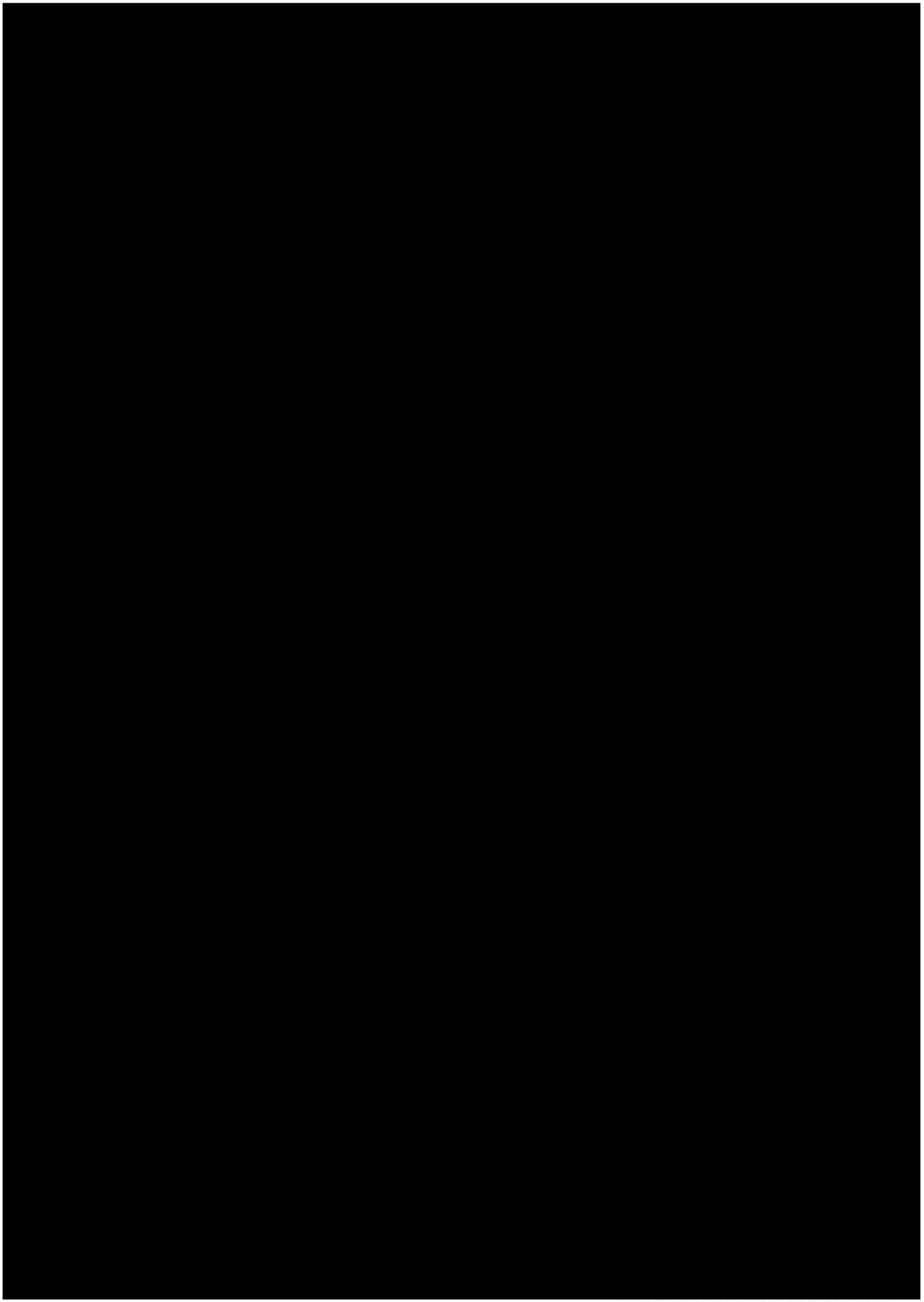
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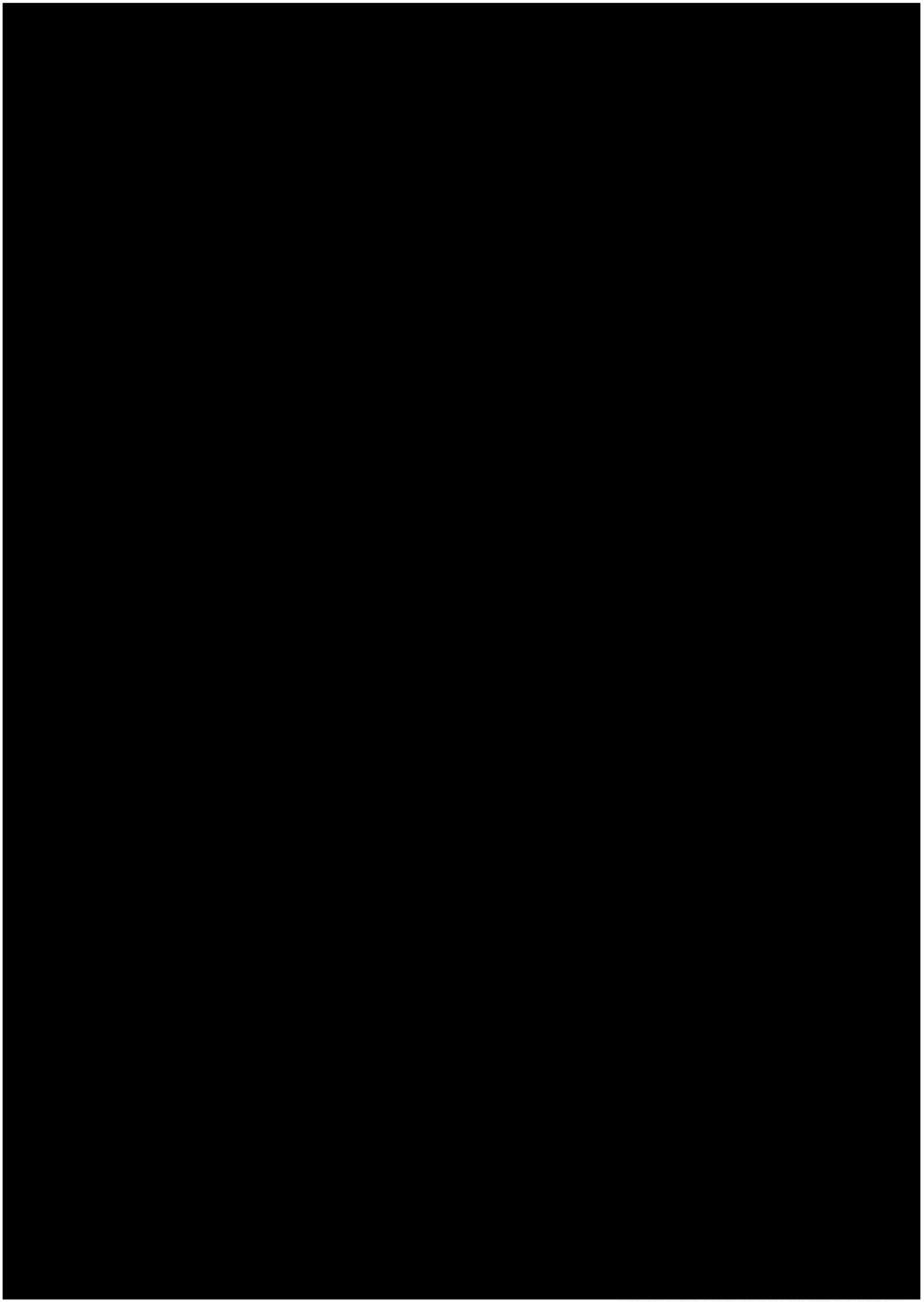
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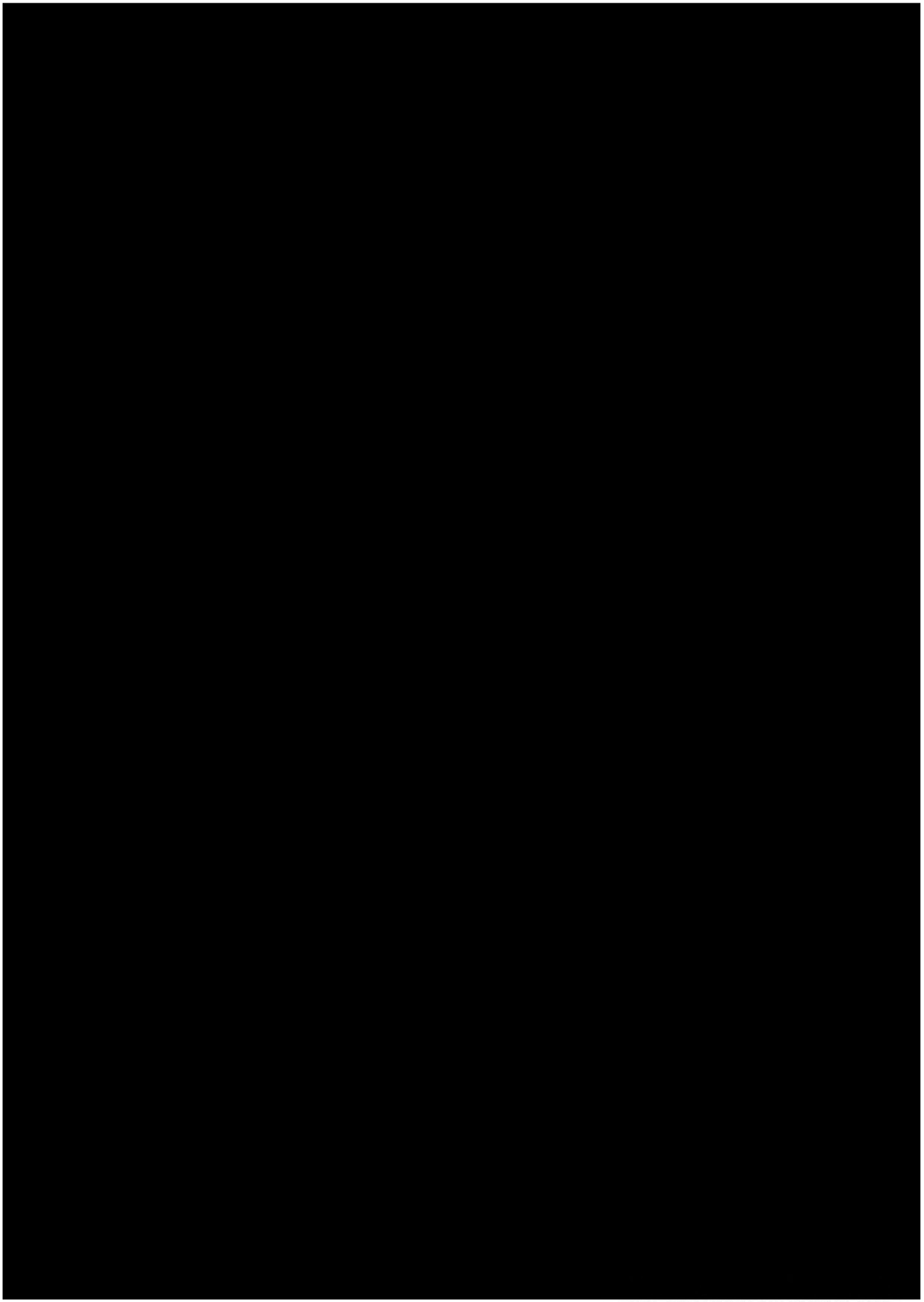
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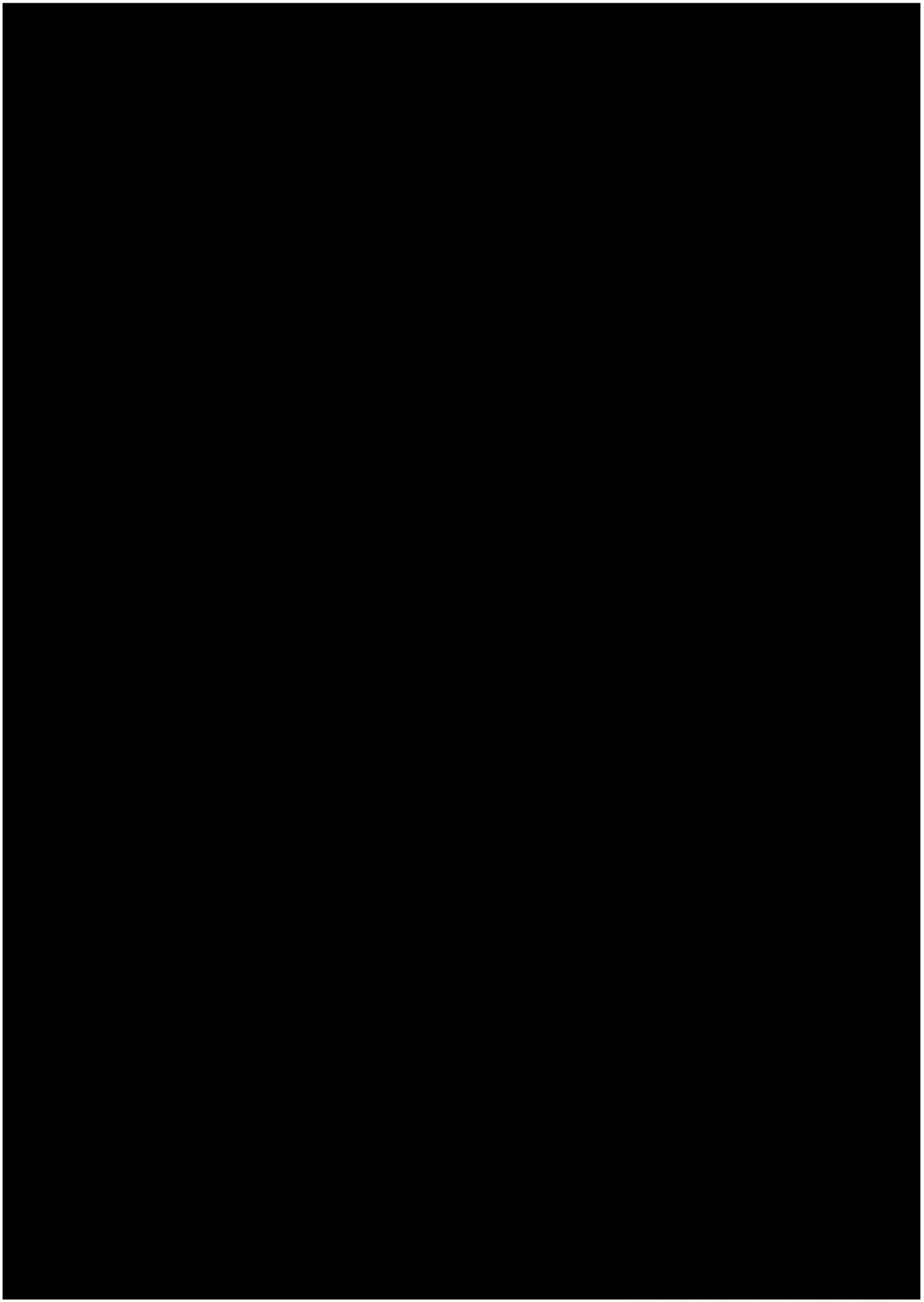
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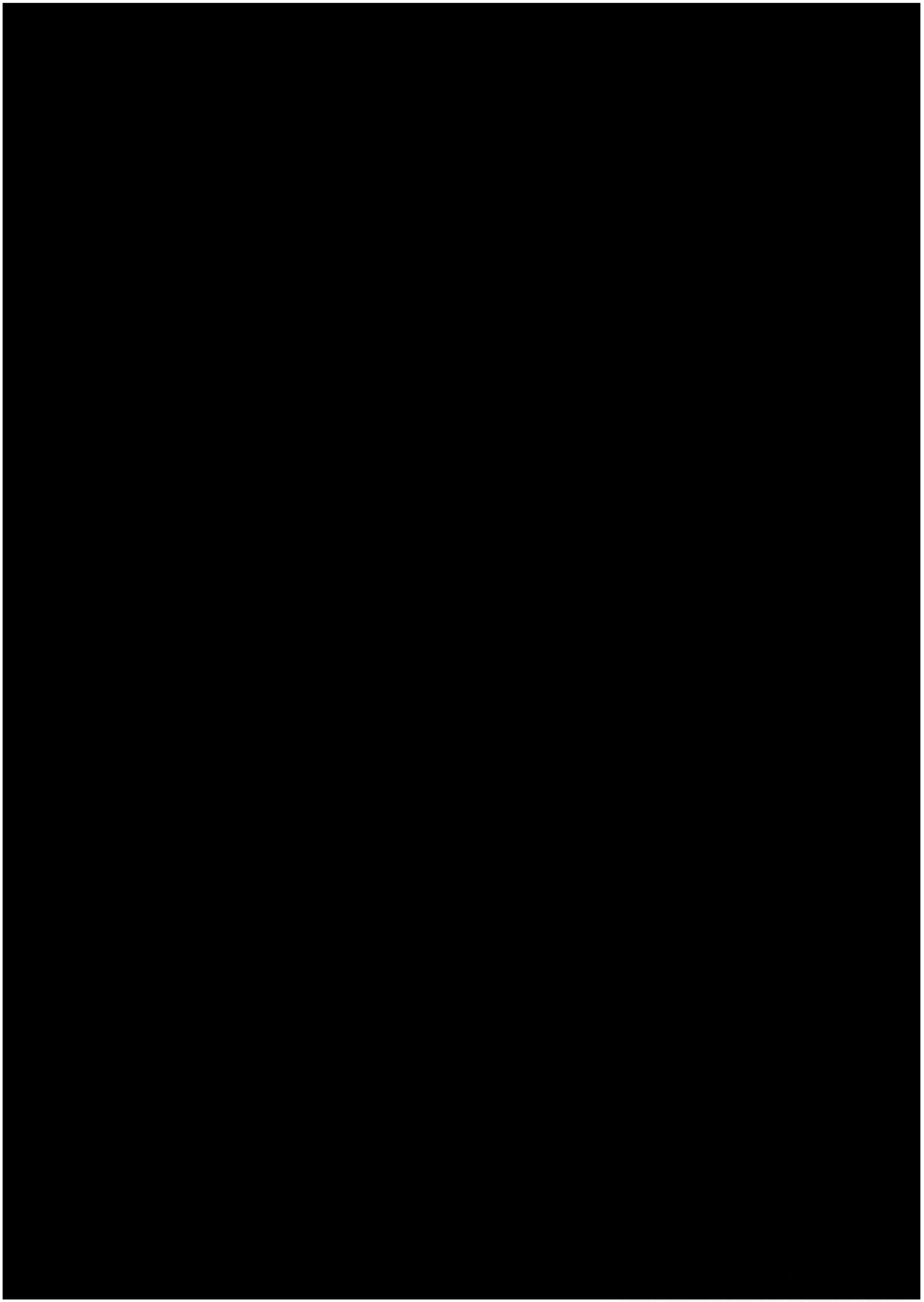
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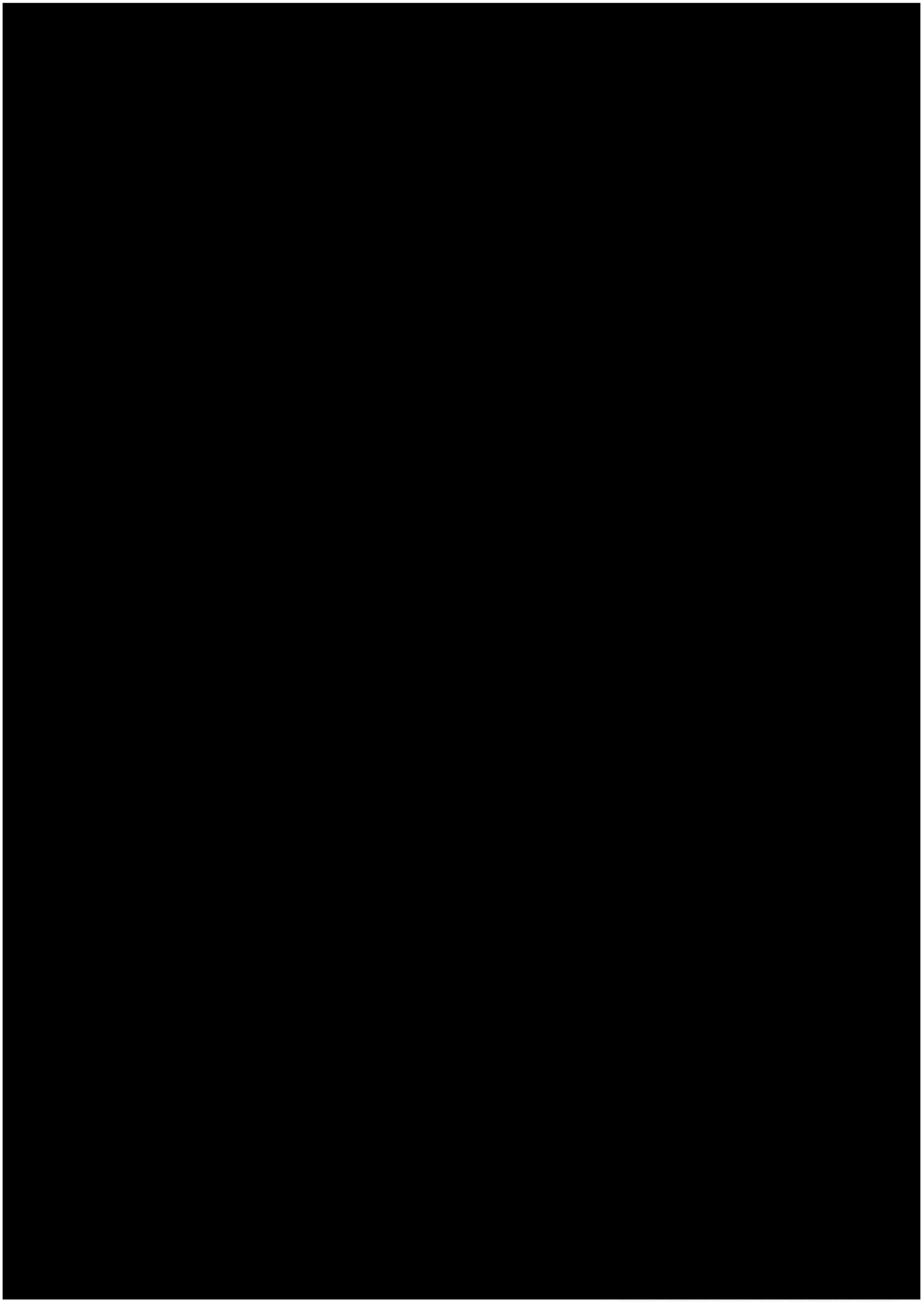
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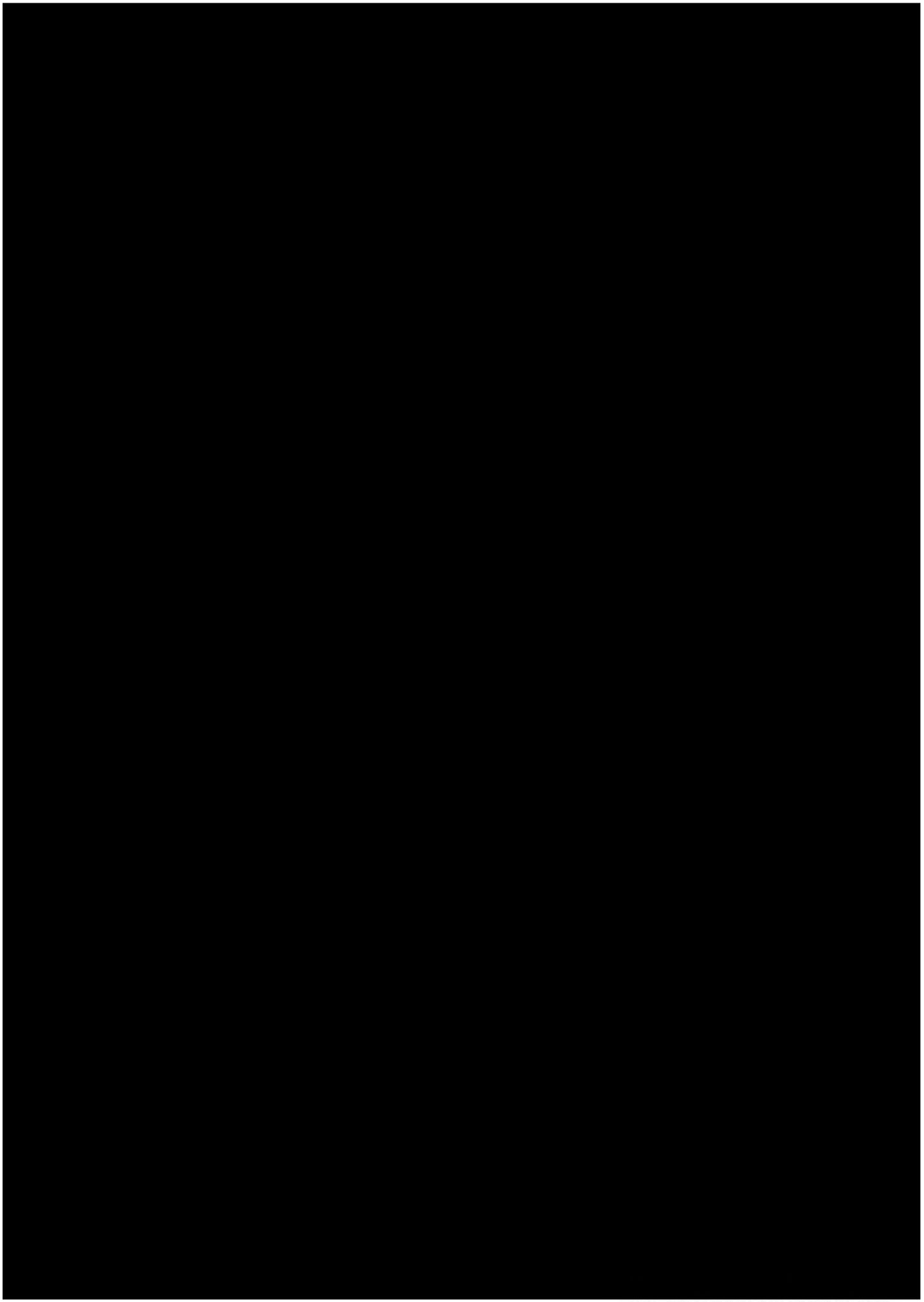
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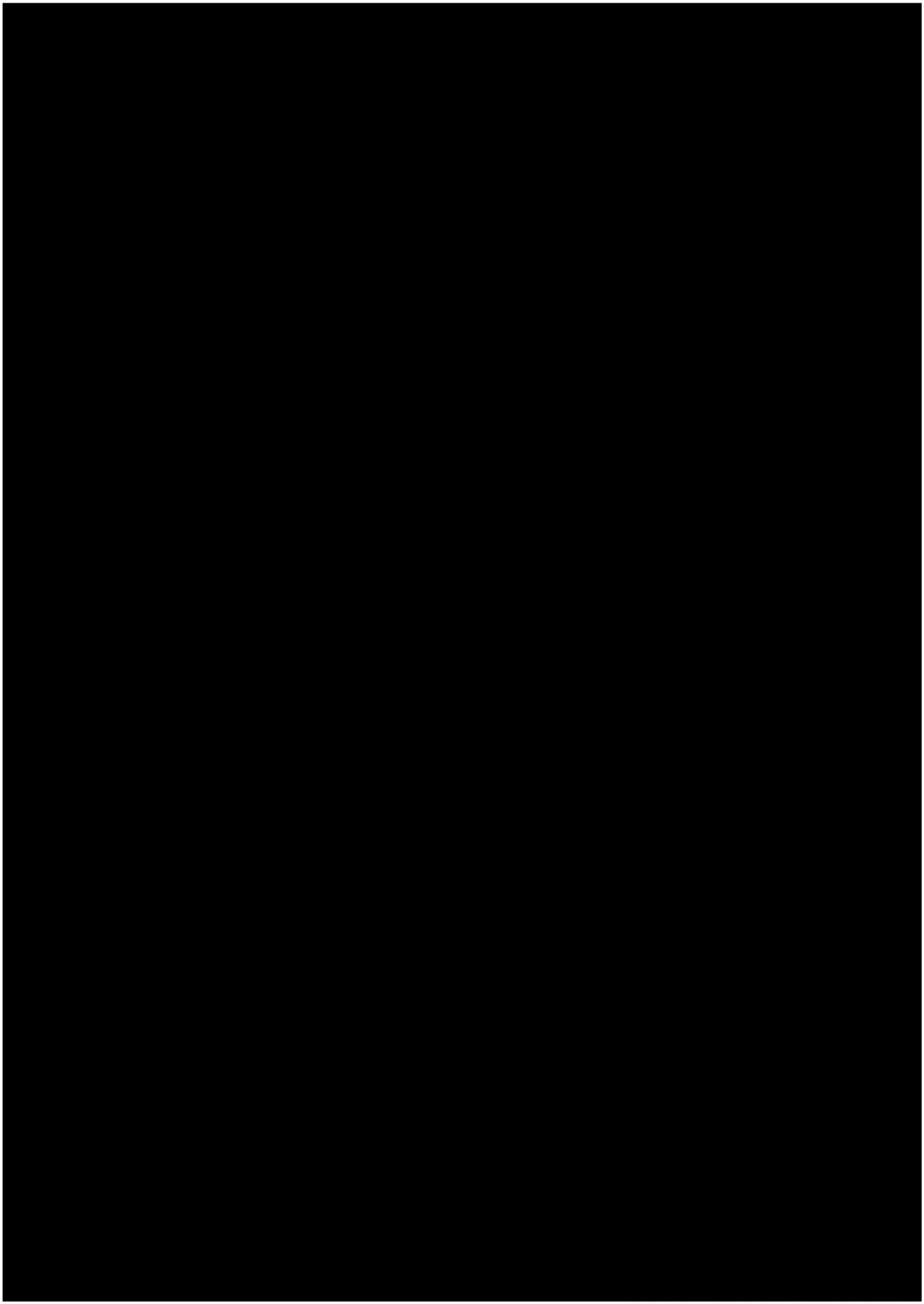
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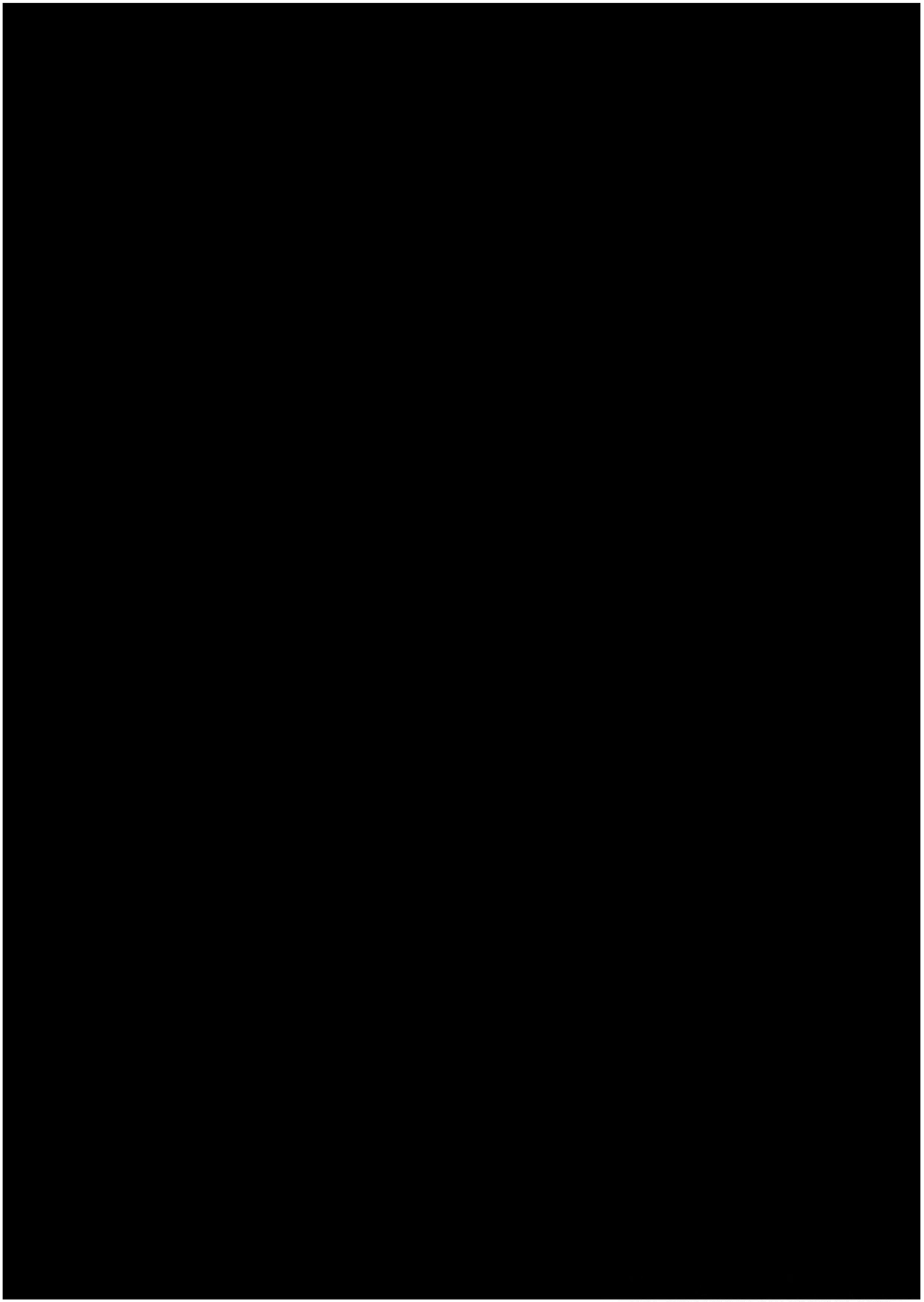
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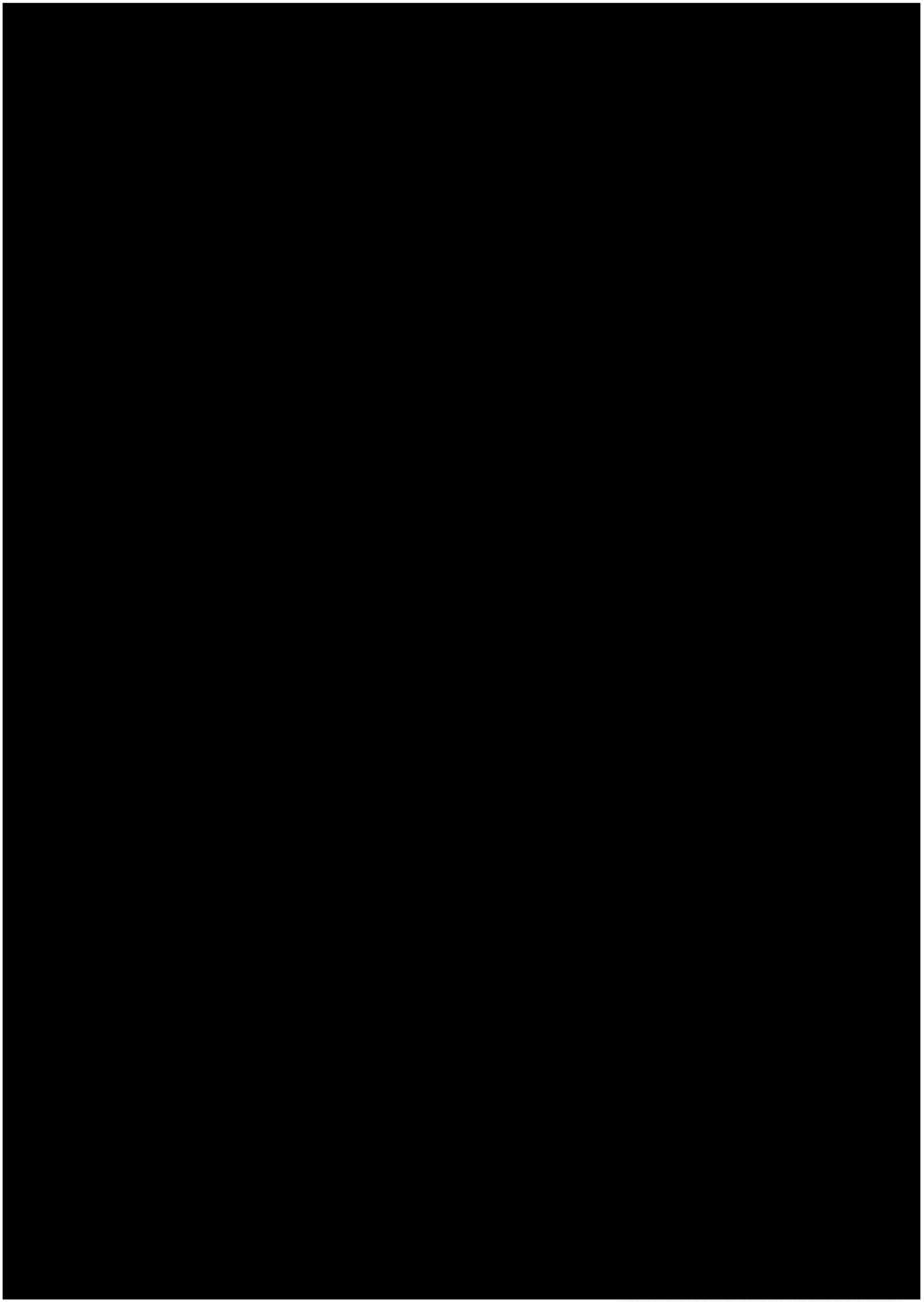
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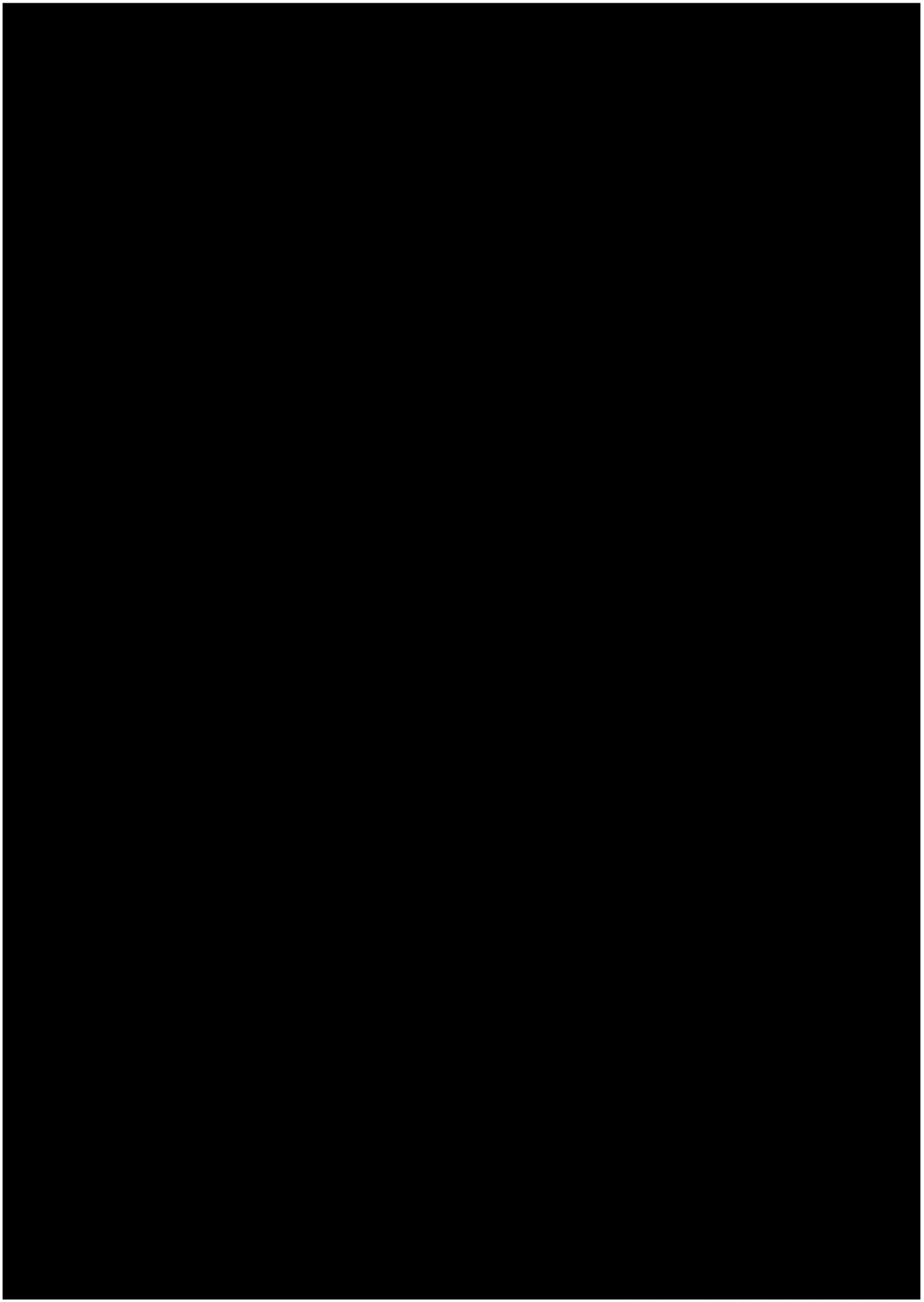
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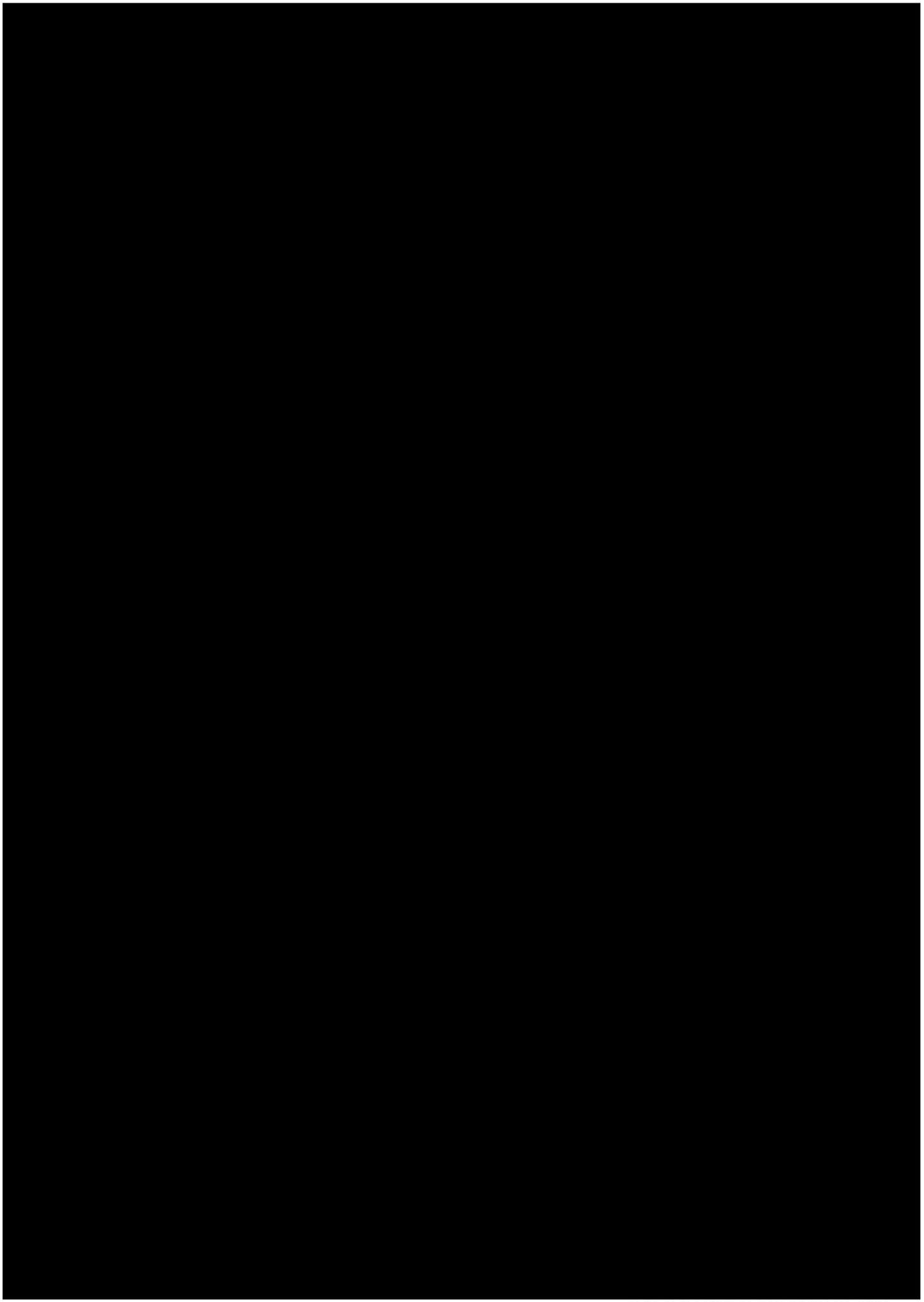
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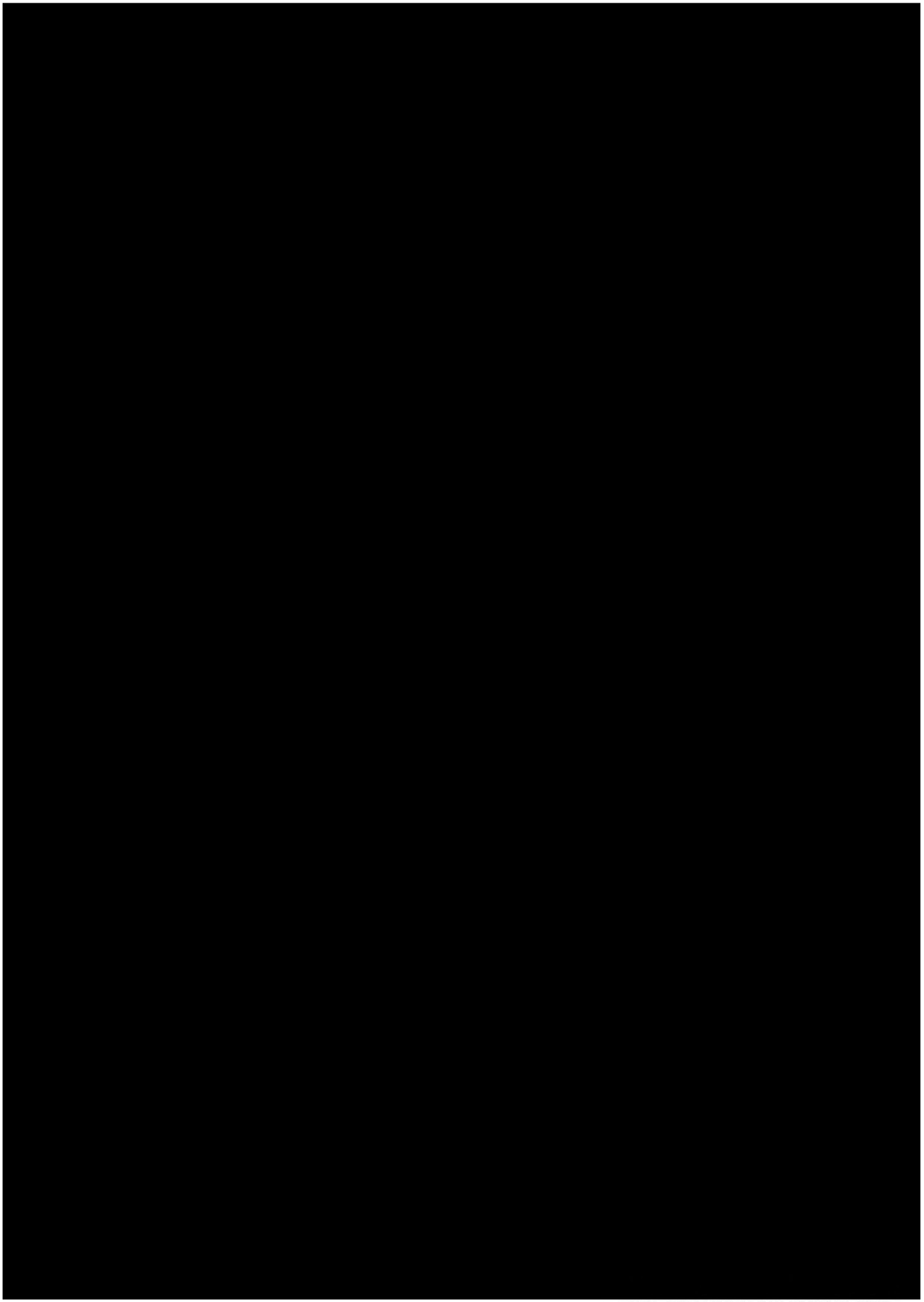
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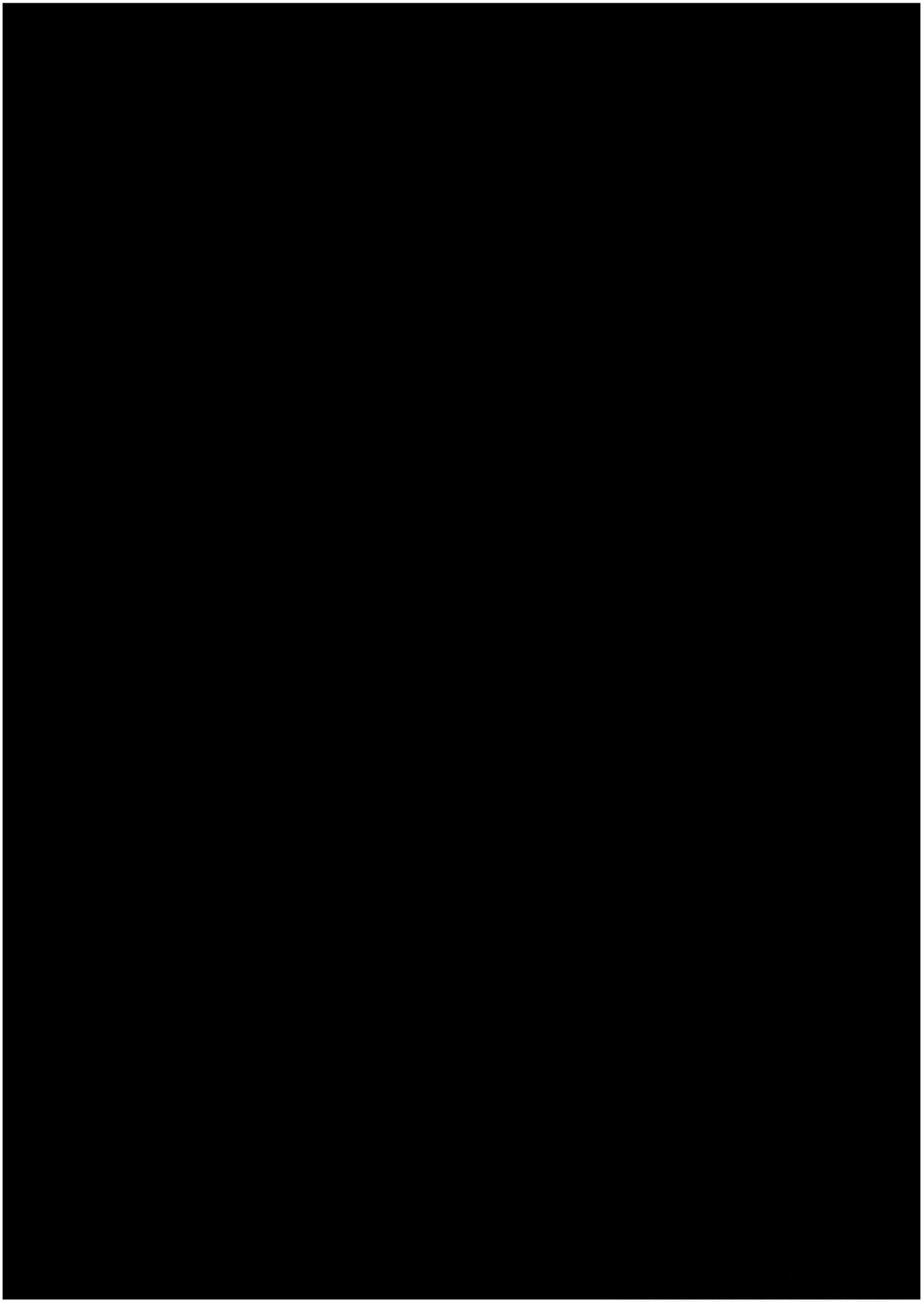
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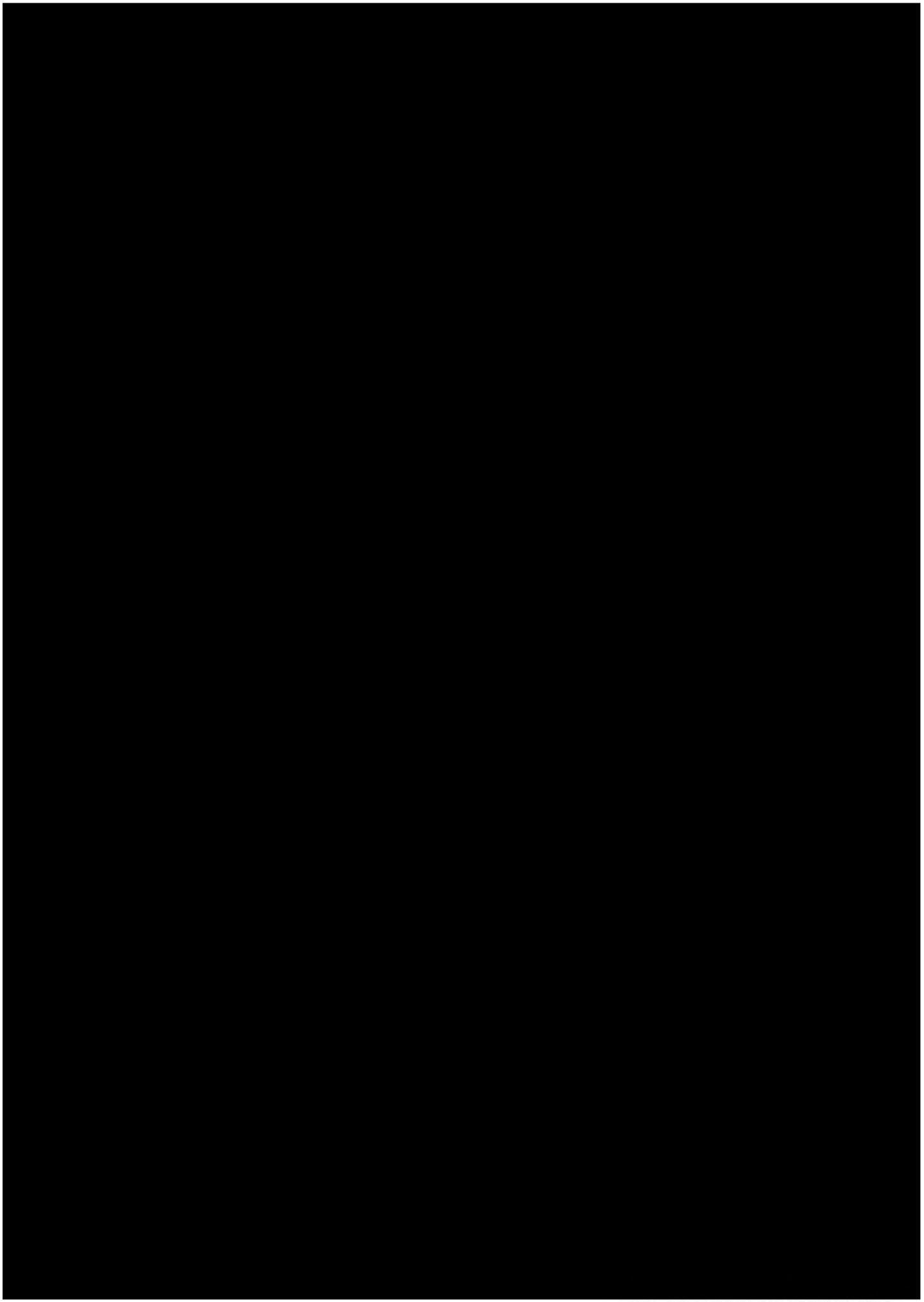
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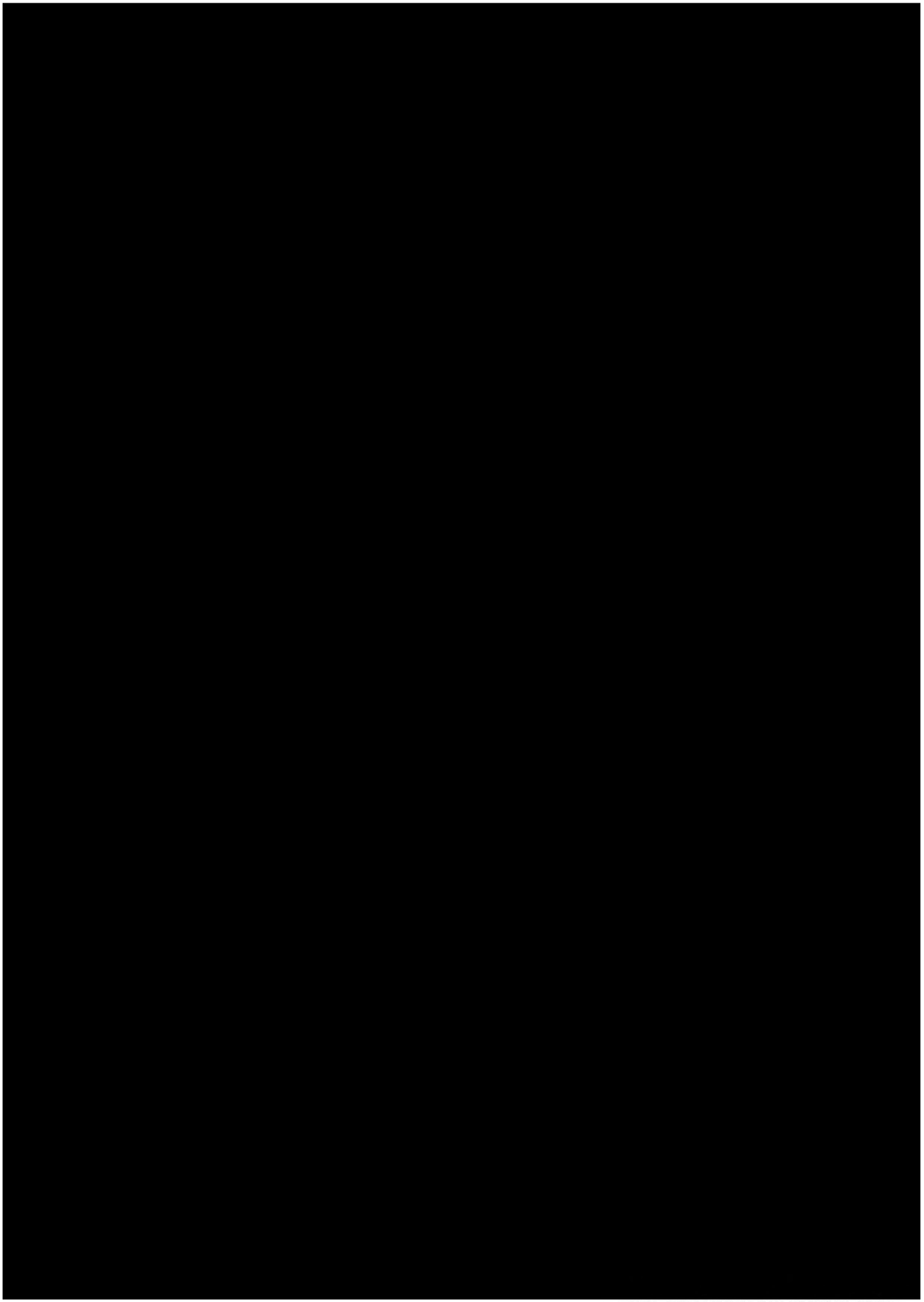
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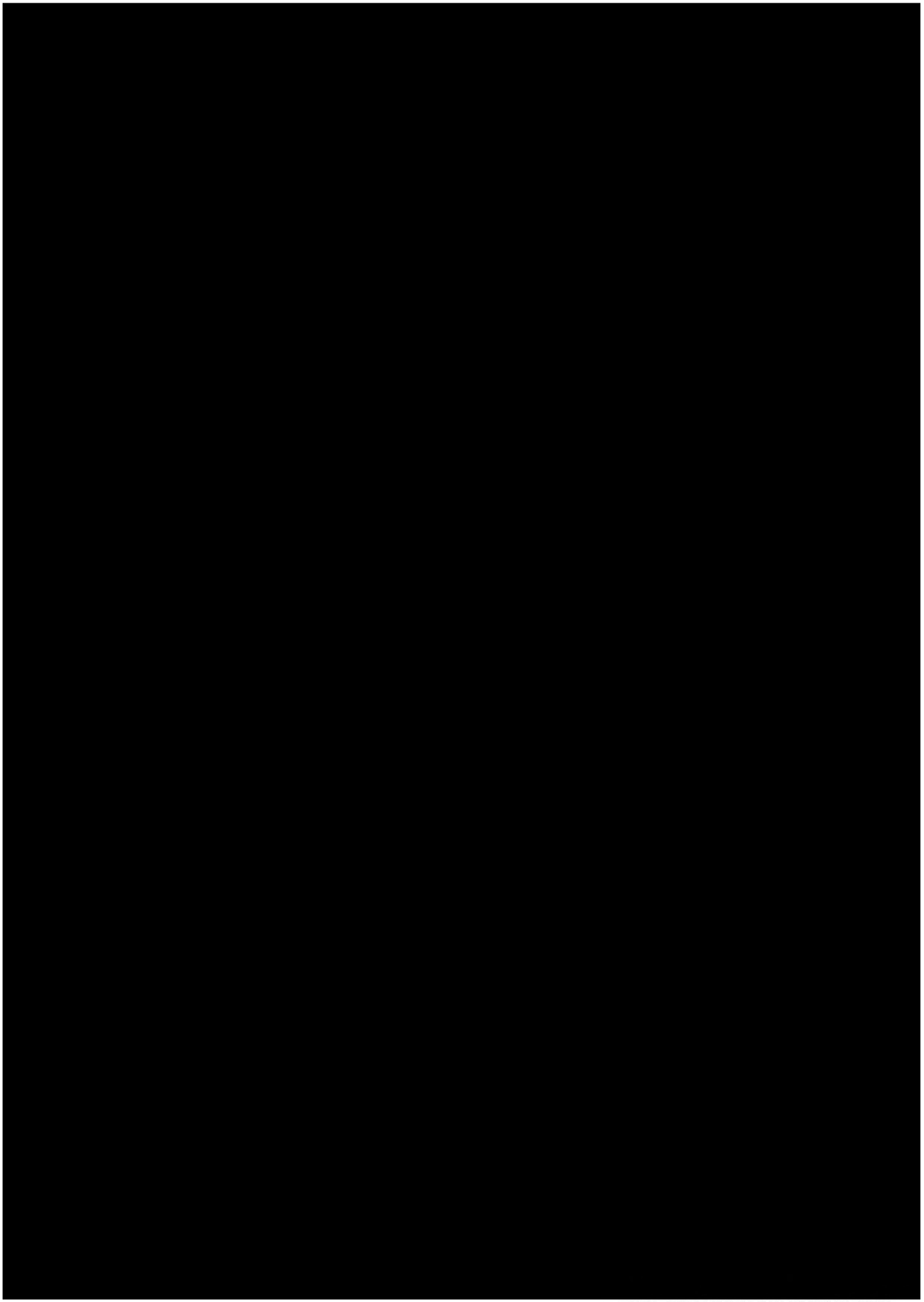
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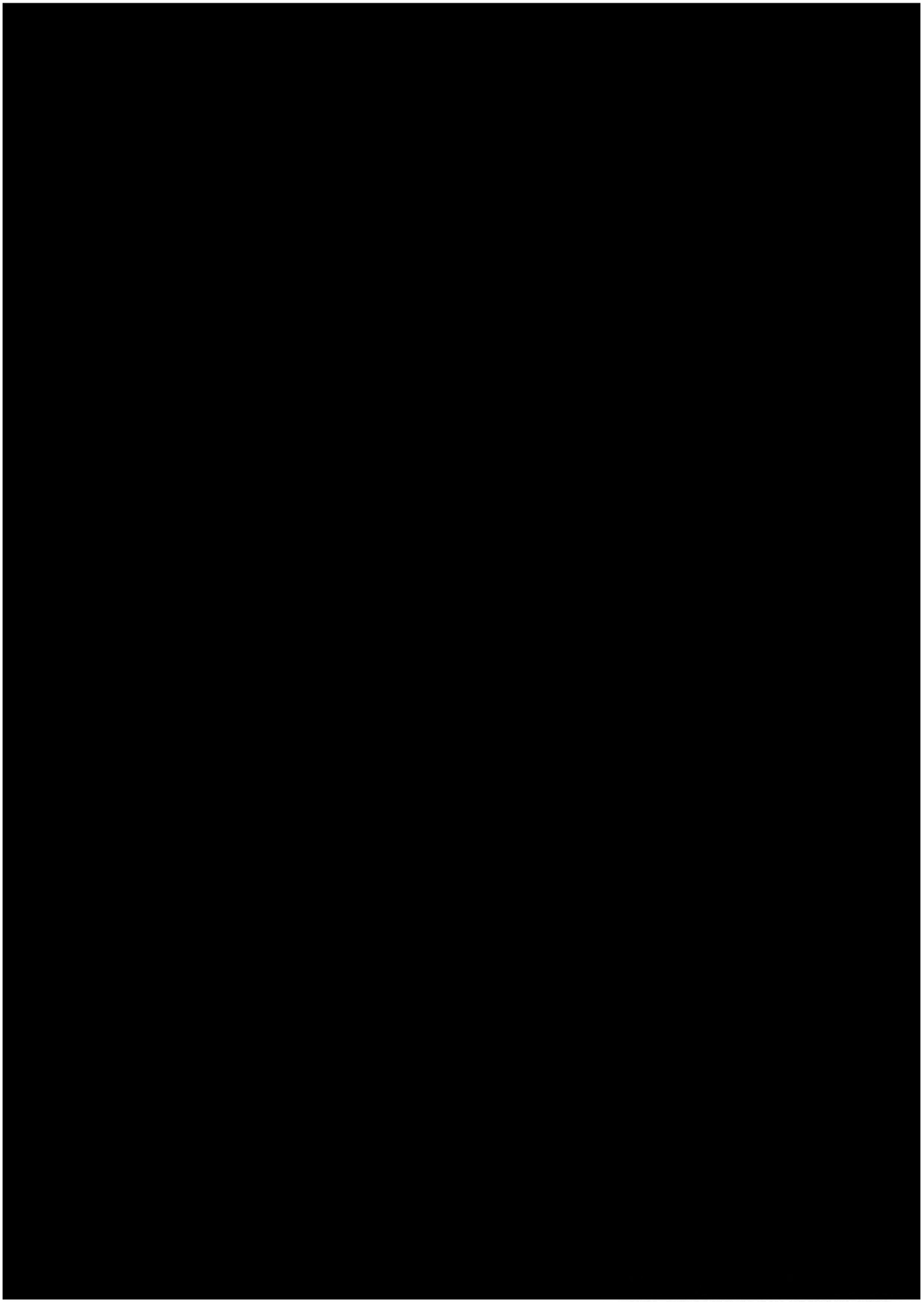
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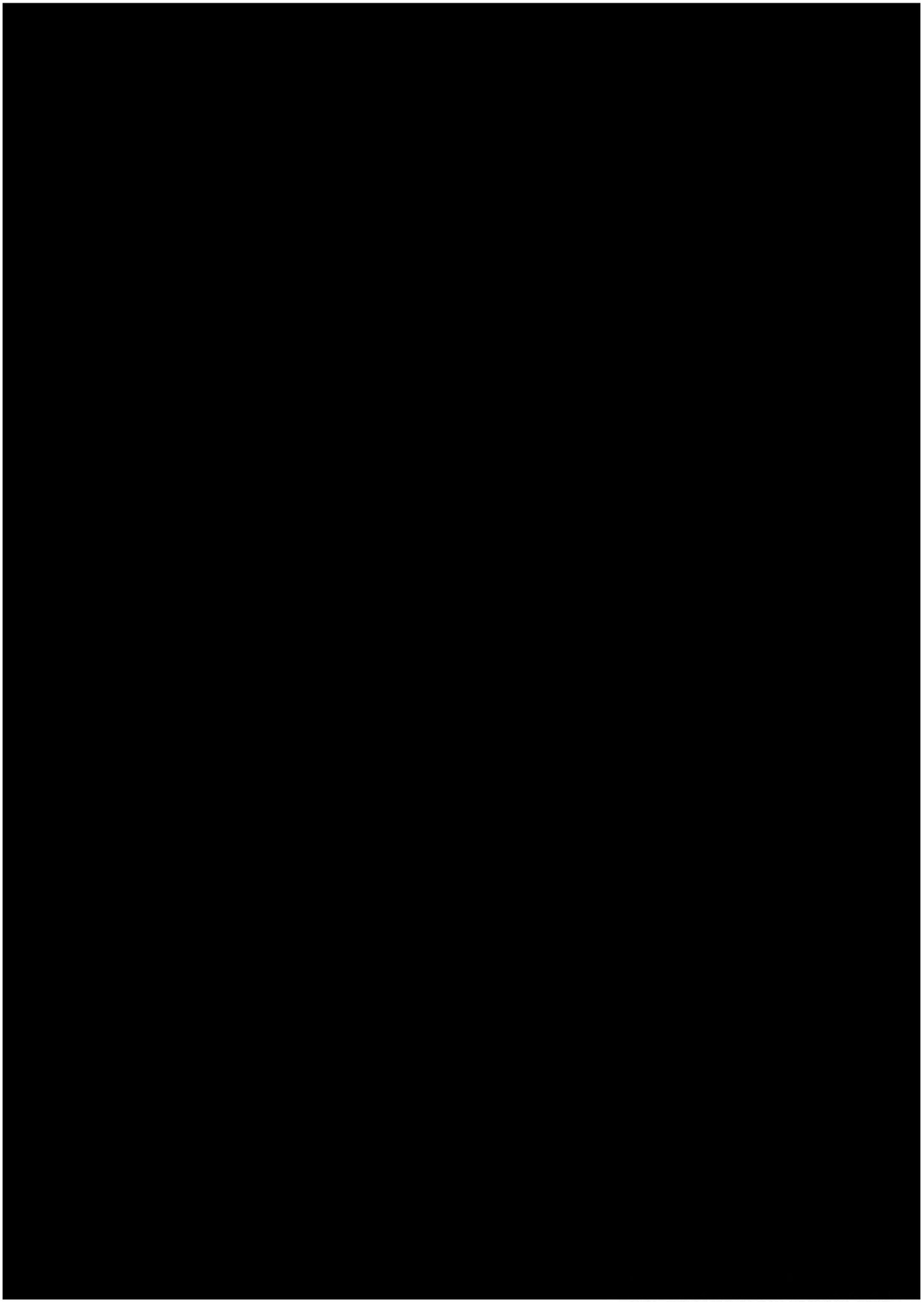
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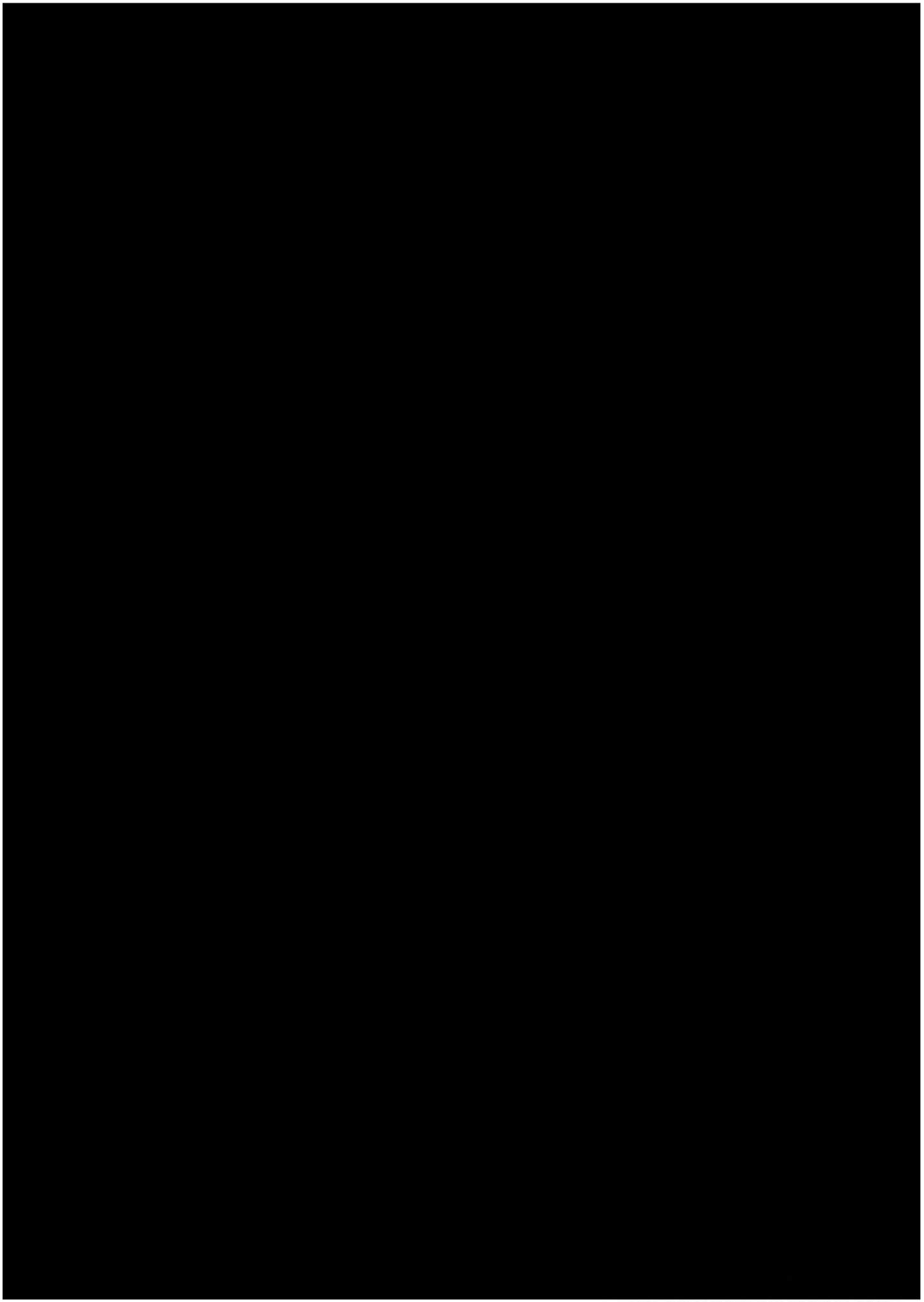
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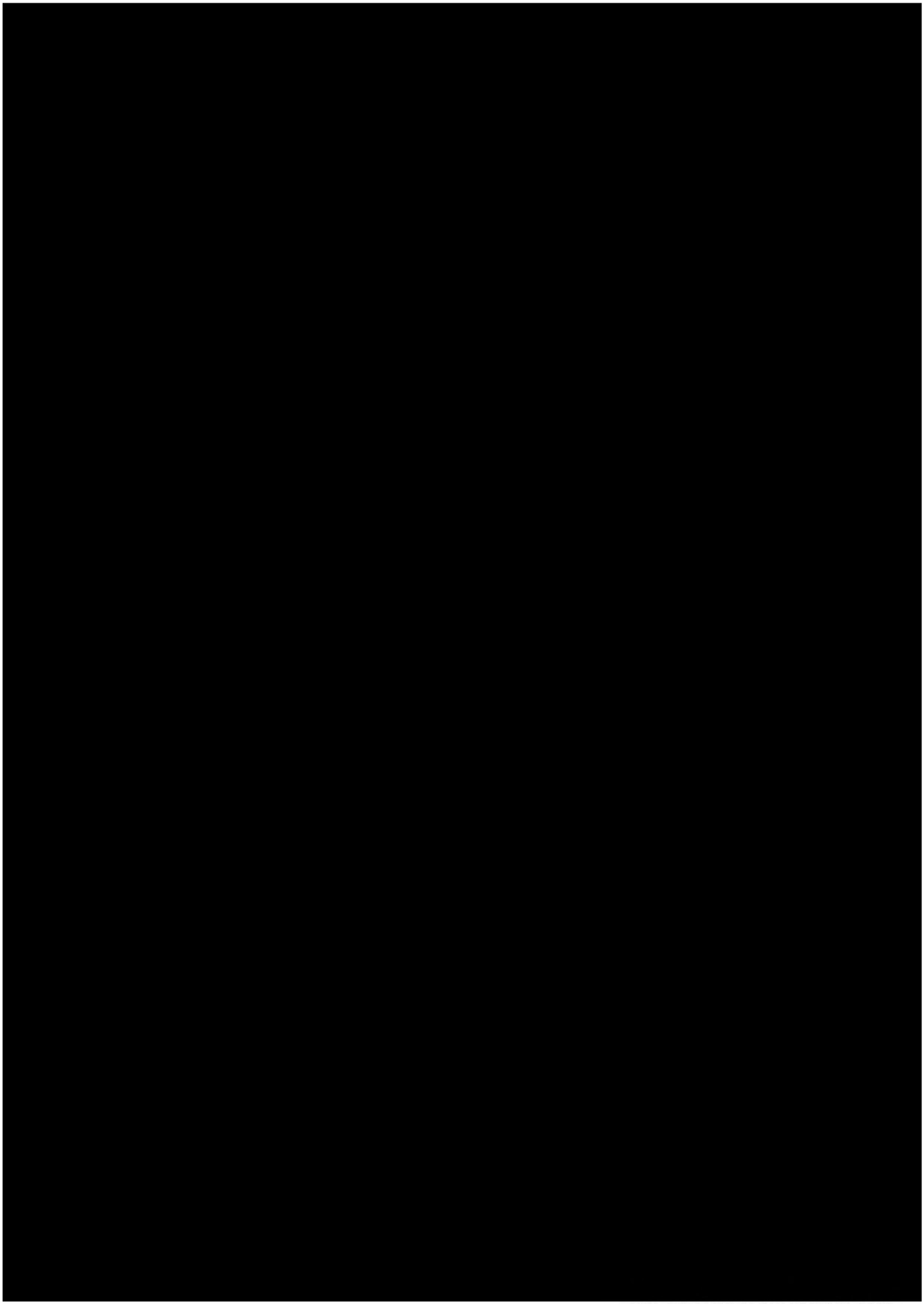
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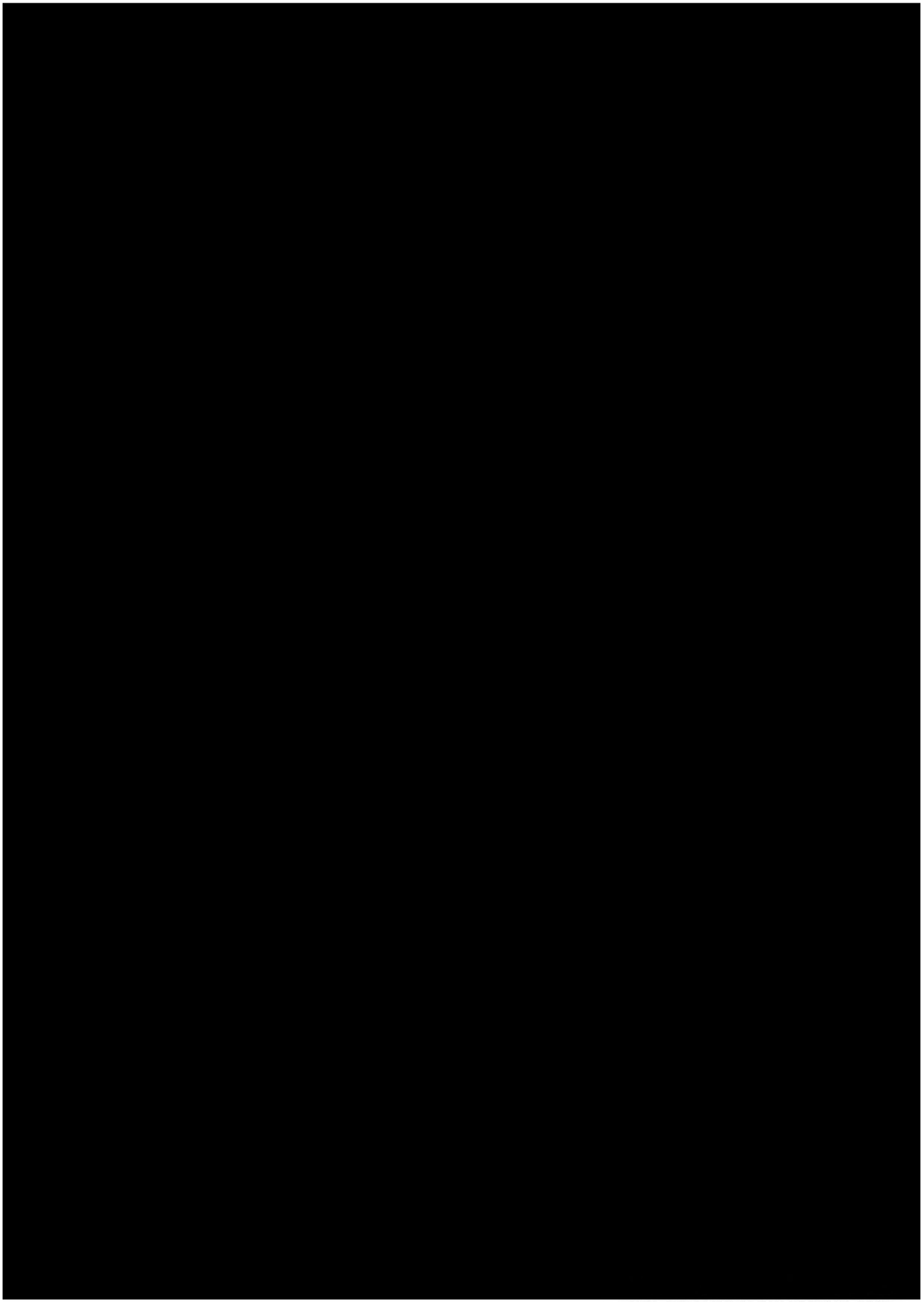
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POST OFFICE LIMITED
BOARD REPORT

Title:	Request for Delegated Authority to execute the final 1 year extension of the Fujitsu Horizon Services.	**Meeting Date:**	27th September 2022
Author:	Dionne Harvey, Head of IT Contract Management	**Sponsor:**	Jeff Smyth, Enterprise Cloud & Data Transformation Director

Input Sought: Approval

The Board is asked to:

1. Delegate authority to the Enterprise Cloud & Data Transformation Director, as Contract Owner, to execute the final 1 year extension of the Horizon Agreement by an authorised signatory.

Previous Governance Oversight

- Board approval of the 1+1 extension of the Horizon Agreement on the 30th March 2021; POL automatically enacted the first 1 year extension.
  - NB: The original Contract Modification (for the 1+1 extension) & VEAT Notices were published to the Market (VEAT Reference: 2021/S 000-006992 published on the 6th April 2021 & the Contract Modification Notice published on the 6th May 2021) with no challenges received.
- Approved by GE on 14th September 2022.

Executive Summary

10.1

Background and Business need

On the 30th of March 2021, following negotiations will Fujitsu, a 1+1 extension was agreed and approved by Board for the Horizon Agreement; this was subsequently executed under CCN1700 via eCAF and the Agreement extended by 1 year (until the 31st March 2024).

POL wish to enact the final 1 year extension (which is at POL's absolute discretion) in order to allow time for the rollout out of New Branch IT (NBIT).

Key Commercial Terms to note (previously negotiated):

- There are no further rights for POL to extend the Horizon Agreement beyond 31st March 2025 and Fujitsu have indicated that they are not prepared to sign up to another extension.
- Fujitsu will retain the current pricing for the Services in scope to extend until the end of the Agreement; subject to annual RPI.
- The indemnity cap for redundancy on termination or expiry of Services was increased to £4,500,000 (four million and five hundred thousand pounds).
- No runoff Termination Services are currently available under the Agreement; this will be the subject of future negotiations if required.

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- The Parent Company Guarantee given by Fujitsu Services Holdings shall not continue beyond 31st March 2023.
- Services agreed to expire on the 31st March 2023:
  - Digital Development Services – POL have struggled to meet the committed spend in the last 2 years so this is advantageous to POL.
  - Application Support & Maintenance ("ASM") committed savings.
  - Data Centre Operations Service and Central Network Service – any required extension will be the subject to Change Control.
- The £10m payment for the Horizon IPR is budgeted and due by 31st March '23, after which time POL will fully own the IPR. NB: This is a contractual obligation under Clause 30.19.

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POST OFFICE LIMITED
BOARD REPORT

Title:	SPMP Oct 22 – Jan 2023 drawdown	**Meeting Date:**	27 September 2022
Author:	Gareth Clark, NBIT Director	**Sponsor:**	Zdravko Mladenov, Group Chief Digital Information Officer

Input Sought: Noting & Decision

Noting:

- Progress of the SPM programme against the funding previously approved for July to September

Decisions:

- Approval for programme funding of £21.111M for the planned deliverables from October 2022 to January 2023 (£11.426m Capex and £9.685m Exceptional)
- Approval to move the programmes end date from 31 March 2024 to 31 March 2025 with a new set of key milestones.

Previous Governance Oversight

MAR '21	The Board approved a £4.68M drawdown for the SPM programme, covering the period March to June 2021
JUL '21	The Board approved a £12.35M drawdown for the SPM programme, covering the period July to Dec 2021
NOV '21	The Board approved a £3.4M drawdown for the SPM programme, covering Jan 2022.
JAN '22	The Board approved a £6.633M drawdown for the SPM programme, covering Feb & Mar 2022
MAR '22	The Board approved a £9.871M drawdown for the SPM programme, covering April, May and June 2022.
JUN '22	The Board approved a £10.414M drawdown for the SPM programme, covering July, August and September 2022.

10.2

Questions addressed

1. What are the new programme timelines?
2. What is the overall health of the programme and the programme scorecard since the last funding approval in June 2022?
3. How did the programme perform financially in the last funding period (Jul-Sep 2022)?
4. What are the key deliverables for the next 4-month funding period and what funding is required?

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Report

What is the new programme timeline?

1. **The programme previously reported that – due to a range of internal and external factors - it was unlikely that an end date of March 2024 can be met without scope reductions.** The organisation formally noted on 12th June at the SPMP Steering Committee the original timeframe was unlikely to be achieved, following realisation of several key programme risks. POL Board was notified in the 12 July 2022 session. The programme has since re-baseline the delivery plans targeting an end date of March 2025. That date is achievable, but still carries material risks and assumptions, which are detailed below.

2. **The '2025 programme plan' reflects this new timeline**. Details can be found in Appendix A. This revised plan in anchored on three major Counter Pilot releases to branches:

   - Release 1 (R1) on Android, which is a similar product set to Drop & Collect, but operates on the Full Counter hardware and POL EPOS software;
   - Release 2 (R2), which has all Mails and Banking products and most branch management (POL EPOS) functionality, and
   - Release 3 (R3), which has all remaining products and branch management functionality.

   The rollout is planned to be completed at the end of March 2025. The majority of the rollout will have to complete before peak trading commences in October 2024. The period from February to March 2025 is considered contingency for the rollout. The new key milestones are detailed in Table A below:

10.2

Table A - Key Programme Milestones

Key Milestone	Date	Description
R1 live in branch	29 September 2022 (open for NEDs on 3 Oct 2022)	Similar product set to Drop & Collect on full counter hardware and software; on Android
R2 live in branch	March 2023	All Mails and Banking products, including cash management; most branch management functionality
R3 live in branch	October 2023	All remaining products and branch management functionality
Start full rollout	February 2024	Migration of all branches from Horizon to NBIT
Complete rollout	Pre-peak trading 2024	Last Horizon branch migrated onto NBIT
Contingency period	February - March 2025	Allowance for any stragglers to migrate, preparation for transition to BAU
Close of programme	March 2025	SPM Programme closes, all activity goes to BAU

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3. While this timeline addresses and mitigates a number of the historic risks and issues carried by the programme, significant risk remains. Additionally, several important assumptions have been made to enable the planning. Should those assumptions not hold, the programme may be at risk of running past the March 2025 timeline. A list of the key risks and assumptions can be found in Appendix B.

4. In order to expand the contingency period from 2 months (Feb-Mar 2025) to 5-6 months, a further POL-wide review is underway to identify and evaluate options (so called 'big muscle moves') to further de-risk the plan. Those options would require modifications in scope and operations that extend well beyond the current remit of the programme and, thus, require significant cross-POL coordination. Some items under consideration are: (a) migration during Peak 2024; (b) greater utilisation of Payzone technology in order not to rebuild products on NBIT; (c) expansion of D&C scope to reduce training and migration volumes for NBIT; (d) reprioritisation of Belfast Exit activities to focus more on NBIT-related deliverables; (e) deployment to some branches outside working hours or on weekends.

   The programme's Steering Group is working through the options and the financial and time implications. Those will be presented at the next Board session as part of the 3-year strategic plan for POL.

What is the overall health of the programme and the programme scorecard since the last funding approval in June 2022?

5. Overall, as outlined in the above section, the programme is on track to deliver NBIT and remove Horizon from branches by March 2025. The programme's initial proposition, Drop & Collect, continues to operate without issues in 28 locations, while Release 1 (see paragraph 2) is on track for end-of-September deployment.

6. As of mid-August, ~88% of the work planned in the period has been completed, with 81% of the milestones planned forecast to complete in full. Many others will be largely completed (e.g., 90%+), but would spill slightly outside the reporting period.

   Highlights from this period:

   - **Drop & Collect** Release 2.1 has been deployed, and the NBIT technology in the 28 current Drop & Collect stores continues to run successfully. This is the last Drop & Collect Release until further decision are made with regard to the scope of the target Drop & Collect footprint.

   - The primary objective for last period was to deliver **Counter Pilot Release 1,** which is on track to deploy to the first branch by end of September 2022. The first pilot branch has been selected and initial engagement has commenced. Service and Support structures have already been set up. Training designs are on track for completion. Subsequent branches on Release 1 will follow during the rest of the calendar year.

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- In the **Tech Delivery** space, the focus has been on the **conversion from Android to Windows as the operating system.** The conversion of product journeys is on track for an interim, not-for-live-customers technical release labelled "R1W".

- Another key achievement is the closing of the tender for the **Full Counter hardware**, which has now been awarded and will be seen in Release 1.

- The **training** approach for the Business Support Centre has been confirmed and the LMS partner is on track to be appointed before the end of September.

- The **Branch Accounting stream (known as BAFTA and OSCAR**) has made significant progress compared to last period. The branch management and finance processes are now on track for R2, the branch finance process cutover strategy will complete by September, and the development of a third-party assurance approach is underway.

- **Engagement** with different user groups is ongoing, through the Postmaster IT working group and other forums, and in particular a large step up in Strategic Partner engagement. An internal programme communications plan has been implemented to improve communication and collaboration across the different teams.

7. The process for Release 1, including the testing, business readiness assessment and overall release management process, has been immensely valuable and has undoubtedly helped the programme avoid significant pitfalls with future releases and then the Full Counter deployment. Formal 'lessons learned' sessions have commenced to codify the learnings and will continue for the remainder of the rollout.

8. Some deliverables will not be met, or are at risk of not being met, this period. A full view can be found in Appendix C. None of the missed deliverables will cause further delay to the overall programme timeline. Some examples include (a) several product journeys; (b) several branch management capabilities; (c) the RFP for the Outreach solution; (d) the RFP for support for the new hardware; (e) several deliverables in the Communications and Engagement area (missed due to delays in alignment with the business on comms and on the approach to a platform identity - NBIT or something else).

9. There are several 'big ticket items', which will be discussed and agreed during the rest of the calendar year. Those items include primarily the approach and resulting costs of detailed implementation plans to cover the full network. For example, this includes field team costs, in-person trainer or in-person training session costs, the impact of 'making good' counters that are removed from branches, etc. Funding for these items sits mostly outside the drawdown periods covered here, which is why they are not unpacked with greater granularity, but may affect the overall cost profile of the programme.

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How did the programme perform financially in the last funding period (July-September 2022)?

10. Over the last period, the programme has completed a significant amount of activity:
    - Activity directly relating to the key deliverables committed in the last drawdown request
    - Activity that has started earlier than planned, specifically we were able to mobilise Accenture teams to support MVP and UX/UI Design and test preparation more quickly than anticipated when the previous drawdown request was submitted.
    - Activity that has completed or commenced but doesn't have any associated milestones in this period

11. In June 2022, the board approved a total spend of £10.414m (including a removal of £1.2m forecast optimism bias) for the SPM Programme covering the deliverables committed for Jul-Sep 2022. There was also an underspend of £1.019m from the Apr-Jun 2022 period, which has been carried forward to complete the outstanding deliverables from Apr-Jun. We are currently forecasting to spend £12.364m in the Jul-Sep 2022 period (actuals are only available for one month). Table B below shows the breakdown of spending and activity for the overrunning deliverables from Apr-Jun, the committed deliverables for Jul-Sep and the aggregate position of the programme in the last period.

Table B – Breakdown of spending and activity

Deliverables	Approval £M	Forecast Spend Jul-Sept (£M)	Approx. % Completed	% Spent
Overrunning deliverables from Previous approval (Apr-Jun)	1.019	1.019	70	100
Deliverables from latest approval (Jul-Sept)	10.414	11.345	91	109
Aggregate position covering all spend and planned delivery in Jul-Sept Period	11.433	12.364	88	108

10.2

12. The programme has overspent compared to delivery of the committed milestones (108% vs. 88%) due to having to use more expensive resources to deliver some of the activity, and due to activity being paid for that is not covered in the committed milestones. However, this remains inside the overall spending approval due to previous unspent contingency that has been carried forwards.

    As previously raised, the programme has struggled with resourcing key roles, which has had an impact on delivery. In order to prevent further delays, the programme found alternative ways, such as commissioning work through 3rd party suppliers instead of individual contractors, which is more expensive. This is not the preferred route for the programme; however, in this case it enabled work to continue and allowed the programme to stay on track against the new timelines. Conversations around resourcing continue to take place between the programme and the business for a solution to be identified so this overspend is only short-term and will not continue throughout the remainder of the programme.

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What funding is required for next 4-month drawdown period and what are the key deliverables?

13. The programme is requesting funding for a 4-month period, due to the timing of the next planned drawdown clashing with the Christmas period. This request and the associated deliverables therefore cover the period up until the end of January 2023.

14. The programme is requesting approval of an additional £21.111M required to achieve the outcomes and deliverables set out above. The costing includes a level of optimism bias (as was the case in the previous drawdowns) and when reviewed at programme level by programme leadership it is again considered unlikely that all funds will be required in the Jul– Sept 2022 funding period. Therefore, a downward adjustment of £1.1M (5%) has been included.

15. Delivery in the Oct 22 - Jan 23 funding period focuses on delivering or preparing for counter pilot releases:

    A. **Completing the rollout of Counter Pilot Release 1 branches –** the first Counter Pilot Release 1 branch will go live in September, with the remaining pilot branches planned to go live early in this next reporting period. Although no further technology development is required, this is a key deliverable as the training, support and branch readiness activities needed to deploy to these additional branches will provide the programme with key learnings that will be crucial to the success of future Counter Pilot releases and beyond.

    B. **Release 1 Windows (R1W) development** – much of the activity in the technology delivery space throughout the last period has been focused on the conversion of code from Android to Windows, and this next period will see the delivery of Release 1 Windows. This is a technical delivery milestone, not a release that will be deployed to branches, but it represents a significant step in the technological development of full counter and allows testing to commence on the Windows code.

    C. **Preparation for Counter Pilot Release 2** – the next release of counter pilot is scheduled for end of March. This release is significantly larger and more complex than R1, with a large expansion in the number of products offered, the back office functionality required, and the number of branches eventually deployed to. This means that a significant amount of preparation work will take place this period in order to prepare for the R2 rollout. The code is on track to be completed on time, and various stages of testing will be complete or underway. Preparation activities for R2 will get underway, with support resources and escalation processes identified, and knowledge articles drafted. The BAFTA and OSCAR workstreams will deliver the required back office functionality for R2, including cash management, foreign currency management and finance processes. The Data and Reporting pillar has been fully stood up and will complete the Reporting Solution Options Paper, as well as providing the requirements for Postmaster, Back Office and External reporting to go into development.

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D. **Preparation for Counter Pilot Release 3 and beyond –** development of selected product journeys and processes required for R3 will commence next period, including various Travel, Money Transfer and Postal Order journeys. Gathering of lottery requirements will also begin next period. Postmaster and other user engagement will continue on a range of topics, including migration and training plans for full rollout. An engagement session is planned for the Field Team around deployment of Counter Pilot and full rollout.

Achievement of these deliverables is dependent on significant resources joining the programme in the next period. If recruitment does not happen at the desired rate, some of the committed deliverables may not be achieved. This has been escalated to the People Team, and conversations are taking place around increasing the diversity of supply by looking for other routes to attract contractors.

A detailed list of all deliverables for next period can be found in Appendix C, while the table below outlines the detailed costs per month and per category.

	Oct	Nov	Dec	Jan	Total
TOTAL	5083	5517	4405	6107	21111
Tech Delivery	**2825**	**2633**	**2131**	**3376**	**10965**
1.1 Drop and Collect	29	31	27	29	116
1.2 NBIT Platform	388	375	302	383	1448
1.3 NBIT Product Journeys	658	658	552	1151	3019
1.4 NBIT Branch Mangement	263	256	211	292	1023
1.5 NBIT Integration	156	161	151	304	771
1.6 NBIT Service & Support	430	399	343	639	1812
1.7 NBIT Enterprise App	135	128	97	133	493
1.8 NBIT Architecture	336	316	224	335	1211
1.9 Tech Team Management	428	311	224	109	1072
Deployment and Training Costs	**482**	**319**	**204**	**557**	**1562**
2.1 Hardware	197	67	36	181	481
2.2 Deployment Planning	128	109	42	119	398
2.3 Training Planning and Content Development	157	143	127	257	683
Business Change	**705**	**1084**	**797**	**1020**	**3605**
3.1 Product Journeys and Business Leadership	357	399	172	405	1333
3.2 ePOS and Branch Management	141	472	442	351	1407
3.3 Project BAFTA/OSCAR	87	89	58	105	338
3.4 Postmaster Engagement and Communications	120	123	125	158	526
Programme Costs	**647**	**633**	**439**	**666**	**2385**
4.1 Data & Reporting	78	72	52	93	296
4.2 Service and Support wrap (non IT)	133	133	89	150	505
4.3 Cost Model	0	0	0	0	0
4.4 Postmaster Experience	17	17	17	26	78
4.5 SPMP Programme + BTU Resources	419	411	281	396	1506
Other Costs	**425**	**848**	**833**	**489**	**2595**
5.1 Legal & Compliance	148	170	114	165	597
5.2 Assurance	55	0	113	190	357
5.3 Procurement & Sourcing	197	151	81	99	528
5.4 Office Space	0	0	0	0	0
5.5 Contingency	0	0	0	0	0
5.6 IVAT & SPO Levy	25	526	525	35	1112

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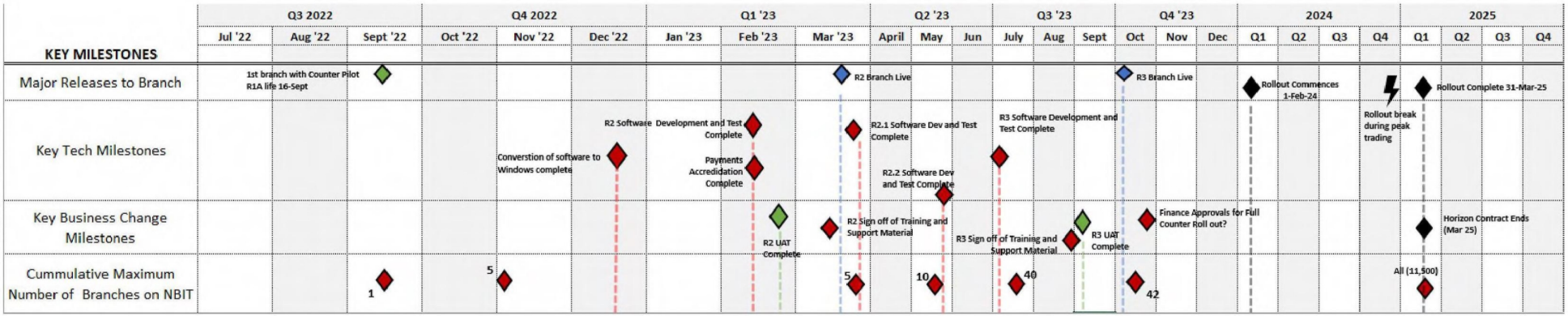
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Appendix A

Programme Plan and Critical Path

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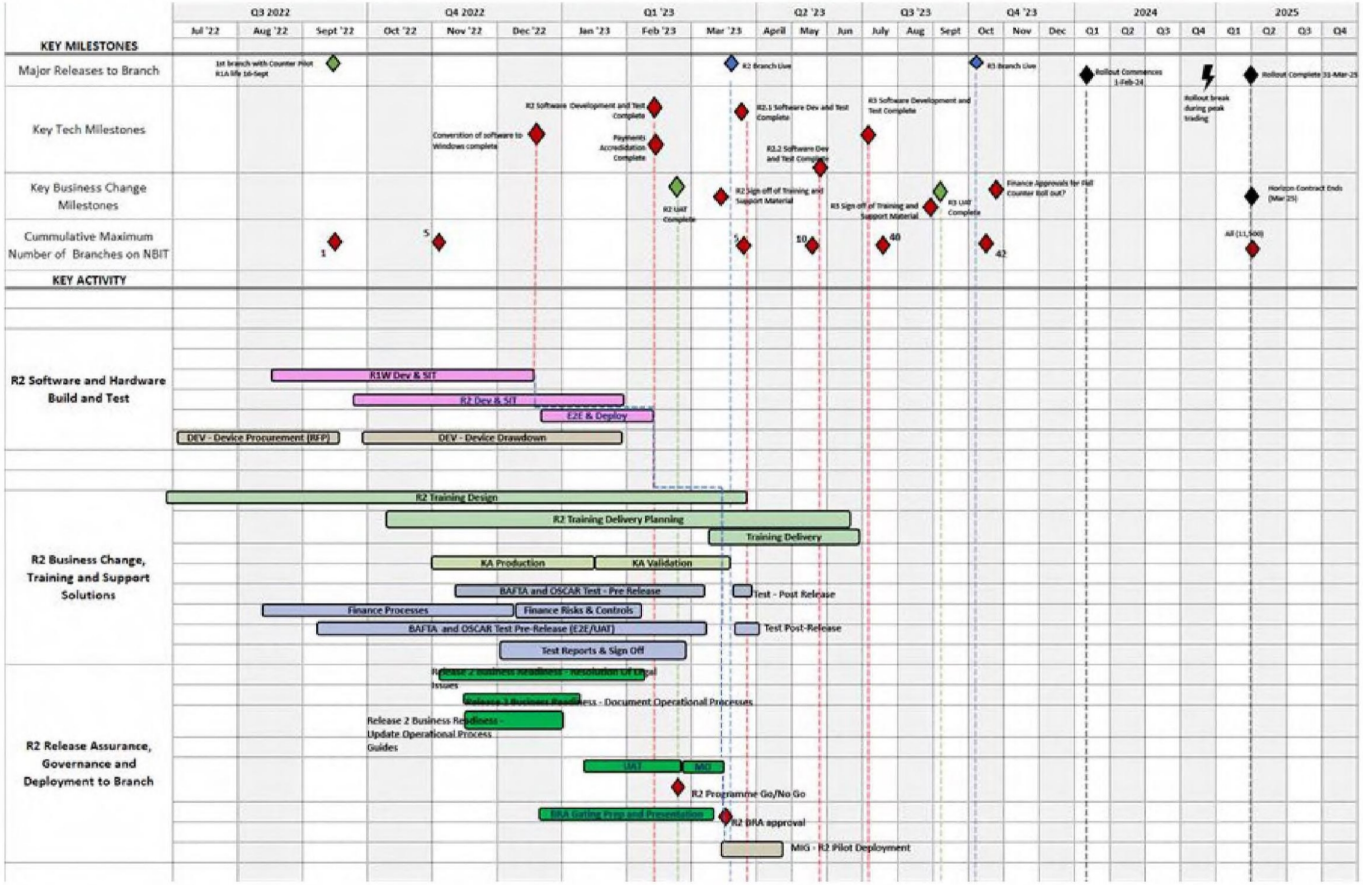
SPM Programme Plan on a Page (POAP) – Key Milestones



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Deep Dive: SPM Programme Plan on a Page (POAP) - Release 2

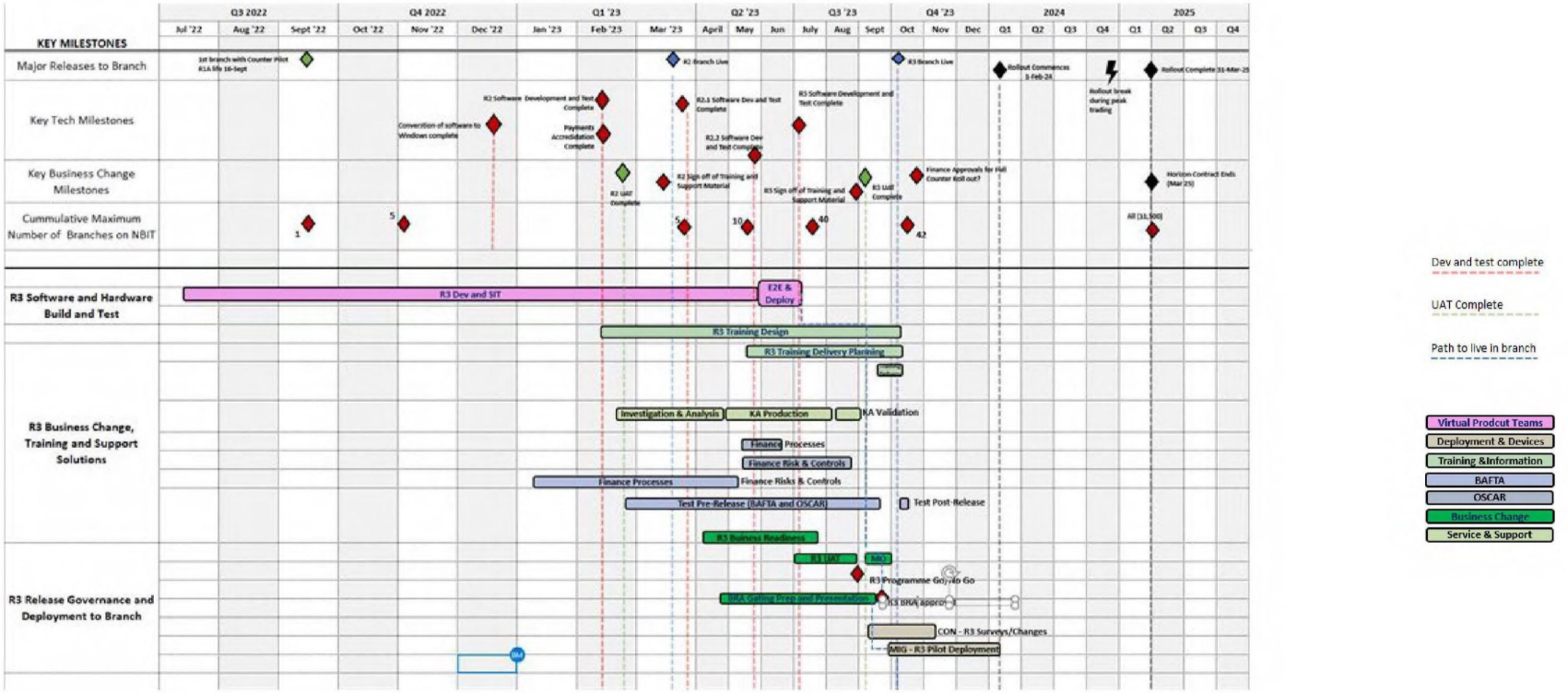


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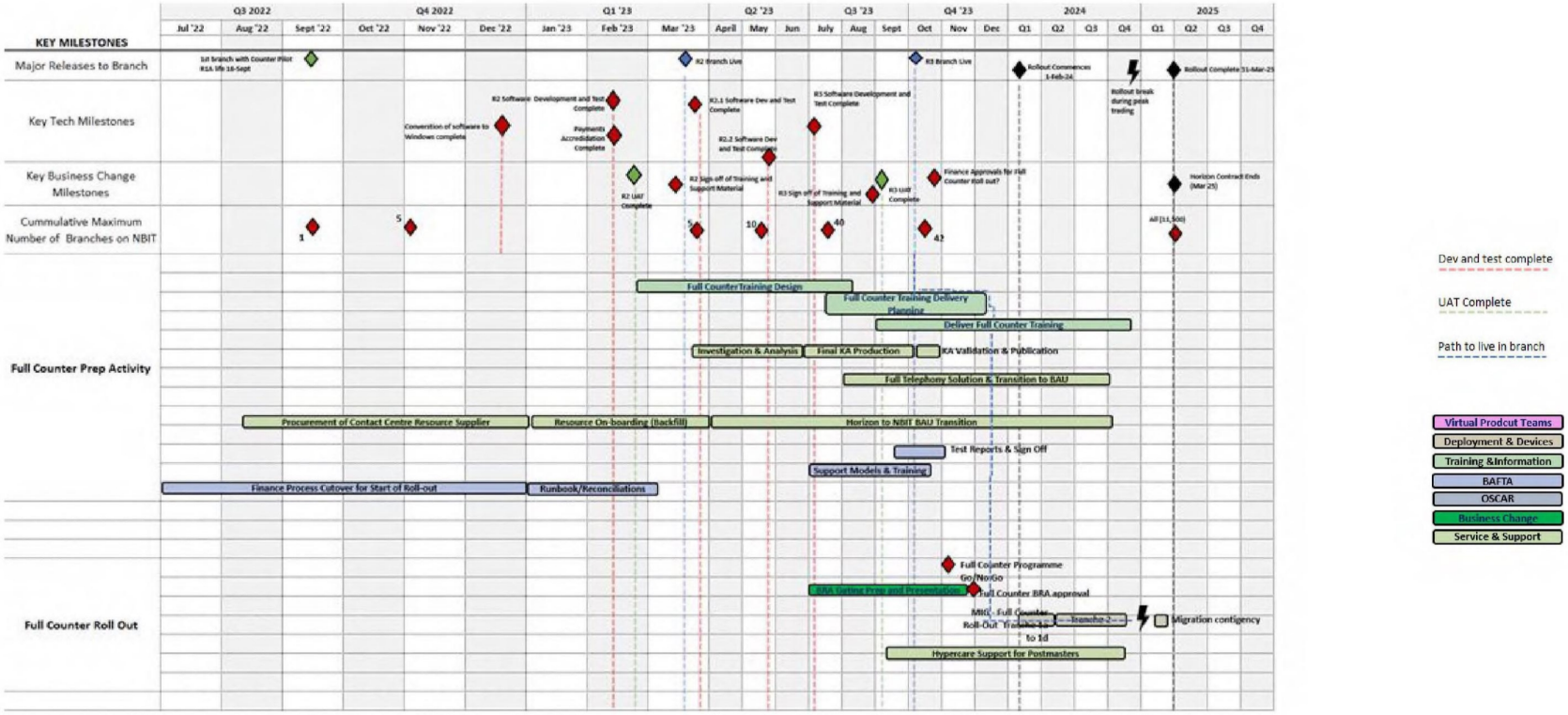
Deep Dive: SPM Programme Plan on a Page (POAP) - Release 3



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Deep Dive: SPM Programme Plan on a Page (POAP) – Full Counter



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Appendix B

Key Risks and Assumptions

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Deep Dive: SPM Programme Plan – Key Assumptions

Pilot branches	• Pilot sites will cover DMBs initially then move on to include independent and laterally strategic partner site/s. • Pilot branches will not include any Outreach or BFPO branches
Operator Self Funded Branches and Branch management Processes	OFS branches will be converted to POL funded branches before these branches migrate from Horizon to NBIT. The conversion of OFS branches to POL funded branches will managed and implemented by the Retail team.
Counter Numbers and Remediation Works	• SPMP will deploy NBIT to 21.000 counters across the branch network. The work required to reduce the current counter number to 21.000 will be undertaken by the Retail team. Agreements with affected Postmasters will be in place before migration. • SPMP will not undertake any remedial works to counters and desk in branches.
Cash and Stock Management	• A new full stock management solution may not be ready in time for R2. We are assuming that we will use an interim / work around approach to facilitate the sale of stamps for R2. • Cash management and supply, for selling and tendering, will be included within R2.
Changes to Product Journeys and Resulting Training Needs	• The majority of product journeys on NBIT (approx. 95%) will not change significantly. Consequently, the need for product based training is very limited and training will focus on conversion training (i.e. the differences between Horizon and NBIT) and branch management. • The assumption that approx. 95% of product journeys will not change significantly does not include lottery and legacy pre-pay (solutions still under design)
Policy and Operational Procedure Documents	SPMP will not produce a new branch handbook.
Migration and Cutover	• No full stock count (cash and value stock) validated/ witnessed by independent auditors will take place on the day of or before migration. • Smart IDs for NBIT, will be using the existing data users have already provided and no new/additional data is needed.
Resource	Where resources from across the business are required to deliver SPMP these will be made available (subject to sufficient notice being given by the programme).

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Deep Dive: SPM Programme Plan – Key Risks with negative impact to programme timeline

Name	Description	Mitigation
Legacy Pre-Pay and Lottery	Decisions required to design and develop the solution for legacy pre-pay and lottery are still outstanding. Timelines included in plan are estimates based on current information.	• Decision on way forward for legacy pre-pay to be made by end of October 2022 (SteerCo on 26 Aug'22) • Initial engagement on lottery due to commence in early Sept'22
Payment Accreditation	Payment accreditation required for successful implementation of R2. Current timelines do not contain any contingency. Successful accreditation depend on 3rd party.	• An additional resource under recruitment to increase management capacity to drive solution of issue. • Team working very closely with 3rd party to monitor timely delivery
Resourcing	1) Programme unable to recruit required resources in the necessary timeframe. 2) Resources required by programme from wider business not yet fully quantified.	1) Programme working with People team to address recruitment issue. 2) Programme team currently completing identification of resources required from across the business.
Scope Creep Including New Change	Launch of new functionalities in Horizon, changes in Horizon and introduction as well as changes to products and branch management processes create moving target of SPPM's final product.	SPMP team working closely with commercial and retail team to align timelines and reduce amount of change.
Migration	1) Postmaster might object to migrating from Horizon to NBIT. Right migration timelines do not include contingency for negotiations. 2) Business may request for additional activities to be added to the migration routine.	1) Migration dates to be communicated to Postmasters in good time. Engagement with Postmasters to start up to 20 weeks before migration day. 2) Scope of migration activities under close management. Risk assessment to migration timeline to be done for any additional activities requested.
Operating Systems Change (Windows Pivot) and Product Journeys	1) The effort of pivoting to windows is bigger than estimated which may impact R2 deployment timelines. 2) Product journeys may be more complex than estimated	1) Close monitoring of R1W progress against plan cadence, is being put in place to highlight any challenges as early as possible. 2) Requirements gathering work on all product groups commencing

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1.1 DROP & COLLECT

Delivery Status
Previous Cycle



Deliverables

Missed Deliverables April-June
Description
None

July - September Deliverables		
Description	Status	Notes
Deploy Drop & Collect Release 2.1 (mid July)		
Transition into BAU Support		All members onboarded. Upskilling in progress

October - January Deliverables
Description
none

1.2 NBIT CORE PLATFORM

Delivery Status
Previous Cycle



3/17 at risk or missed

Deliverables

Missed Deliverables April-June

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Description	Status	Notes
Postal Services interface - full validation and transformation build & test completed	2	This was removed from R1 scope following decisions to progress with Android R1 solution - now will be delivered in R2 and broken down into 15 Mails API deliverables by end of November 2022
Tokeniser & Mails Product API - build & QA completed		

July - September Deliverables

Description	Status	Notes
Reference Data		
MDM -> AWS interface error handling build & QA completed		
Payzone/Counter Terminal Device Manager location data API build & QA completed		
Android Counter Pilot Release 1 reference data ingestion & transformation build & QA completed		No longer applicable -Decision taken by programme that Release 1 on Android will use the Tactical solution for reference data currently used by Drop & Collect
Journey Engine		
Journey Engine enhancements: improve Enablers		On track
Journey Engine enhancements: improve Journey Data handling		On track
Add capabilities (Navigation, Steps) to support Mails, Banking journeys		On track
Initial platform Windows changes to Journey Engine		On track
Add three additional capabilities to Journey Builder		On track
Enhancements to Device Manager as per new operational requirements		On track
Transaction Processing		
Transaction Engine cache Reference data development complete	4	Reference Data API due on 15th September, which will allow Transaction Engine build to complete and be ready for E2E testing on 05/11
Automated reconciliation of NBIT transaction records against Payzone's transaction records development complete		Requirements to be shared with Payzoneby end of w/c 18th July. Awaiting delivery plan from Payzone. Solution design agreed and signed off.
Transfer API deployed to production	2	Originally in plan for R1 but now moved to R2 and rescheduled for next period
Implementation of X-Ray for transaction engine deployed to production		Need to understand approach to platform release planning and target dates for "Release Train". Will be ready to enter E2E Test at start of September
Pouch Delivery (POD), Pouch Collection (POC) and Payment summary integration development complete		On track for end of September
Migrate CFS and Credence jobs from Lambda to Batch deployed to production		Need to understand approach to platform release planning and target dates for "Release Train". Will be ready to enter E2E Test at start of September

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Additional functionality/capabilities completed:
Development of a Tactical Postcode Lookup Service, as an enabler to Mails journeys for R2 development File Splitting Design, required for data reconciliation on both NBIT and Horizon "Client Transaction Summary" File Design, a key output required by finance team for settlement processes NBIT CIF file generation Development, which enables sharing of transactional data with clients in both the parallel-run phase with Horizon, and the post-Horizon period.

October - January Deliverables
Description
Reference Data
Requirements and API Specifications Designs finalised
APIs Build completed for Mails and Banking & Payments
APIs QA completed for Mails and Banking & Payments
Journey Engine
Printer Driver Integration Package for CT
Scanner Driver Integration Package for CT
Simple component changes
Layout changes to support Mails & Banking journeys
Journey Engine changes for simple components and Layouts
Journey engine capabilities for Banking developed
Transaction Processing
Automatically update the Branch details in NBIT backend - Ready for E2E testing Access to Transaction Data as enabler for Transaction viewer in Back-office applications - Ready for E2E testing Solution to prevent transaction of duplicate Barcodes from Mails transactions - Ready for E2E testing Security improvement to Transaction service - Ready for E2E testing

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API authentication using User ID - Ready for E2E testing

Transaction Engine cache Reference data development complete

Transfer API deployed to production

1.3 NBIT PRODUCT JOURNEYS

Delivery Status 3/12 delayed
Previous Cycle

Deliverables

Missed Deliverables April-June		
Description		
Mails for Counter Pilot		
Delivery of remainder of Postage Sale journey	2	Postponed to next period - included in Postage Sales Journeys deliverable to complete by end of January
Delivery of Spoilt Labels journey	2	Postponed to next period - included in Postage Sales Journeys deliverable to complete by end of January
Delivery of Customer Sale (Philatelic, Individual Stamps, Stamp books, Open Postage) journey	2	Postponed to next period - required to complete for R3, build to complete by end of January
BillPay (including legacy pre-paid)		
Stand up team subject to decision on Legacy Pre-Paid and clarity on solution		VPT mobilised and work commenced

July - September Deliverables		
Description	Status	Notes
All Journeys		
Agreed architectural decision on technical stack on Windows conversion		
Initial components converted to Windows		
Mails for Counter Pilot		
Android Counter Pilot Release 1 deployed into Production		PrePaidMails Journneys, Item Report and Mails Despatch deployed to INT for R1Return to Carrier to be deployed to INT this weekPrint Report for Mail Despatch –deployed but awaiting testing due to printing paper availability.

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Conversion of Android Counter Pilot Release 1 Mails journeys to Windows		Planning in progress
Banking & Payments		
Delivery of Windows PED configuration with Ingenico component (not yet certified)		On track
Delivery of Windows Payment Integration component (build & QA completed)		Dependent on JE/CT plans to move to Windows
Delivery of Windows Manual Cash Journey component (build & QA completed)		Dependent on JE/CT plans to move to Windows
Travel, Money Transfers and Postal Order		
Current product integrations with 3rd party (FRES) reviewed and incorporated into requirements		

October - January Deliverables

Description
Mails for Counter Pilot
Postage Sale Journeys - Ready for E2E Test
Postal Address Finder Tool - Ready for E2E Test
Redirections - Lost Application (Lost Items) - Ready for E2E Test
Ordinary COP - Ready for E2E Test
Pre-Paid Stationary - Customer Sale - Ready for E2E Test
Philatelic - Customer Sale - Ready for E2E Test
PPI Bags - Ready for E2E Test
Banking & Payments
Payments Wireframes Submitted for final UX/UI Approval
Banking Wireframes Submitted for final UX/UI Approval
Payment Integration build & QA completed
On Line Banking Journeys build & QA completed
Off Line Banking Journeys build & QA completed

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Travel, Money Transfers and Postal Order

FX Click & Collect Centrally Provisioned - Ready for E2E Test

PO Travel Money Card - Ready for E2E Test

Western Union Digital Money Transfer - Ready for E2E Test

MoneyGram Receive,send - Ready for E2E Test

FX Bureau In Branch Currency - Ready for E2E Test

FX Click & Collect Pre-ordered and made up in branch - Ready for E2E Test

Lottery & Retail

Lottery Sales Instants, On-line Requirements

Lottery Payout Mid-tier payout Requirements

Health Lottery Sales Requirements

Health Lottery Payout Requirements

Bill Pay & Legacy Pre-Pay

Bill Pay HLD completed and signed off at TDA

Government ID

Finalise product scope

Finalise user stories in Jira and sign off with Product Owner

Payment Receipt and Settlement from Tablet (this includes payments for
Digital passport, SIA, and DV - Ready for E2E Test
DVLA SORN, TVR, Tax Discs, DD – TDA Sign Off

Passport requirements

Financial Services & Insurance

Over 50s - Ready for E2E Test

Travel Insurance Annual or Single (lead and sale) - Ready for E2E Test

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1.4 NBIT BRANCH MANAGEMENT

Delivery Status 3/9 delayed
Previous Cycle

Deliverables

Missed Deliverables April-June		
Description		
Delivery of Discrepancy Management component		On track for end of October

July - September Deliverables		
Description	Status	Notes
Branch Management		
Branch Management - Product Journey Engine to Counter integration		complete
•Display Menu		
•Start		
•Commit		
•Cash		
•Stock		
Cash Management – on-screen reporting; transaction corrections; cheques dispatch; cash transfers	2	Cheques dispatch is moved to post-Sept to bring discrepancy account into scope as it's required at the same time. Covered under cash management deliverable for next period.
Stock Management – stock checks; transaction corrections	3	Stock build has started. Scope is bigger and more complex than expected. Additional Team onboarding and will start sprints imminently, however activity expected to complete May 2023.
Basic Transaction Viewer	3	Requirements and UX in place. Build to complete March 2023 for R3
Deliver basket processing MVP for Android Counter Pilot Release 1		Complete
Deliver capabilities to support sales receipts printing for Android Counter Pilot Release 1		Development complete, waiting format approval from business
Delivery of Counter and PJE Integration component		Complete

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User Management		
Delivery of MVP solution, including build activity on Identity and Access Management (IDAM) as well as B&DE NBIT build		Awaiting planning from ForgeRock for R2
October - January Deliverables		
Description		
Branch Management		
Cash Management - Development Complete - Ready for E2E Test		
Stock Management (Rem in and out, Stock Counts and Sale Processing) - Development complete - Ready for E2E Test Product Transaction Record (Pilot Only) - Development Complete - Ready for E2E Test Basket Processing - Development Complete - Ready for E2E Test		
Cash Payment Processing - Development Complete - Ready for E2E Test		
User Management		
JML User Stories / Epics signed off		
End State HLA Approved		
End State HLD Approved		
MFA Approach Defined and Approved by TDA		

1.5 NBIT INTEGRATION

Delivery Status **4/12 at risk**
Previous Cycle

Deliverables

Missed Deliverables April-Jun		
Description	Status	Notes
Data Reconciliation Service for banking transactions and card payments development complete	4	Development WIP, delays due to gather of information for POC/Dev activities are in WIP, change in plan agreed by stake holders. DRS Build ready for Integration Test 23/12/22.

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NBIT Automated Payment client file merge service released to production	4	(1) Delay in receiving quote from Fujitsu and POL Information Services Team for completion of full roll-out (2) Ongoing support model design work due to service impact of moving AP Client File routing via NBIT means Fujitsu will no longer provide "Gold" level support on these routes. Options paper to be drafted as decision required from Steerco on how to proceed. Target completion of February 2023, but not impacting critcal path of R2 or R3 at this stage.

July - September Deliverables

Description	Status	Notes
Smart metering Passthrough development complete		10/10 APIs in development. On track
PODG rollout for the majority routes, re-routing via NBIT	4	Request with Information Services for quote on PODG / Information Services effort for cutover. Has been escalated to CDIO as the cost from Fujitsu is substantial. It won't be delivered by end Sep but won't know a date until the escalation has concluded, and POL have signed the paperwork and Fujitsu have confirmed the dates.
AppMod – NBIT connectivity		Working with AppModteam to establish effective mtlsset up; prevailing view is one cert will be needed per AppModservice - meaning 10 certs per environment at a cost of ~£450 each. Alternative options being explored to streamline requirements.
CDP Travel insurance development complete		Complete
CDP Identity services development complete		On track
CDP gift cards development complete	2	Replanned for R3, completion by April 2023.
CDP Integration for Smart Metering released to Production		Need to understand approach to platform release planning and target dates for "Release Train". Will be ready to enter E2E Test at start of September
AppMod Kahala released to Production		Need to understand approach to platform release planning and target dates for "Release Train". Will be ready to enter E2E Test at start of September
AppMod Bank Undo released to Production		Need to understand approach to platform release planning and target dates for "Release Train". Will be ready to enter E2E Test at start of September
AppMod Bank Account Checker released to Production		Need to understand approach to platform release planning and target dates for "Release Train". Will be ready to enter E2E Test at start of September

October - January Deliverables

Description
Platform Integration
AP Client rollout to send daily transaction files to clients via NBIT
Merging of NBIT transactions in daily transaction files sent to clients E2E test ready
Client Transaction Summary to be sent to POL finance team E2E test ready
Connection to CDP Identity api- IBV to support identity journey E2E test ready
Connection to CDP Identity api- ekyc to support identity journey E2E test ready
Connection to App Mod DVLA api for Driving license journeys E2E test ready

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1.6 NBIT TECH SUPPORT

Delivery Status 0/9 delayed
Previous Cycle

Deliverables

Missed Deliverables April-June		
Description	Status	Notes
Build out of automated testing for counter pilot release 1		Marked as completed in previous IC paper, this covered the testing framework

July - September Deliverables		
Description	Status	Notes
End to End testing plan built and signed off for Android Counter Pilot Release 1		
End to End plan executed with automated testing built for Android Counter Pilot Release 1		
Service Models for Android Counter Pilot Release 1 agreed		
Release process signed off and complete for Android Counter Pilot Release 1		
Level 2 and Level 3 support structures for IT Support agreed and signed off		
Android Counter Pilot Release 1, alerting, monitoring and logging in place in tactical solution		
Security tooling now built into pipeline and measuring performance		
Support live D&C Service including AWS environment, licencing, 3rd party support & operations		

October - January Deliverables
Description
Service & Support
End to End test plans created, reviewed, and executed for: Pivot to Windows, IDAM solution, Device Manger
Full End to End testing plan for R2 (March release) built and signed off
IT Operational config (CMDB) design created and agreed

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Support Structures Agreed for R2

R2 Alerting, Monitoring and Logging Design agreed

Route to Live checkpoints and process in place

Support live NBIT Counter Pilot and D&C including AWS environment 3rd party support & operations

1.7 NBIT ENTERPRISE APPLICATIONS

Delivery Status **0/7 delayed**
Previous Cycle

Deliverables

Missed Deliverables April-June

Description
none

July - September Deliverables

Description	Status	Notes
Arrow Cash Forecasting – UAT Complete		Dependent on UAT environment build completion
Arrow Non-Cash Forecasting – UAT Complete		Complete
CFS – Taxation UAT Complete		Complete
Moneygram and IPSL UAT Complete		In progress with the open item account management to be started. IPSL ExellaCR testing to be include
Financial Controls – Test Complete		On track
SCA Rate Card – Deployed		Complete
Pre-Paid Mails SPM Alignment CR – Deployed		Tested as part of E2E successfully -will be deployed with Rel.1

October - January Deliverables

Description

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Enterprise Applications
EMIS/EPA Integration Test Complete
Discrepancy Mgt Integration Test Complete
Cash Forecasting Integration Test Complete
Cash Processing Integration Test Complete
POL Reconciliation Service
Banking Reconciliation LLD Complete
Card Payments Reconciliation LLD Complete
Banking Reconciliation Build & UT Complete
Card Payments Reconciliation Build & UT Complete

1.8 NBIT ARCHITECTURE

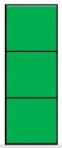
Delivery Status 0/18 delayed
Previous Cycle

Deliverables

Missed Deliverables April-June		
Description	Status	Notes
Test and report on POC findings using local devices and our test devices		

July - September Deliverables		
Description	Status	Notes
Enterprise Architecture		
Reconciliation Engine Design		
Design APOP integration capability for postal orders/vouchers		

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AWS well architected review

Design NBIT application and security logging

Assure NBIT Architecture standards conformity

Product Architecture

Banking HLD updated for Release 3

Payments HLD to progress along with Worldline engagement

Bank of Ireland integration solution overview for NBIT

Mails HLD update aligned to Mails Product Roadmap

Transaction Engine HLD Updates

Counter Terminal HLD updates to support Windows operating system

Product Journey Engine HLD Updated to support enablers added to scope and decoupled architecture

Insurance products Solution overview for Over 50's & Travel

Design Travel Money Card & FX

Lead Generation HLD signed off at TDA

Loans HLD signed off at TDA

Government and ID Services HLD sign off at TDA

October - January Deliverables

Description
Enterprise Architecture
Design for Audit event publish/subscribe based solution across end to end NBIT Audit
AWS well architected review for R2 and R3 deliverables
Design Vouchers and Pay-Out solution for NBIT
Design for Prompts and Messages in NBIT

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NBIT Architecture assurance and conformity

Reconciliation Engine Design

Design for Branch Network, Connectivity via Public and Private Networks

Windows operating system design for EPOS Kiosk mode

Windows EPOS and Devices design aligned to Hardware RFP

NBIT Authorisation design for R2 and R3

Design for Device Management for new EPOS and Devices using Intune

Design to support Training environment and Systems (LMS, Simulator and Help).

Design for Immutable transactions - Ledger DB for Transactions

Data model defined for NBIT Platform

Security patterns defined for R3 scope

Product Architecture

Banking HLD - for Release 3

Payments HLD and updates for Release 3

Mails HLD updated for Release 3

Product Journey Engine HLD updated to support Release 3 components

Print and Scanner adapter designs

Insurance products for Release 3 updated in HLD

Transaction engine security improvements design

Travel money, Transfers and Postal Orders design

Lottery design to be start

Cash and Stock management design to be completed

Platform logging and monitoring for Release 3

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DVLA SORN, TVR, Tax Discs, DD Design complete

Passport solution overview/options paper to be completed

Moneygram and Western Union designs to be completed

2.1 HARDWARE

Delivery Status 2/6 missed
Previous Cycle

Deliverables

Missed Deliverables April-June

Description
none

July - September Deliverables

Description	Status	Notes
Procure up to 30 bundles of hardware for counter pilot release one		GE are due to approve on 15/8. Contract will be let on 26/8 with first two orders. Delivery should be by 26/9
Main tender - Tender closing date for full counter		Complete
Commitment Business Case For Full Counter Issued		targetting Sept board
Outreach - Report & Recommendations on mobile solutions		Report dropped and under review.
Issue RFP (Request for Proposal) - Outreach solution	4	This will not be done. NCR running late and only doing the recommendation demo on 11/8. There will not be enough time to ratify requirements and release an RFP. Will complete next period.
Support contract initiated to support new devices	4	Whilst discussions are underway, the support contract is unlikely to be amended until the architechture for NBIT is agreed and tasking between EUC and BDE agreed. Will complete next period.

October - January Deliverables

Description
Device drawndown - Early Drop - up to 85 Bundles
Issue RFP (Request for Proposal) - Outreach solution

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Support contract initiated to support new devices

2.2 DEPLOYMENT PLANNING

Delivery Status 2/8 at risk
Previous Cycle

Deliverables

Missed Deliverables April-June

Description	Status	Notes
none		

July - September Deliverables

Description	Status	Notes
Migration:		
Pilot deployment strategy document produced		
Pilot: Deploy hardware into first Pilot Site		
Full-counter Strategy		First Draft produced
Connectivity:		
Connectivity Test Environment Established		
Complete Pre-Testing of Learning Management System (LMS) service	4	LMS not yet procured so full testing cannot be achieved but we will do some representative testing on exisiting LMS. Deliverable moved to next period.
Complete Pre-Testing of Virtual Instructor-Led Training (VILT) service		Representative testing will have been completed
Complete Pre-Testing of Information Management System (IMS) service	4	IMS not procured so full testing cannot be achieved but we will have completed some representative testing on existing system. Deliverable moved to next period.
Complete Pre-Testing of NBIT		

October - January Deliverables

Description

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Develop sequence for full rollout

Deployment to remaining agreed R1 branches complete
Send out Invitation to Submit Final Tender (ISFT) for the Implementation Partner

Connectivity uplift for first batch of satalite sites on contract.

Windows 10 devices tactical build for R2

Complete Pre-Testing of Learning Management System (LMS) service

Complete Pre-Testing of Information Management System (IMS) service

2.3 TRAINING PLANNING

Delivery Status 1/9 at risk
Previous Cycle

Deliverables

Missed Deliverables April-June

Description	Status	Notes
Agree format of new learning materials and software with BAU Training team		Complete
Commence Tender & Selection Of Design Partner & Award Contract	1	In progress but delayed due to R1A design. Additional resource focused on this to ensure a partner is identified by the end of September
Commence design of pilot training materials, with at least 20% of mail journeys completed. These will have been accepted by BAU training team.		training for 20% of mails journeys included in R1 have been built, approval has been gained from BAU training team
LMS Implementation plan developed and agreed by stakeholders		LMS procurement process delayed due to additional clarification questions being required by the BAU training team. Now selected LMS and implementation plan will be drawn up and in progress by end of september
Tender commenced to select required Information System tool		Work in progress. More thinking has been done on IMS solution. Initial direction being rethought and we are exploring whether an existing POL solution can be extended rather than purchasing a new system. Decision will be made by end of September

July - September Deliverables

Description	Status	Notes
Confirmation Of Training Approach for Business Support Centre		
Learning Management System Partner appointed and Implementation commenced		

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Information Approach signed off by key stakeholders	
Counter Pilot	
Training Designs for R1 complete and shared with key stakeholders.	

October - January Deliverables
Description
LMS preparation requirements identified and resources appointed
Virtual Instructor-Led Training branch testing complete Agreement with key stakeholders on Inline Help/Information and requirments submitted to BDE
New onboarding collatoral for Branch Support Centre complete
Training design partner appointed
Upskill existing BAU team in new e-learning authoring tool
Training Delivery Planning schedule complete

3.1 PRODUCT JOURNEYS AND BUSINESS READINESS

Delivery Status **6/19 missed**
Previous Cycle

Deliverables

Missed Deliverables April-June		
Description	Status	Notes
Prepare UAT plan for banking journeys	2	Replanned for R2
Completion of requirements for Bill Pay journeys other than Legacy pre-pay	5	Bill Pay team only recently stood up. Bill Pay HLD to be completed and signed off at TDA in next period
Validate Bank of Ireland integration plan		
Virtual Product Team Leaders recruited and onboarded, and VPTs stood up for Retail & Lottery and Forex & transactional financial services		Deliverable no longer applicable, team structure has changed so there are no longer VPTs

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July - September Deliverables		
Description	Status	Notes
Banking & Payments		
Payments Product Discovery Complete (requirements, process flows and user stories complete)		
Worldline SoW2 complete (covering Windows C3 Agent integration and external certification support to pilot ready)		
Worldline SoW3 Terms and conditions plus schedules drafted and available for review with (covering roll out support and BAU services)		
Government and ID Services		
Finalise product scope	2	Postponed as not in scope for R1, moved to next period. Reported under 1.3 NBIT Product Journeys going forwards
Finalise user stories in Jira and sign off with Product Owner	2	Postponed as not in scope for R1, moved to next period. Reported under 1.3 NBIT Product Journeys going forwards
Travel, Money Transfers and Postal Order		
Impact assessment of any possible changes required on FRES systems aligned to B&DE designs		
Business Change requirements documented and baselined in Jira as Epics and User stories.		
Business Readiness for Counter Pilot		
Model Office requirements for NBIT agreed		
Agree measures of success for the first phase of the pilot		
Choose branches and agree preliminary roll out schedule		
Complete updates to postmaster contract documentation		On track to complete by send of September
Set up investigation process for discrepancies and ensure resources are in place to investigate and respond	2	Postponed as not in scope for R1, moved to next period
Agree Business Readiness/sign off process, which will then inform the sign off process for further releases		
Legal Assurance		
Production of Risk and Due Diligence Reports for commercial contracts completed		Complete for initial list of commercial contracts, with exception of of notification detail requirements below. A number of new contracts have been identified as requiring review, as new contracts are being created still using outdated T&Cs
Issue of Notification Letters completed	3	Identification of Notification period and draft letters has commenced but will not complete this period, as the content will differ depending on whether a build or buy decision is made for the ePOS solution. Deferred to October-January
October - January Deliverables		

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Description
Business Readiness
Business Readiness Process complete for remaining R1 branches
CIA completed for all in scope products and processes
UAT Partner onboarding complete
Change impact assessment template created
Legal Assurance
Complete list of contracts that require legal review
Identify legal contracts in scope for R2
Issue of Notification Letters completed
Commence production of contract review reports for additional commercial contracts identified

3.2 EPOS AND BRANCH MANAGEMENT

Delivery Status **2/13 delayed**
Previous Cycle

Deliverables

Missed Deliverables April-June		
Description	Status	Notes
Design and define future solution: Delivery of MVP and end-state High-Level Design for review and approval at TDA		on track to complete by end of September
Draft of end-state business process flows (e.g., login, logout, soft unlock, hard unlock)		on track to complete by end of September

July - September Deliverables		
Description	Status	Notes
Branch Management		

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Gap analysis of Buy requirements to Jira backlog		
Impact assessment on OS change		
Confirmation of R2 scope with OS change		
Business Process mapping to support key requirements delivery for MVP Basket Processing	3	Started, but due to a change of structure in the team this couldn't be completed
Business Process mapping to support key requirements delivery for MVP UM		
User Management		
Commence analysis for upscale of FR solution for End State	3	Analysis has commenced, will conclude Q2 next year
Validation of end state requirements		
ePOS Buy subset		
Issue of RFP to vendors for Buy option		
Vendor presentations completed		
Commercial review completed		
Preferred ePOS supplier chosen		

October - January Deliverables
Description
ePOS Buy subset
Award a contract for
Begin exploratory phase with selected supplier
Submit interim report to CDIO on progress of EPOS Buy

NB - Branch Management deliverables covered under 1.4 NBIT Branch Management

3.3 BAFTA & OSCAR

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Delivery Status 2/18 delayed
Previous Cycle

Deliverables

Missed Deliverables April-June

Description		
Foreign Currency - Complete User Stories (Process documentation)	2	Replanned for Oct-Jan period
Stock Management - Agreement to change stock management process to track stock at a more granular level, including preparing the user stories		On track to complete by Sept
Other Formats - Outreach Branches, BFPO – As is analysis complete	2	Replanned for Oct-Jan period
Business Process UAT and Financial controls assurance strategy and detailed plan developed		On track - superceded by lines 14 and 31 for R2, and lines 44 and 45 for R3
Branch Finance Process Cutover Strategy completed		On track to complete by Sept

July - September Deliverables

Description	Status	Notes
Finance Transformation (BAFTA)		
Supporting the EPOS decision - Short-listing, presentations, decision		
Validation of all BAFTA User Stories, build, testing, reporting, change management (Service & Support and Training) for Counter Pilot R1		Deliverable no longer applicable - BAFTA were expecting Counter Association to be in R1 but this has been put back to R2
Finance processes for Counter Pilot R1 - As-Is and To-Be processes documented, risks and controls documented and agreed		Deliverable no longer applicable - BAFTA were expecting Counter Association to be in R1 but this has been put back to R2
Finance processes for R2 - As-Is and To-Be processes documented, risks and controls documented and agreed		
Stock Mgt – Finalise requirements for User Stories for R3		
Assurance (OSCAR)		
Complete and execute finance assurance plan for Drop & Collect project release 2.1 – product development and move to full Service Concession		
Finance processes for R1 - As-Is and To-Be processes reviewed (documented where changes made), risks and controls documented and		
Assurance - work around uses of 3rd party data in central finance processes, central Finance reports and Finance controls by release		Completed for Banking. Legacy pre-paid this week
Set of prioritised requirements for 3rd party data feeding into relevant products/services delivered to Virtual Product Teams (all except Mails)		Will be derived from the 3rd Party Assurance work
Support E2E Testing for Central Finance Processes (Billing, Settlement, PM Rem) for R1		Commenced UAT Testing 08/08

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Support further Drop & Collect deliverables		
Support Enterprise Architecture UAT		This is continual
3rd Party Assurance		
3rd party assurance strategic approach developed and procurement activity underway		
October - January Deliverables		
Description		
Finance Transformation (BAFTA)		
Validation of all User Stores, build, testing, reporting, change mgt (Service & Support and Training) for R2		
Definition and Documentation for To-Be Processes - [Other Formats - **Outreach Branches**, BFPO)		
Branch Management (BAFTA) - Definition and documentation for both As-Is and To-Be processes completed (excluding outreach branches) for : cash		
Branch Management (BAFTA) - Definition and documentation for to-be processes completed (excluding outreach branches) for : **foreign currency**		
Reporting - report requirements for HORice, Horizon, Credence and CFS written for R2		
Assurance (OSCAR)		
Assurance (OSCAR) - Set of prioritised requirements for 3pty data feeding into relevant products/services delivered to Virtual Product Teams (Excl		
Finance processes for R2 - As-Is and To-Be processes reviewed (documented where changes made), risks and controls documented and		
Support Enterprise Architecture UAT		
Assurance - Central Finance reports, Finance and IT controls for R2		

3.4 POSTMASTER COMMUNICATIONS AND ENGAGEMENT

Delivery Status		**5/12 at risk**
Previous Cycle		

Deliverables

Missed Deliverables April-June

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Description		Notes
Recruitment of branch SMEs from agency/franchise network on part-time and flexible basis	1	Incomplete due to a combination of HR and legal activity to determine PM contract requirements. Work is ongoing but likely to defer to Oct-Jan.
Approach for system identity (name for NBIT) defined and aligned within POL	4	still no agreement on the need for a system identity so the SPMP communications team are working through some alternative approaches. Defer to Oct-Jan
Align strategic communications narrative and plan with POL comms and define timelines		
Hold first demonstration events of NBIT (dependent on approval from Board and POL)	4	Delayed due to R1 delay. Defer to Oct-Jan
Define approach and plan for tactical messaging linked to segmented support approach		

July - September Deliverables

Description	Status	Notes
Finalise and agree Postmaster segmentation model and support for each segment		
Define and agree "pastoral" support roles, I.e. the groups who will support Postmasters in the lead up to go-live and beyond		
Ongoing user (Postmaster, strategic partner and/or DMB colleague) input on prioritised elements from the programme for Jul-Sep period		
Ongoing field team input on priority programme topics for Jul-Sep period		
Commence van-based roadshows, initially for UX/UI testing	5	Will be missed due to decision to delay recruitment of resource for this. Will commence in Oct-Jan. UX/UI testing with PMs has commenced virtually.
Recruitment of DMB colleagues for NBIT roadshow delivery	5	One person recruited, starting early Sept. Do not anticipate recruiting second person due to wider uncertainty around delivery dates - may choose to delay recruitment until next period, or until the new year
Delivery of programme communications to stakeholders over Jul-Sep period once the approach has been agreed on:		Communications have been delivered
•System Identity		
•Strategic messaging		
•Tactical messaging for the Segmented support approach		

October - January Deliverables

Description	Notes
Work with colleagues and external support as required to deliver a user engagement activity on the name for NBIT	
Manage work with marketing team and external expertise as required to deliver branding collatoral associated with NBIT	
User input on prioritised areas including early sight of R2 journeys, migration and training plans for full counter rollout	

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Field team input on prioritised areas including early sight of R2 journeys, migration and training plans for full counter rollout
Hold field team engagement event covering deployment plans for Counter Pilot and full rollout

Commence van-based roadshows, initially for UX/UI testing

Recruitment of branch SMEs from agency/franchise network on part-time and flexible basis
Approach for system identity (name for NBIT) defined and aligned within POL

4.1 DATA AND REPORTING

Delivery Status n/a
Previous Cycle n/a

Deliverables

Missed Deliverables April-June	
Description	
N/A	

July - September Deliverables		
Description	Status	Notes
Pillar just stood up - no deliverables reported from July-September period		

October - January Deliverables	
Description	
Reporting Solution: Reporting Solution Option Paper Complete	
Data Mgmt: Data Catalogue Template defined (R1)	
Data Arch: Data Flow Diagrams (inbound/ outbound) defined (R1)	
Digital Data Vault: Proposal development complete Requirements: Cross release - Postmaster Operational Reporting requirements captured in backlog	

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Requirements: Cross release - Postmaster MI Reporting requirements captured in backlog
Requirements: Cross release - POL Back Office Operational Reporting captured in backlog
Requirements: Cross release - POL Back Office MI Reporting requirements captured in backlog
Requirements: Cross release - External Reporting requirements captured in backlog
Requirements: Cross release - Non Functional Requirements captured in backlog

4.2 Non-IT SERVICE AND SUPPORT

Delivery Status **1/9 at risk**
Previous cycle

Deliverables

Missed Deliverables April-June

Description	Status	Notes
Business support requirements and collateral for Banking Journeys captured, identified, understood, documented and agreed with the		Banking journeys for Release 2 are identified and will be delivered in line with the revised programme plan.
Business support requirements and collateral for the journeys in scope for Counter Pilot captured, identified, understood, documented and agreed		Release 1 requirements and collateral in progress, following validation against UAT and will be in place for go live in September 2022.
Review and document the changes required under the hardware support contract for NBIT, commence commercial engagement for support take on.		Progressing in line with the Device Strategy and related Procurement activities.

July - September Deliverables

Description	Status	Notes
Counter Pilot Release 1 resources in post with contact methods established to support nominated branches		On track
Knowledge articles, support and escalation processes created for Counter Pilot Release 1		On track
NBIT Reporting and tooling impact on Business support teams documented, and requirements captured for input into development		Reporting requirements identified and submitted to Reporting Pillar. Need to confirm approach to Dual Running reporting for Pilot branches.
Analysis, investigations and recommendations completed for Case management and knowledge/information surfacing for support staff and postmasters	5	Analysis carried out on options for the surfacing of Knowledge and Information for Support and Postmasters. Further work is needed for a solution that meets needs across all areas (including operational processes). Awaiting resource to be onboarded to complete activity. Deliverable moved to next period.
Continue to provide expertise and input into the screen designs, identifying process omissions and improvement opportunities to minimise support		Ongoing support being provided.
Continue to provide expertise into the Windows 10 and Hardware device support requirements and service model		Complete.

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October - January Deliverables

Description
Counter Pilot Release 1 lessons learned identified and incorporated into Release 2 planning and execution. Counter Pilot Release 2 resources identified with contact methods established to support nominated branches.
Support and escalation processes identified for Counter Pilot Release 2.
Knowledge articles drafted for Counter Pilot Release 2 in preparation for UAT validation and final imagery. Analysis, investigations and recommendations completed for Case management and knowledge / information surfacing for support staff and postmasters.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Procurement Report	**Meeting Date:**	27 September 2022
Author:	Liam Carroll, Procurement Director	**Sponsor:**	Alisdair Cameron, Group Chief Finance Officer

Input Sought: Noting & Approval

Approval of Appendix A - CCS Procurement Gas and Electricity for POL Estate.
Noting of Appendix B - SPMP Branch Point of Sale (POS) Equipment and Peripherals award.

Previous Governance Oversight

- GE on 29 June 2022 and Board on 12 July 2022
- GE on 17 August 2022
- GE on 14September

Please see attached appendices for specific governance approvals

Executive Summary

What approvals have been requested as part of this paper?

There are two papers:

Gas and Electricity for POL Estate

Board is asked to approve the award of a contract for Gas and Electricity supply for DMB's, Secure Warehouses and Admin Centres for mainland UK via Crown Commercial Services ("CCS") Framework RM6011 - Supply of Energy and Ancillary Services. This is a replacement contract for the current contracts with EDF (Electricity) and Corona (Gas) which are supported via a separately contracted hedge provider (Enel-X) and are due to expire at the end of March 2023.

10.3

With the volatile nature of the energy sector at present opting into the CCS Locked Basket starting from April 1st 2023 supports our desire to manage the volatility and maintain cost certainty. In order to opt-in to one of the six month baskets starting in April 2023, we were required to sign the call off with CCS by 16th September 2022, this was approved by GE at their meeting on 14 September.

SPMP Branch Point of Sale (POS) Equipment and Peripherals award

Board is asked to note the award of the contract for SPM Branch POS equipment and peripherals to Specialist Computer Centre (SCC) with their Hewlett Packard (HP) bid via the HTE Com IT2 Framework. Board delegated contract award approval to GE in March 2022 and following the successful completion of the procurement exercise GE approved the contract award decision at their meeting on 17th August 2022.

Strictly Confidential

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Background

Appendix A - Procurement Gas and Electricity for POL Estate

Appendix B - SPMP Branch Point of Sale (POS) Equipment and Peripherals award

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POST OFFICE LIMITED
BOARD REPORT

Title:	Appendix A - CCS Procurement Gas and Electricity for POL Estate	**Meeting Date:**	27 September 2022
Author:	Stephen Smith – Procurement Steve Norris – Head of Property Kate Giles - Property Compliance and Contracts Manager	**Sponsor:**	Martin Roberts – Group Chief Retail Officer

Input Sought: Approval

Board is asked to approve the procurement of Gas and Electricity for DMB's, Secure Warehouses and Admin Centres for mainland UK.

- Procurement of both Electricity and Gas via Crown Commercial Services ("CCS") Framework RM6011 - Supply of Energy and Ancillary Services.
- Length of contracts to be 24-month (April 1st 2023 to March 31st 2025)
- The total value of the call off for the 24 months is estimated to be c. IRRELEVANT
  - Broken down as c. IRRELEVANT/year Electricity c. IRRELEVANT Gas.

In order to opt-in to one of the 6 month baskets starting in April 2023, we were required to sign the call off with CCS by 6th September 2022.

Executive Summary:

POL is responsible for the procurement of Gas and Electric for our DMB's, Secure Warehouses and Admin Centres. Franchisees maintain their own arrangements for Utilities and therefore these do not form part of any POL agreements.

Property have been fully engaged in the development of this strategy and this recommendation has been agreed with Martin Roberts – Group Chief Retail Officer.

10.3

Property, Procurement and CCS have reviewed our historic energy spend and, based on the rates we have been achieving under our existing contract when compared to the rates which we would have achieved had we been with CCS, **we may have achieved savings of c. 26% on our combined Gas and Electric costs**.

The performance of the new CCS framework is demonstrated in the fact that approximately **50% of all public sector organisations are now operating under the CCS Framework,** including Bolsover District Council, Nuclear Decommissioning Authority & Hertfordshire and West Essex ICS NHS, BEIS and all other central government departments. This represents £1.3bn in energy, making CCS the largest energy trader in the UK outside of the big energy providers.

With the volatile nature of the energy sector at present in mind, Property and Procurement are recommending that we opt into the CCS Locked 6 Basket starting from April 1st 2023 as we believe this strategy supports our desire to manage the volatility and maintain cost certainty.

The contract values referred to herein are estimates only and may be subject to variation.

Approval from GE was obtained on 14 September in order to meet the opt-in deadline described herein of 16th September 2022.

Internal

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Background:

This will be a replacement contract for the current Electricity and Gas provider contracts currently with EDF (Electricity) and Corona (Gas).

Our independently procured contracts for mainland UK for Gas (Corona) and Electricity (EDF), which are supported via a separately contracted hedge provider (Enel-X) are due to expire at the end of March 2023.

Post Office had been operating under a previous CCS Framework for both Gas and Electricity up until 2017. However, IRRELEVANT IRRELEVANT in particular) which resulted in resource distraction and Post Office spending ~ IRRELEVANT

IRRELEVANT

With the volume of sites operated and limited size of the POL team working with the providers, it is critical that billing is consistently accurate, and levels of customer support are high. Post Office Property actively monitor all billing and we will remain with EDF as our incumbent electricity supplier thereby minimising the impact of transition to the new contract.

Although we are confident that the approach of using a hedging organisation has provided value over the life of the contract, the volatility of the market in recent months has made it challenging for Enel-X to continue to provide that demonstrable value and therefore, given the size of the portfolio CCS are responsible for Property/Procurement made contact with CCS to understand the benefits they were able to offer.

Recommendation for Approval:

With the potential savings balanced with the previous experience and market uncertainty in mind, we would recommend the approach of calling off against the CCS Framework for Gas and Electricity and opt into one of their shorter 6 month baskets with an initial plan to stay in for 2 years (but with the option to serve notice sooner should service be poor). These would deliver the desired stability in pricing as well as gaining access to CCS's purchasing power whilst offering flexibility to a) serve notice or b) opt for a longer term basket within the shortest period of time possible.

10.3

Based on historic volumes but using anticipated rates for the first 12 months of the call-off, our arrangement will have the values of c. IRRELEVANT for Electricity and c. IRRELEVANT or Gas.

Under the CCS Framework, the period of notice required to opt-in to a basket is greater than we have previously experienced under our independent arrangement or previous CCS call-off. In order to opt-in to one of the 6 month baskets starting in April 2023, we must agree the call off with CCS by not later than 16th September 2022. Therefore, with GE approval we entered into the contract. The period of notice required by CCS allows them to buy our requirements in advance of delivery, securing our desired cost certainty.

Bill validation will continue to be carried out by Enel X, ensuring bill accuracy highlighting missing bills, meter reading anomalies etc

Contractual Summary:

Post Office would be required to complete a CCS Customer Access Agreement to call off from the Framework. The call off does not expire (known as 'evergreen'). However, the 'Baskets' are

POL00448625

what we give notice on (to enter and leave), so, if, after the suitable period, we are dissatisfied with the arrangement, we can give 6 months' notice and opt for an alternative. Equally, if we believe the framework is performing strongly, then, at the appropriate time, we can opt to migrate to an alternative basket.

Bill validations and carbon reporting will continue to be carried out by incumbent suppliers for those activities.

Internal

POL00448625

POST OFFICE LIMITED
BOARD REPORT

Title:	Appendix B - SPMP Branch Point of Sale (POS) Equipment and Peripherals award	**Meeting Date:**	27 September 2022
Author:	Rishi Thaker / Steve Hepburn - Procurement	**Sponsor:**	Zdravko Mladenov, Chief Information and Digital Officer

Input Sought: Noting

Board is asked to note the award of the contract for SPM Branch POS equipment and peripherals to Specialist Computer Centre (SCC) with their Hewlett Packard (HP) bid via the HTE Com IT2 Framework, (see appendix 1 for SCC HP POS equipment images).

- Length of contracts to be 48-month term with three optional 12-month extension
- The total value for core counter bundles to be procured via this contract is projected to be to £48.3m over the 84-month period, with no minimum commitment to spend
- Each call off from the contract will be subject to approval via the CAF process

Previous Governance Oversight

- The sourcing approach was agreed with the Device Governance Forum on 8th February 2022.
- The sourcing strategy was approved by SPMP SteerCo on 25 February 2022.
- The sourcing strategy was approved by GE and Board on 16 and 29 March 2022.
- Board delegated contract award approval to GE if the contract value is below £49.5m.
- The contract award decision was approved by the SPMP SteerCo on 22 July 2022
- The contract award decision was approved by GE on 17th August 2022

10.3

Background

Sufficient equipment bundles are required to support the full counter needs of the 11,500 sites (22,100 units agreed with the Networks team), including spares of up to 2.5%. This enables the EUC Provider to have access to enough hardware to meet current service level agreements, key performance indicators, BAU demands and the Networks team projections. The solution for the replacement of the ~400 outreach "luggable" kit bundles, where it differs from the full counter devices, will be subject to a separate procurement.

Executive Summary

The contract value is £48.3m over an 84-month term, made up of an initial 48-month term, with up to three additional 12-month extensions. This will align to the life expectancy of the assets, to enable the Post Office to refresh the peripherals, if necessary, within the same contract period i.e., initial delivery, warranty, further orders if required.

SCC have fixed the price of hardware for 12 months from the anticipated start of the contract (1st October 2022). SCC have re-confirmed that they can meet the delivery schedule outlined in the RFP and lead times they have committed to for the delivery of the equipment. A full refund and recourse fee is applicable for items that are not delivered to our timescales.

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There will be no contracted commitment to spend. The approval for the commitment of funding to draw down the devices will be requested at the Board separately by the SPM Program.

The £48.3m value is based on core equipment bundles to replace the existing Horizon equipment in branch. The contract also has pricing for non-core equipment the procurement of which would be subject to a separate business case but if purchased may will take the spend above £50m.

Questions Addressed

1. What equipment is in-scope?

   The core device bundle components are:

   - EPOS unit
   - Barcode Scanner (wired)
   - Magnetic Strip Reader (MSR) – possibly integrated with POS.
   - Keyboard (wired)
   - Printer(s)
   - Multifunctional printer, or
     - 2 x Label Printers
     - 1x Receipt Printer(s)
     - With optional vertical stacking unit

   The Non-core components (optional devices) are:

   - Barcode Scanner (wireless)
   - Customer facing screen
   - Keyboard (wireless)
   - Mouse (wired/wireless)
   - External camera
   - Cash Drawer

2. What was the Procurement Process?

   Requirements were gathered via broad range of stakeholders covering the functionality to ensure the procurement process delivers the correct technology to operate the NBIT solution. The requirements have been through several reviews by business, technical and postmaster representatives to validate that they are comprehensive and complete. They have been signed off by Programme Board before inclusion in the RFP.

   A competitive PCR compliant procurement exercise was run via the HTE ComIT2 framework. The award criteria were 60% Business Requirements and 40% Commercial. SCC achieved the top mark of 91.7%

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Appendix 1 – SCC HP POS Equipment Images



HP engage One Pro AIO



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Zebra ZD621



HP Engage – direct thermal – receipt printer



HP Engage 2D Barcode Scanner



TM-J200 – Epson Multifunctional Printer

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POST OFFICE LIMITED
BOARD REPORT

Title:	Health & Safety Monthly Report	**Meeting Date:**	27th September 2022
Author:	Martin Hopcroft, Director of Health & Safety, Environment and Business Continuity	**Sponsor:**	Al Cameron, Group Chief Finance Officer

Input Sought: Noting

The Board is asked to note the contents of the report.

Previous Governance Oversight

Safety Sub-Committee 6th September 2022, next meeting scheduled w/c 18th October 2022.

Executive Summary

In Appendix A, we summarise KPI performance over the last few years. We have included a comparison at P12 with the previous 3 years, together with latest data for P5 (22/23) which shows a reduction in accidents and lost time accidents to date compared to P5 YTD (21/22).

Following a reduction in accidents in 20/21, we saw a return to pre-COVID levels during the second half of 21/22. There has been an improvement over the last 6 months compared to previous (21 vs 27) and a reduction in accidents during 22/23 compared to the same period in 21/22 (17 vs 19). In Directly Managed Branches (DMBs), accident causation is mainly due to falls indoors, with a marked reduction in those to striking against objects or equipment, including bumping into or stepping onto objects. There has been a small increase in lifting and handling related accidents in Supply Chain.

A number of initiatives are being implemented in DMBs to strengthen the hearts and minds culture, including training for new safety champions and sharing good practice adopted by Supply Chain in recent years. The H&S Team have delivered face to face Person in Control (PiC) workshops to all DMB Area Managers, Branch Managers and Supply Chain shift managers and have undertaken compliance checks of calendarised H&S activities, with manager declarations informing us that we are 100% compliant.

11.1

Government guidance advises that Covid 19 is now part of our everyday lives and will be for the foreseeable future. From Monday 15th August we took additional steps to adapt to this new normal and treat Covid 19 in the same way we would treat any other respiratory illness. Colleagues have been advised that they may return to work with COVID as long as they are well enough but that they should inform their manager so that a local risk assessment can be undertaken to ensure protection of any extremely clinically vulnerable colleagues. An action was agreed at Safety Sub-Committee to review the current level of enhanced cleaning in DMBs, Supply Chain and central offices. It is proposed to return to a pre-Covid-19 level whilst ensuring we meet new the guidance and standard that has been issued to businesses.

Due to recent extreme temperatures and red weather alerts, we improved our response, policy and adverse weather guidance for colleagues across the business. We continued to see warm weather through August and therefore prioritised the wellbeing of frontline colleagues by adjusting duties where necessary and provided advice and guidance through regular bulletins.

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Whilst robberies have continued to decline in 22/23, we saw an increase in June compared to May (7 vs 3), perhaps a one-off, or early signs of the expected increases due to economic pressures. Robberies remained stable in July (8) but dropped significantly in August (3). It was agreed at the Safety Sub-Committee that Area Managers will be asked to remind Postmasters during their visits of basic procedures to mitigate higher risk due to the economical climate.

There were 3 robberies in August, 8 in July, 7 in June, 3 in May and 6 in April. The number of reported incidents related to abuse and violence is in line with the average of 33. In view of the economic difficulties that are anticipated over the winter months, there will be a number of targeted communication campaigns over the next 4 months providing focused support and guidance against robbery, abuse, aggression and violence throughout the Post Office Network

At our request, the HSE reviewed our response to the threat of violence, robbery and abuse against colleagues. Whilst we received positive feedback from the Principle Inspector, a number of areas have been identified for improvement, including clarity on POLs 'zero tolerance' policy, simplifying the process for reporting incidents and developing and innovating our 'harassment by customer' training materials to ensure clarity and enable consistency of delivery. A summary of findings has been included in the report below and in response, an action plan is being developed by the H&S, Retail and Security teams to be shared with Safety Sub-Committee.

We have reviewed the Supply Chain Safety Plan and are progressing a number of initiatives including; Alcohol Breath Testing roll-out; enhancing the role of the Safety Champion; procurement of a lighter secure cash box (Cennox) and; an Occupational Health review of physical and mental fatigue in CViT.

All statutory and non-statutory inspections are being undertaken and remedials are on track. Through our Property FM provider, an independent fire risk assessment company is completing the bi-annual technical assessment programme for all POL properties.

Questions addressed

1. What are the trends on accidents and violence across Post Office?
2. Are there any significant risks emerging and what are we doing to mitigate?

11.1

Report

3. We continue to provide wellbeing support to our colleagues, including those who continue to work from home. Our Mental Health First Aiders have received refresher training and together with HR Business Partners, they will provide support and raise awareness of our wellbeing resources over the coming months. Mental health related absences remain stable and account for 25% (22%) of all absences and 38% (38%) of days lost in P5 Aug. The number of mental health related absences and lost days are reducing month on month in line with other absence types. Overall absence reduced to 3.55% in P5 Aug from 4.00% in P4 July and stands at 3.86% YTD, mainly due to a decrease in absence in DMBs.

4. Robberies have decreased to 3 in P5 (Aug) from 8 in July, 7 in June, 3 in May and 6 in April compared to a pre-Covid average of 11 robberies per month. There were 274 Grapevine text alerts circulated in P5 plus 17 for CViT related incidents.

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5. In P5 (Aug), of the 3 robberies (10 last year), 2 were successful (5) and 2 involved weapons (6), including 0 blades (4). There were 0 CViT robbery related incidents (1) and there were 1 ATM attacks in P5, compared to 0 last year and 1 YTD (1). This is the first Post Office ATM incident in five months, which was an unsuccessful rip out attempt using a JCB, police believe low skill level. Industry ATM incidents remain down on pre-Covid level with a significant decrease to c10 per month over the last 3 months compared to a norm of c20 per month and c60 per month pre Covid.

6. At our request, the HSE has reviewed our response to the threat of violence, robbery and abuse against colleagues in branch and CViT. Whilst we have received positive feedback from the Principle Inspector in respect of the support provided to branch staff by POL post incident, a number of areas have been identified for improvement;
    a. Whilst POL states in its policy that it will not tolerate any abusive or antisocial behaviour directed towards employees, in practice staff and Postmasters do tolerate a good deal using their own judgement and recognising that (a) we do have mentally ill customers (b) banning customers may create more violence – there are no alternative suppliers! We are therefore going to work on what our policy wording is and how we support front line staff in making these judgements and dealing with the more dangerous behaviours without trying to replace their local judgement with rules.
    b. That the inconsistency in reporting at DMB level should be addressed through a specific briefing/instruction provided to DMB managers.
    c. That POL reviews the use of the online incident reporting system, Dymension, by DMB managers, to both ensure that they fully understand its important role in the reporting of incidents, and that the request of them in respect of incident reporting, is reasonable and makes most effective use of their limited time.
    d. That POL reviews the delivery and format of the training it provides to DMB staff e.g. A video format showing scenarios which demonstrate both good and bad practice when dealing with aggressive or violent situations.
    e. That POL allows access to its revised training material to the Agency network.
    f. That POL provides a briefing to Postmasters on the post-incident counselling support available to them and their staff through POL.
    g. That POL conducts a study to determine the actual (rather than currently reported) level of aggressive behaviour from customers, directed towards staff, in both the DMBs and Agency network.
    h. That POL reviews delivery mechanism for the messaging it currently provides to customers in respect of its stated zero-tolerance policy regarding aggression directed at its own and Agency branch staff.

7. There were 2 accidents in P5 (22/23) compared to 1 accident in P5 (21/22). There was 1 lost time accident in P5. Accidents/1000 employees are at 5.1 at P5 YTD vs 6.1 at P5 YTD 21/22. We have seen an improving trend in accidents during 22/23 so far. Training for Safety Champions in DMBs is being prioritised to strengthen good practice, and to share learnings from Supply Chain's positive safety culture.

8. The Post Office Lost Time Incident Frequency rate (LTIFR - accidents per 100,000hrs) has decreased slightly to 0.253 YTD P5 compared to 0.257 YTD P5 (21/22) and outturn 0.281 (21/22), 0.083 (20/21) and 0.150 (19/20). Total lost days per 100,000hrs (LTR) is 6.7

at P5 (22/23) compared to 9.5 at P5 (21/22) and outturn of 8.5 in 21/22, 0.47 in 20/21 and 3.22 in 19/20. There has been 6 lost time accidents YTD compared to 6 at P5 (21/22)

9. Post Office property is statutory compliant and overall risk is low. All statutory and non-statutory inspections are being undertaken and remedials are on track. The guidelines for PAT testing have changed and is now based on risk assessments rather than equipment type. The 3-year network programme is progressing well. None of the PAT inspection that have taken place have shown any risks of fire or electrocution. Other areas of focus are; This years' network signage surveys are due to finish this month, no serious issues have been found and external fire risk assessments and a fire door inspection is also taking place to form the sites fire door register. Field and colleagues working from home have been asked to attend drop-in sessions to have portable equipment checked by engineers.

10. Road traffic incidents for the commercial fleets for the year to date to the end of period 5 are tracking marginally above the corresponding period last year, as are the number of blameworthy RTIs. The mobile Post Office fleet increased in size by 5 vehicles from July 2021 and the CVIT fleet also increased by 5 vehicles from June 2022 as inbound cash volumes have continued to rise to record levels. There have been no serious RTIs to report to date. Following the proof of concept for alcohol breath testing at Hemel and Glasgow, Supply Chain started the rollout of ABT to the remaining depots in August, advising CWU of the intention to progress with or without their support. The CWU have registered disagreement through the Collective Engagement Framework in response. Supply Chain intend to recommence national rollout once the CEF process has been exhausted late Sept.

Financial Impact

11. The financial impact of the above initiatives has been evaluated / budgets confirmed

Risk Assessment, Mitigations & Legal Implications

12. Our highest risks include; violence and abuse aimed at postmasters and employees. The security team will continue to strengthen and invest in mitigation. Whilst concern has been raised due to a small number of road traffic incidents involving drivers using handheld devices, legal advice is that we should avoid random checks of in-cab CCTV footage due to privacy law. We reserve the right to use CCTV footage following any incident and have launched a joint campaign with trade unions to raise awareness.

11.1

Stakeholder Implications

13. Training should be provided to new directors and, where required, directors, management and colleagues of Group subsidiaries.
14. Information – directors should consider the H&S information that flows to the Board to support directors, subsidiary directors and management teams carrying out their duties.

Next Steps & Timeline

Safety Sub-Committee is held 6 weekly with the next meeting scheduled w/c 18th October 2022. PO Board and GE reports will include updates, recommendations and decisions made by the Committee.

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Appendix A - Safety Board Dashboard

Accidents P5 (22/23) and Security P5 (22/23)

Health & Safety 4yr Performance

Year/KPI	18/19	19/20	20/21	21/22	21/22	22/23
	P12 YTD	P12 YTD	P12 YTD	P12 YTD	P5 YTD	P5 YTD
All accidents	81	70	40	50	20	17
All accidents / 1000 employees	16.9	18.6	11.8	15.2	6.1	5.1
DMB	16.7	21.0	22.7	26.9	12.3	10.8
Support	3.4	7.5	0.7	2.1	0.0	0.0
Supply Chain	42.0	33.8	15.3	23.5	7.9	7.5
Lost Time related accidents	15	10	5	16	6	6
Lost Time related accidents / 1000 employees	3.1	2.6	1.5	4.9	1.8	1.8
LTIFR (lost time accidents/100,000hrs)	0.184	0.150	0.083	0.281	0.257	0.253
Days lost due to accidents	245	214	28	484	221	158
Days lost / 1000 employees	51	57	8	147	67	47
LTR (Accident days lost/100,000 hrs)	3.0	3.2	0.5	8.5	9.5	6.7
Days lost due to robbery (assault and trauma)	280	105	16	23	2	108
LTR (Total days lost/100,000hrs inc. trauma)	6.4	4.8	0.7	8.5	9.5	11.2
RIDDORS (Employee)	7	2	3	6	2	2

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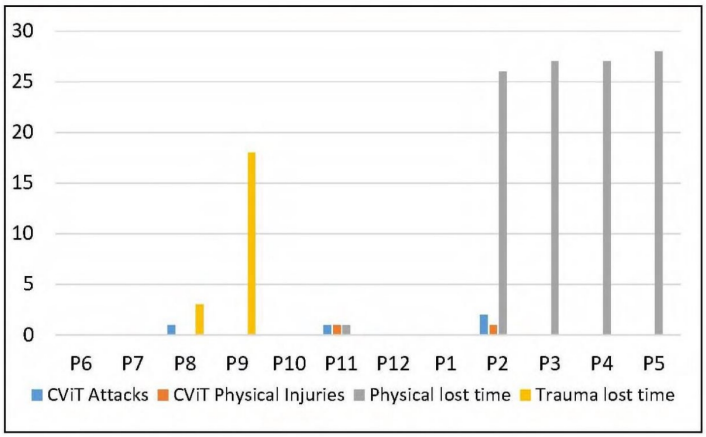
NOTE: *It should be noted that one single lost time accident increases LTIFR markedly by approx. 0.477 in POL per month, LTIFR is the number of incidents / 100,000hrs and should always be read alongside the Lost Time Rate (LTR) which is the number of lost days / 100,000 hrs and an indication of the seriousness of the accident.*

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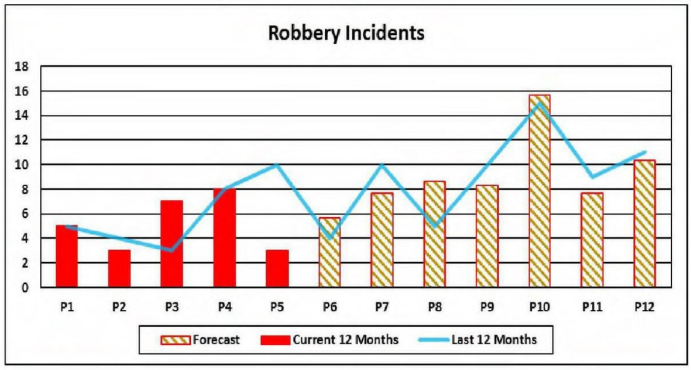
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Security Safety Performance – Period 5 (Aug) 2022/23

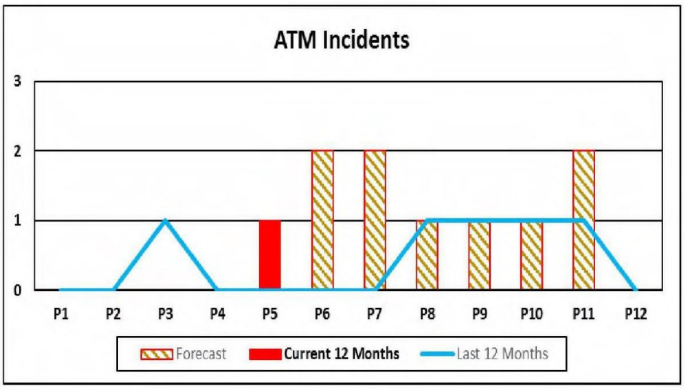
CViT Attacks and Lost Days – P5 (2022/23) – Rolling 12mth



Robbery Profile – P5 (2022/23)



ATM Profile – P5 (2022/23)



CViT Commentary

P5 (Aug) 0 CViT robberies compared to 1 last year, with loss of £0k (£0k). **YTD** – 2 compared to 3 last year with losses £3k (£0k). There have been 149 cross pavement observations in Aug. **Industry robberies** decreased with 2 reported GMP G4S and Met Loomis). YTD is comparible to previous 2yrs. New Cennox cash carrying boxes will shortly be deployed (Sept onwards) equipped with a tracker, glue and DNA ink, which will help reduce risks using a better quality box, but also is preferred by crewmembers as it is significantly lighter than the existing box.

Robbery Commentary

P5 (Aug) – 3 robberies compared to 10 last yr, 2 successful (5) with losses of £5k (£8k). 2 involved weapons (6) including 0 blades (4). **YTD – 26** robberies (30) with losses £303k v £59k and 23 with weapons (19), inc 11 blades (14). There have been 6 injuries (5).
FY forecasted robberies are expected to be marginaly lower than 3yr average c. 90 vs 95, however losses are forecasted to be significantly higher at c. £600k vs £413k (average/£328k last year). In order to lower the risks of robbery and keep Postmasters, their teams, customers and our field-based teams safer, **the Security Team made 165 branch visits** during the period providing bespoke security guidance and support. AMs are now checking for open safes/doors during their visits, and Sec Managers are conducting a number of unannounced visits.
Injuries – Static. The FYF is expected to outturn at 16 (vs 16 average).

Abuse / Aggressive Behaviour

Marginal reduction on reported abuse / aggressive behaviour with 29 vs 31 last month (average 35).
Security equipment activations helping to mitigate all incident types included: 2 x fogging units, 17 x panic buttons, and 5 x 3G CCTV (POL and Retail focused, abuse, robbery & theft).

ATM Commentary

P5 (Aug) - 1 ATM attack compared to 0 last year. YTD 12 mths - 1 ATM attack (compares to 1 in previous 12 mths), & losses of £0k vs £0k. No ATM incidents for 5 months until Aug (1) which was an unsuccessful rip out attempt. FY forecast are likely to be similar to last year, remaining low unless economic pressures impact, current FYF is between 5 and 10 attacks vs an average of 12 per annum (5 last year). FYF losses are expected to be between £50k and £65k. Criminals continue to seek softer targets across the industry, with an upsurge over the last 6 months against internal ATM door pulls. POL security standards play a major part in our successful position vs industry, because the are set back/up against walls to prevent being lassoed, in addition to ATM trackers, and gas suppression.

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POST OFFICE LIMITED
BOARD REPORT

Title:	DRAFT Internal Control Framework	**Meeting Date:**	27th September 2022
Author:	Anshu Mathur Interim Group Compliance Director Rebecca Barker, Deputy Head of Risk	**Sponsor:**	Ben Foat, Group General Counsel

Input Sought: Noting

This paper provides an overview of the work undertaken to develop a DRAFT POL Control Framework. This has been presented and discussed at the Risk and Compliance Committee on 13 September 2022, who agreed to the principles and concepts of the Framework. This has also been distributed to the GE on 14 September 2022.

Given the cost challenges, this DRAFT framework was approved as a direction of travel, against which POL can make incremental steps towards control maturity ie the committee agreed not to associate this with any formal outcomes or timetable.

It was recognised that the principles of the DRAFT Control Framework are being applied within the assurance approach for 'Historical Matters', Technology Change, Whistleblowing and Investigations.

Executive Summary

A Control Framework provides the Business with a clear and consistent approach against which its control environment can be maintained but more importantly also measured, monitored, and demonstrated.

The Draft POL Control Framework provides this clarity and sets out the standards and key building blocks of what constitutes a robust control environment, namely:

- Control Continuum - A scale against which the business can self-assess their control environment maturity and direction of travel (to be set by the Board).
- Three lines of defence – Clarifying the roles and responsibilities between the first line, second line and third line of defence, so that no ambiguity exists and we have a proportionate assurance model or target operating model that is doable for POL.
- Coverage / Adequacy of controls to manage business risk – Clear guidance on what and how a Business function environment should be created to ensure adequate coverage and identification of business risks and related controls.
- Assurance of controls effectiveness – A defined model against which Controls will be sampled for checking against evidence, to ensure POL has a continuous assurance in place which the RCC, GE and ARC understand and can rely on.

  More importantly, this should then be the genesis for the creation of integrated assurance plans to ensure POL coverage of key risk (actual/emerging) and their remediation is being assessed and monitored.
- POL Compliance Dashboard – A formalised dashboard to measure the state and direction of travel of POL control environment.

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The DRAFT POL Control Framework has been developed in manner in which it provides clear guidance, yet is not prescriptive, hence allowing the Business Functions the sufficient flexibility to ensure they can adopt and or choose their approach to demonstrate adherence to the standards. Given POL's cost challenge this is imperative.

It also recognises and will leverage the risk and control work already performed and being monitored via SNOW.

In creating this DRAFT Framework, we have sought guidance and input from Finance, LCG, Group Risks, and Technology. Their contributions and constructive challenges have been invaluable.

Next steps

1. Continue to embed the principles with Tech Change, Whistleblowing and Investigations.
2. Begin to apply the principles of the framework across the organisation, where capacity exists, in a light touch manner leveraging existing resources and risk/control activities undertaken.

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DRAFT - POL Control Framework

1. **Purpose**

This document provides the minimum standards and associated guidance for POL to ensure an appropriate control environment exists and is maintained. This Framework provides guidance on the key building blocks of a control environment and clarifies the roles and responsibilities across the three lines of defence. .

As risks and associated controls are a key underpin, this Control Framework is fully aligned to the Group Risk policy, and is intended to support POL to operate within agreed risk appetites and tolerances set by the Board.

Implementing the Control Framework will also facilitate the timely and proactive identification of issues and or exceptions, risk trends, and themes to ensure these are appropriately monitored, discussed and challenged at various governance forums such as the Risk Compliance Committee and Audit & Risk Committee.

This framework is aligned with the COSO framework to ensure POL can develop a strong, effective internal control system and will also ensure POL can comply with the provisions of UK Sox.

2. **Authority and Responsibility**

POL Control Framework is owned by the Group General Counsel under the delegated authority of the Board. Executive Management (and their Functions) are responsible for working within this framework and maintaining sufficient processes, systems and evidence to demonstrate compliance. (**Please refer to Appendix A for the GRC Framework**)

3. **Control Environment Maturity Continuum – Our desired end state**

It is the strategic objective of the PO to operate under a stable and appropriate control environment to ensure key risks at an enterprise, intermediate and local levels are being proactively managed and monitored. A standard control environment maturity continuum scale is provided below:

Undeveloped/ Unreliable	Informal	Established/ Standardised	Integrated/Monitored	Optimised
Piecemeal and ad-hoc control environment with limited assurance and oversight. Driven by issues and incidents and or regulatory /legislation.	Risk & Control Framework, Policies and Procedures are designed and in place. Risk / Control universe not mapped to organisational design and or activities. Controls are not adequately documented; controls mostly dependent on people No formal training or communication of control activities	Risk and Control activities are designed and embedded. Risk and Control universe is mapped and maintained. Use of GRC tool is embedded. 3 LoD exists in parts and lacks integration. Formalised controls training and communication.	Established risk and controls universe supported by periodic testing and assurance. Efficacy and reporting of controls driven by first line activity, with appropriate oversight from 2nd Line and 3rd Line of Defence. Integrated Assurance providing objective oversight on Control Environment. Limited use of automation.	A fully integrated control framework with real time monitoring by management with continuous improvement embedded by design

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Whilst, PO current control environment maturity varies, our strategic operating target for 2025 should be to able to demonstrate a control maturity between '**Established/Standardised' and 'Monitored'.**

For this to be achieved, every function within PO will need to be able to demonstrate in a standardised and consistent manner the following:

- **Integrated Assurance** - How and through what activities do Management gain assurance that their control environment is mature, and coverage of key risks and their associated controls remain effective to prevent significant issues / incidents that may cause reputational, financial, commercial and or operational damage to the PO.

  This Framework defines and explains the PO 'Three lines of defence' model to ensure the business embeds a robust, efficient and integrated assurance approach within which the roles and responsibilities of the first line, second line and third line are clear and understood. Please refer to **Section 4** below.

- **Adequate Coverage** - A key requirement of a mature control environment is to be able to demonstrate key risks and associated controls and how these provide adequate coverage over **all** key activities, related processes and procedures ie POL universe.

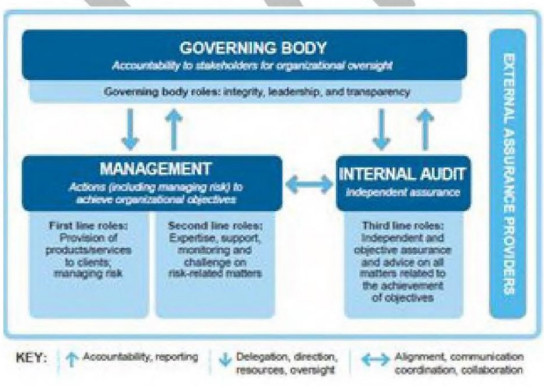
  Please refer to **Section 5** below, which provides guidance on how Management should create, and then maintain their universe, and associated risks and controls.

4. Three Lines of Defence Model

The IIA Three Lines of Defence (3LoD) model ensures clarity and a structured approach for the overall management of risk and exercising control within an organisation, thus minimising gaps in risk management and unnecessary duplication of risk coverage and or assurance activities.

The 3LoD model is recognised as best practice for risk and control management, and accordingly is the basis for POL Control Framework.

The Institute of Internal Auditors' Three Lines Model is provided below:



- **First line of defence** - Functions that **own and manage risks & controls**
- **Second line of defence** - Functions that **monitor / oversee** or who specialise in compliance or the management of risk
- **Third line of defence** - Functions that provide **independent assurance**

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The table below operationalises the above IIA model to how the three lines of defence should operate and be embedded within POL. This clarifies the activities and roles/responsibilities between the first, second and third lines of defence.

POL – Three Lines of Defence – Roles and Responsibilities

First Line *Functions that own and manage risks*		***Second Line*** *Functions that monitor / oversee or who specialise in compliance or the management of risk*	**Third Line** *Functions that provide independent assurance*
Business Process Operators:	***Functional Compliance Leads***	***Group Compliance & Group Risk***	***Group Internal Audit***
• **Accountable** for executing business controls and embedding the POL Control Framework • Maintain required **evidence** of control execution • **Develop and execute** mitigations for control failures • **Support** Compliance Review and or Deep dives	• **Responsible** for embedding POL Control Framework within Functions • **Ensure** risk and control approach / methodology align with Group Risk Policies • **Continue reassessing** controls and processes on ongoing basis • **Perform** and **support** control testing, monitoring • **Perform** functional deep dives and RCA's • **Coordinate** and monitor mitigation plans for failures • **Identify** emerging trends. • **Report** to Group Compliance on CSA outcomes and progress against remediations plans • **Report** overall status via monthly Functional dashboards	• **Lead and Support** the embedding of POL Control Framework and Group Risk Framework and policies. • **Provide** guidance on CSA Testing and Methodologies • **Perform** Functional CSA where no dedicated Functional Risk & Compliance lead role • **Perform** quality reviews/tests on functional CSA outcomes • **Consolidate** functional dashboards reports into one central Group dashboard • **Monitor** progress against mitigation plans for control failures • **Perform** investigations and compliance reviews if requested by Group legal Counsel, GE and RCC • **Identify and report** emerging trends and risks. • **Report** status of Control Environment to RCC/ARC focussing on non-compliance • **Report status of Risk Exposure to RCC/ARC**	• **Provide** objective and independent assurance on the adequacy and effectiveness of the risk management and control, making recommendation for improvement. • **Report** to RCC/ARC on its findings, particularly around areas of non-compliance.

• Defined ownership for risk and controls.
• Risk and Controls subject to regular review and monitoring at GE Leadership Team
• Operate within Board set risk appetite and tolerances to deliver strategic objectives
• Escalate to Second line concerns for viability of existing risk appetite
• Up to date Risk and Control Universe:
  • Issues and incidents
  • People, Process & system changes
  • CSA failures
• Adequate repository of risk, and evidence of control execution.
• Support second and third line assurance reviews and or investigations
• Inform Functional Compliance & Risk Leads of material changes to People, Process and systems.
	• Appointed Functional Risk & Compliance Leads.
	• Maintain oversight of changes to people, process and systems to assure efficacy of risk and control environment
	• Support Functional or Execute 'Control Self Assessments' (CSA):
	  • Ensure appropriate CSA coverage and frequency
	  • CSA failures are tracked and monitored till remediation
	• Update Control Dashboard - Key risk indicators, KPI's, CSA results, Issues / incidents / Root causes etc to demonstrate state of control environment and related trends / themes or emerging risks.
	• Perform investigations and Reviews.
		• Provide assurance of First line compliance with standards:
		  • Risk and control Universe
		  • Risk Assessments and Coverage
		  • Control efficacy
		  • CSA
		• Perform entity and intermediate risks and policy compliance reviews
		• Ensure risks appetites and tolerances are adhered to.
		• Identifying Entity level trends and emerging issues and risks
		• Assess and report PO control environment maturity
		• Escalate areas of non-compliance to GE and Board/ARC
		• Deliver Compliance Programme across the PO.
		• Provide input and opinion on Risk Acceptances, for RCC consideration.
		• Monitor universe of REN
			• **Unrestricted** access to all Company information, data, processes etc.

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The effective implementation of the above model would provide a sound basis for assuring the GE, ARC and Board that POL is robustly managing their risk and maintaining an appropriate risk and control environment.

5. Control Universe

A) Universe – key activities and or processes

A key first step in assessing risks and controls is Management being able to demonstrate their understanding and coverage of their 'universe' of key activities and processes. An illustrative example of how management should document their universe and ensure adequate coverage can be found in **Appendix B.**

As several methods can be adopted to create, evidence and maintain a 'Universe', this framework does not prescribe how this should be done, however Management should be able to clearly demonstrate:

- How or what basis has their universe been created - Particularly to ensure appropriate coverage; a few examples of what an Universe can be based on are: organisational structures/design (CEO minus -3 or 4), (business units and support departments), service/product lines, customer journeys or touch points, regulatory or legal requirements etc.

- To what business activity and or process level is the universe mapped to
  For eg. The level of detail at which a universe can be based on, can range from an entity level (level 0 or 1) to a key stroke view (level 4/5). Usually a mid-range is preferable as this provides a good balance between capturing key activities vs too much detail.

- How the universe is maintained
  For eg. How are changes in process, activity and or org design managed and reflected in the universe i.e. change control, continuing assessment of risks & control etc.

- What assurance exists
  What assurance activities are undertaken to provide Management a view that their universe is complete, and reflects business activities and the associated inherent / residual risks profiles.

  In a mature control environment an integrated assurance plan would be created between the 3 LoD's.

Management's universe should also be the basis on which their Enterprise Risk Management and the PO Risk Framework is applied to measure, monitor, and report against Board set risk appetite/tolerance.

B) Identification of Controls

As mentioned above, Management are accountable for ensuring a robust control environment exists within POL which operates within Board agreed risks appetites and tolerance.

To discharge their accountability, Management should be able to demonstrate that their controls are not only identifiable but are also being managed in a diligent, consistent manner and can be mapped back to their risk.

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To ensure an appropriate universe of controls exists to manage risk the following key principles should be applied in the identification of controls.

- Apply PO Risk management process in identifying, and measuring risks materiality. Please refer to **Appendix D** where the risk management process has been illustrated.
- Assess risk identified at an 'Inherent Level' only ie assuming no controls exists.
- Document controls that manage the inherent risk.
  Controls documented should be SMART and not a process or procedure. Controls Identified and documented should be key controls (defined in **Section 6A**)
- Control owners are clearly identified.
- Processes and procedures capture the requirements to evidence and document controls.
- Ensure controls continue to remain effective through regular assessment. (refer to 6 below)
- Ensure controls are reflected in SNOW and can be linked and mapped to risk.

6. Assessing control effectiveness

As mentioned above it is Management accountability to ensure an appropriate control environment exists and is maintained. Whilst capturing key controls is an essential first step, their regular assessment, monitoring and embedding continuous learning from issues/incidents are equally important.

A) Definition of key controls

The POL Control Framework should be balanced and proportionate. The goal is not to reach absolute coverage or monitor or provide assurance on every activity or process within an organisation, as this would be untenable, inefficient and very challenging to embed, maintain and monitor.

Consequently, Management need to be aware of their **key controls** (derived from their universe refer to **Section 5** above). A control will be deemed key if it meets the following criteria:

- reduces or eliminates key risk or multiple risks
- ensures the delivery of key outcomes
- is appropriate to the risk appetite of the function
- protect some area of the business/expose a potential area of failure
- they are regularly tested or audited for effectiveness

The definition of **key risks** summarised below has been extracted from the PO Risk Policy 'Harm Table' (**Please refer to Appendix C**). A risk will deemed key if meets the following criteria:

- Impact delivery of strategic priorities
- Severely impact Commercial/Financial/Operational stability
- Lead to Postmaster/customer detriment and/or severe Reputational Damage

In the identification, and subsequent monitoring of **Key Controls**, management should ensure that the controls are designed in accordance to the principles stated in **Section 5B** above.

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What benefits will we gain from risk and control mapping?

Efficiency – one control can mitigate any number of risks. Mapping controls to risks will identify duplication of effort across different teams, and allows new risks to be assessed against an existing menu of controls so mitigation doesn't start from scratch
Effectiveness – mapping risks to controls allows the business to understand the full impact of a control changing or failing
Assurance - Enables aggregated assurance to be developed, resulting in more insightful MI = better decision making at a higher level.
Completeness – all risks are connected to their mitigating control(s), giving clarity around how they are managed, and enabling those charged with oversight to identify gaps or weaknesses. Also, reduced or archived risks may mean that the associated controls can be reduced or stopped, which might translate into resource savings for the business.

B) First Line - Management Control Self-Assessments/Self Attestations (CSA)

The CSA's comprise periodic control testing, carried out by the Functional Teams under the guidance and supervision of the Functional Compliance Leads to ensure that controls are designed adequately and operate as designed. It focusses on the key controls mitigating the gross risks (inherent risks) to ensure POL compliance with its obligations rated significant, major and significant in line with PO Risk Policy.

The frequency of CSA should be determined by a combination of the gross impact of the risk, and the frequency of the controls operation. This will allow PO to deploy resources efficiently and effectively. In summary management should consider:

- Type of control – Manual/ System driven
- Frequency of control – daily, weekly, monthly, quarterly, etc
- Nature of risks being managed - PM detriment, Regulatory, H&S etc
- History of incidents and or issues

Please refer to **Appendix E** CSA Test Methodology

Sufficient evidence should be retained by Functional Teams/ Functional Compliance leads to substantiate the outcomes. The risks and key controls subject to CSA's should be regularly reviewed , at least quarterly, to ensure that all 'inherent risks are captured.

Changes to CSA can be driven by new, emerging, or evolving regulatory obligations, risks or control/processes. The Functional Compliance Leads will share the changes and rationale for changes to key controls and SA with the Group Compliance Team.

Where possible and appropriate Functional Teams should consider the identification of E2E controls and CSAs for risk that are cross functional.

Where control failures are identified, these should be appropriately reflected in SNOW (non-compliant), and the root causes should be investigated and remediated through to completion. The testing frequency of controls that fail a CSA should be increased to provide assurance that the root cause(s) are sustainably addressed.

To assess and regularly monitor the state of controls a Functional dashboard should be created, and shared with Group Compliance. The functional dashboard should comprise key

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risk indicators, KPI's, CSA results, issues / incidents / root causes etc to demonstrate state of control environment and related trends / themes or emerging risks. These Functional dashboards will be a key underpin to the creation / collation of the POL Group Compliance Dashboard (Please refer to **Appendix F**)

A CSA coverage plan should be prepared on an annual basis, and shared with Group Compliance and Group Risks.

C) **Second Line Assurance – Group Compliance Team and Group Risk**

The central compliance team will periodically review and or test the output of the Functional Compliance Teams to ensure quality of testing, and documentation is maintained.

The Group Compliance team can perform sample checks to objectively assure that appropriate evidence exists to demonstrate execution of the control and that Management are on plan to ensure adequate controls coverage for a period. This can also be achieved through the Group compliance/risk assurance plan.

The Group Compliance and Group Risk Teams, should annually create, deliver an integrated Compliance & Risk Coverage Programme. The programme should be created in consultation with the first line functional compliance leads, and the third line to ensure the following:

- Integrated Assurance - activities are aligned between the LoD ie avoiding duplication or significant gaps.
- Adequate, timely and appropriate assurance maintained on high risk areas.
- Reviews performed with first line to proactively remediate risks and design controls, if any gaps identified

These Compliance Coverage Programme will be approved and monitored by ARC on an annual basis.

The outputs of the compliance & risk coverage programme, along with the results of CSA's would be considered by Group Risk when assessing the management of associated.

The Group Compliance Team will aggregate functional Compliance Dashboards and report to the GE and ARC on a monthly and quarterly basis respectively, to assess overall trends, themes (current and emerging) to monitor the health of PO Control Environment (Please refer to **Appendix F**).

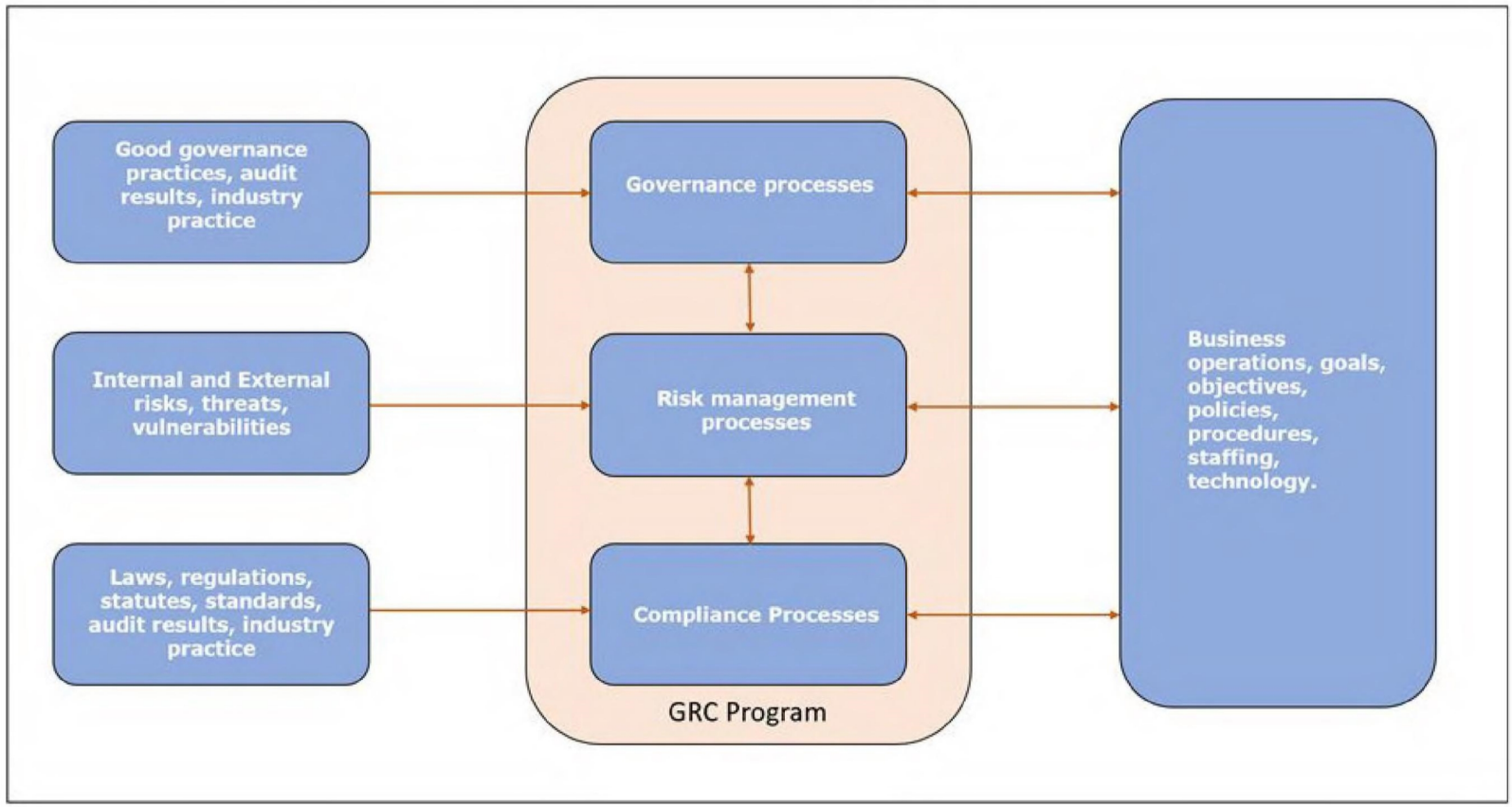
D) **Third Line Assurance – Group Internal Audit**

The role of Internal Audit is to understand the key risks of the organisation and to provide independent assurance to management and the Board over the adequacy and effectiveness of the frameworks of risk management and internal control operated by Post Office. This is done through an annual risk based audit programme as approved by the ARC. The programme will include an appraisal of the effectiveness of Second Line activities as well as in depth reviews of First Line activities.

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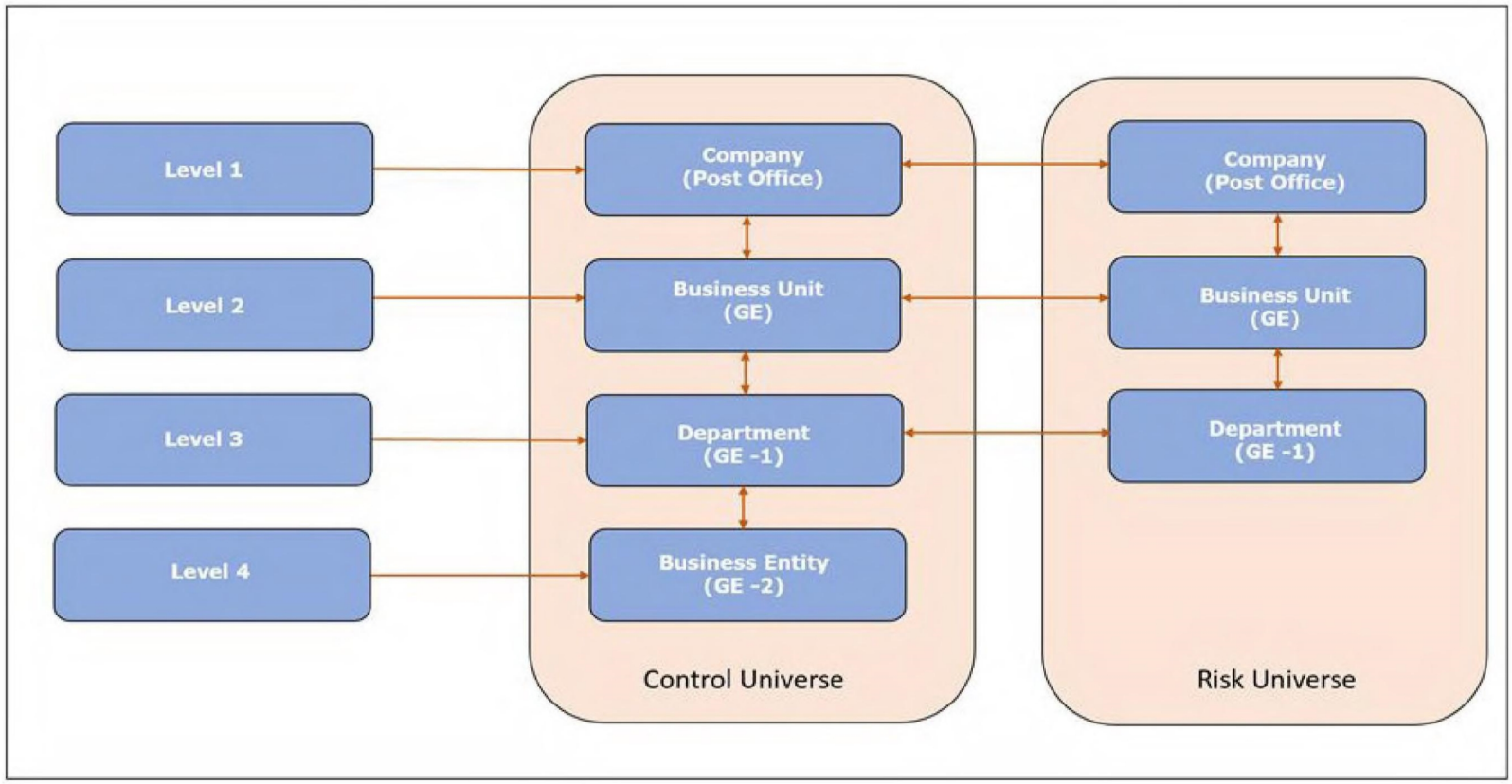
Appendix A – Governance Risk & Compliance Framework



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Appendix B – Control and Risk Universe DRAFT



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Appendix C – Post Office Corporate Harm Table

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(i) IMPACT SCALE

IMPACT THE IMPACT OF THE RISK MATERIALISING COULD BE ONE (OR MORE) OF THE FOLLOWING ...

SCORE	RATING	STRATEGIC/FINANCIAL IMPACT ON POST OFFICE GROUP	OPERATIONAL IMPACT ON POST OFFICE GROUP	REPUTATION/LEGAL IMPACT ON POST OFFICE GROUP	IMPACT ON OUR POSTMASTERS & STRATEGIC PARTNERS	IMPACT ON OUR CUSTOMERS
5	CRITICAL (VERY HIGH)	• Post Office unable to achieve one/or more of its strategic objectives • Critical weakening of Post Office commercial profitability and/or ability to grow • **Projected =>20%** decline in Post Office annual profit • **Projected =>5%** loss in Post Office gross income	• Post Office capacity to respond exceeded • Immediate Board/GE involvement required • Critical lack of people resources availability and/or skills • **Projected => 5 days** total loss of front office/back office corporate IT service • **Projected =>10% reduction** in approved number of Branch locations • **Projected =>20% reduction** in profiled levels of Branch footfall & transactions	• Protracted negative references in Parliament, national publications, social media and websites • Post Office's product(s) and/or service(s) quality is compromised across the digital/physical market(s) and in all UK regions • Post Office activity attracts critical levels of fines and prosecutions and/or or multiple litigations and/or regulatory censure • Critical long-term damage to Post Office Brand	• Critical weakening in relationship between Post Office and Postmasters • Critical weakening of Postmaster community's commercial profitability and ability to grow • **Projected =>10%** reduction in remuneration or increase in costs impacting **=>50%** of Network • Network service disruption of key branch locations **=>5 days** and/ or impacting **=>50%** of Network	• **Projected (>30%)** increase, over agreed baseline, in number of customer complaints received over quality of products and/or services • **Projected [<89%]** customer satisfaction score secured over quality of products and/or services • **Projected [>1m]** of online customer sessions impacted by not being able to access our digital platform
4	MAJOR (HIGH)	• Major impact on Post Office ability to achieve one/or more of its strategic objectives • Major (but not critical) impact on Post Office commercial profitability and/or ability to grow • **Projected 15-19%** decline in Post Office annual profit • **Projected 4-5%** loss in Post Office gross income	• Post Office experience major adverse impact throughout organisation • GE proactive involvement required • Major lack of people resources availability and/or skills • **Projected 3-4 days** total loss of front office/back office corporate IT • **Projected 5-9% reduction** in approved number of Branch locations • **Projected 15-19% reduction** in profiled levels of Branch footfall & transactions	• Sporadic negative references in national publications, social media and external websites • Post Office's product(s) and/or service(s) quality is compromised across the digital/physical market(s) and in majority (but not all) UK regions • Post Office activity attracts major levels of fines and prosecutions and/or or multiple litigations and/or regulatory censure • Major medium to long-term damage to Post Office Brand	• Major weakening in relationship between Post Office and Postmasters • Major weakening of Postmaster community's commercial profitability and ability to grow • **Projected =>5%** reduction in remuneration or increase in costs impacting **=>50%** of Network OR **Projected =>10%** reduction in remuneration or increase in costs impacting **=>25%** of network • Network service disruption of key branch locations between **3-4 days** and/or impacting between **25%- 49%** of Network	• **Projected (21-30%)** increase, over agreed baseline, in the number of customer complaints received over quality of products and/or services • **Projected [90-93%]** customer satisfaction score secured over quality of products and/or services • **Projected (600k-1m)** of online customers impacted by not being able to access our digital platforms
3	SIGNIFICANT	• Significant impact on Post Office ability to achieve one/or more of its strategic objectives • Significant (but not major) impact on Post Office commercial profitability and/or ability to grow • **Projected 10-14%** decline in Post Office annual profit • **Projected 2-3%** loss in Post Office gross income	• Post Office experience significant adverse impact in multiple (but not all) parts of the organisation • Substantial specific business/departmental management intervention required • Significant lack of people resources availability and/or skills • **Projected 1-2 days** total loss of front office/back office corporate IT service • **Projected 3-4% reduction** in approved number of Branch locations • **Projected 11-14% reduction** in profiled levels of Branch footfall & transactions	• Negative references in regional publications, social media and external websites • Post Office's product(s) and/or service(s) is compromised but relatively restricted across the digital/physical market(s) and/or isolated to particular UK region • Post Office activities result in breach of regulation which requires internal investigation and/or regulatory disclosure • Significant medium to long-term damage to Post Office Group's Brand	• Significant weakening in the relationship between Post Office and Postmasters • Significant weakening of Postmaster community's commercial profitability and ability to grow • **Projected =>5%** reduction in remuneration or increase in costs impacting **=>25%** of network OR **Projected =>10%** reduction in remuneration or increase in costs impacting **15%-24%** of Network • Network service disruption of key branch locations between **1-2 days** and/or impacting between **15%-25%** of Network.	• **Projected (11-20%)** increase, over agreed baseline, in the number of customer complaints received over quality of products and/or services • **Projected [94-96%]** customer satisfaction score secured over quality of products and/or services • **Projected (200k-600k)** of online customers impacted by not being able to access our digital platforms
2	MODERATE (LOW)	• Moderate impact on Post Office Group's ability to achieve one/or more of its strategic objectives • Moderate (but not minor) impact on Post Office commercial profitability and/or ability to grow • **Projected 5-10%** decline in Post Office annual profit • **Projected 1-2%** loss in Post Office gross income	• Post Office experience material adverse impact in single area of the organisation • Departmental management intervention required • Moderate lack of people resources availability and/or skills • **Projected 1-day** total loss of front office/back office corporate IT service • **Projected 1-2% reduction** in approved number of Branch locations • **Projected 6-10% reduction** in profiled levels of Branch footfall & transactions	• Negative references in local publications • Post Office's product(s) and/r service(s) is compromised but not yet available across the digital and/or physical market(s) • Post Office activities result in moderate legal issue and relatively immaterial non-compliance and/or regulatory breach which is relatively easily resolved internally	• Moderate weakening in relationship between Post Office and Postmasters • Moderate weakening of Postmaster community's commercial profitability and ability to grow • **Projected =>5%** reduction in remuneration or increase in costs impacting **6%-9%** of Network • Network service disruption of key branch locations **<=1 day** and/or impacting between **10%-14%** of Network	• **Projected (5-10%)** increase, over agreed baseline, in the number of customer complaints received over quality of products and/or services • **Projected [97-98%]** customer satisfaction score secured over quality of products and/or services • **Projected (100-200k)** of online customers impacted by not being able to access our digital platforms
1	MINOR (VERY LOW)	• Little impact on Post Office ability to achieve one/or more of its strategic objectives • Insignificant impact on Post Office commercial profitability and/or ability to grow • **Projected <5%** decline in Post Office annual profit • **Projected <1%** loss in Post Office gross income	• Post Office experience no measurable adverse impact to the business • Local management/staff manage the problem without escalation • Minor lack of people resources availability and/or skills • **Projected <1 day** total loss of front office/back office corporate IT service • **Projected <1% reduction** in approved number of Branch locations • **Projected 1-5% reduction** in profiled levels of Branch footfall & transactions.	• Little media coverage • No issue with the quality of Post Office's product (s) and/or service(s) • Post Office activities result in low-level legal issue which is easily resolved internally	• Insignificant weakening in the relationship between Post Office and Postmasters • Insignificant weakening of Postmaster community's commercial profitability and ability to grow • **Projected =>5%** reduction in remuneration or increase in costs impacting **=<5%** of Network. • Network service disruption of key branch locations **=<1 day** and/or impacting between **5%-9%** of Network.	• **Projected (<5%)**increase, over agreed baseline, in the number of customer complaints received over quality of products and/or services • **Projected [=>99%]** customer satisfaction score secured over quality of products and/or services • **Projected (<100K)** of online customers impacted by not being able to access our digital platforms

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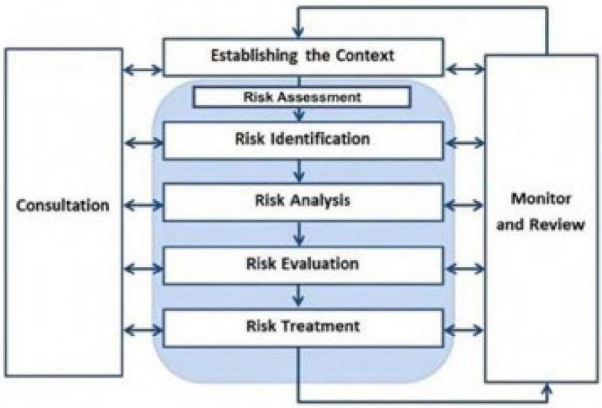
(ii) LIKELIHOOD SCALE

	SCORE	RATING	DESCRIPTION
LIKELIHOOD: THE LIKELIHOOD OF RISK MATERIALISING ...	5	ALMOST CERTAIN/VERY HIGH	• Risk likely to materialise very frequently unless action taken • Risk could be expected to materialise almost 100% of the time
	4	LIKELY/HIGH	• Risk likely to materialise frequently if events follow normal patterns and mitigating action is not taken. • Risk could be expected to materialise say 51%–99% of the time
	3	POSSIBLE/MODERATE	• Risk unlikely to materialise but it is possible • Risk could be expected to materialise infrequently/irregularly/sporadically (say 26%–50% of the time)
	2	UNLIKELY/LOW	• Risk very unlikely to materialise • Risk could materialise intermittently (say 1%–25% of the time)
	1	RARE/VERY LOW	• A remote likelihood that risk would materialise • Almost inconceivable that risk would occur

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Appendix D – Risk Management Process



Appendix E – Control Self-Assessment Sampling (CSA) Methodology

The table below provides the CSA frequency and sampling methodology:

Functional Compliance Team			
Control Frequency	**Testing Frequency**	**Minimum Sample Size**	**Sample Period**
Annual	Annual	1 (Annually - 1)	Prior 12 months
Quarterly	6 Monthly	1 (Annually - 2)	Prior 6 months
Monthly	Quarterly	1 (Annually - 3)	Prior 3 months
Weekly	Monthly	1 (Annually - 6)	Prior Month
Daily	Monthly	2 (Annually - 6)	Prior Month
Automated*	Annually	1 (Annually - 1)	Prior 12 Months
Ad-hoc	Obtain guidance from the Group Compliance Team for minimum sample size and frequency.		

*Automated controls are those that require no manual intervention and or monitoring.

Group Compliance and Group Risk can also perform sampling to ensure and assess Control Framework Standards and principles are being adhered to. The sample size may vary depending on issues/incidents and or breaches.

The direction of travel should be to reduce sampling checks by Group and replace with an integrated second line assurance plan. This will be contingent on Functional Compliance Teams being able to demonstrate that the POL CF has been embedded in a consistent manner. This transition would be ratified by the RCC.

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Appendix F – Illustrative example of a POL Group Compliance Dashboard:

Area	Measure	Month	YTD	Prior Year End	Target	Explanation / Commentary
Cultures and behaviours	Tone from the top/Ways of Working (Are GE displaying the right behaviours, values and cultures)				> XX% or Score	This would be sourced from the people engagement score Will need to agree with GE which Questions this would be based on (Consider Metrics of REMCO)
	Training Completion %				95%	Sourced from L&D and metrics issued on a monthly basis Highlighting functional exceptions
Legal & Regulatory Issues and Incidents	Regulatory Breaches #				Reducing Trend	Sourced from Functional Dashboards Highlighting trends and thematic
	Remediations Overdue				0	All Regulatory Issues and Incidents should be tracked in Functions in which they are owned and there should be a remediation plan
Operational Issues and incidents	Issues and Incidents #				Reducing Trend	Sourced from Functional Dashboards Highlighting trends and thematic
	Repeats #				0	Focussing on RCA and efficacy of remediations (if in place)
	PM Detriment #				0 Reducing Trend	Identifying if any issues/incidents has led to or could have led to PM detriment
	Remediations Overdue				0	Sourced from Functional Dashboards
Policy Compliance and Breaches	Level of Non-compliance #					Sourced from Issues and incidents (ie may be an overlap) and from policy reviews
Technology Releases/Changes	P1 / P2 incidents #				Reducing Trend	Summarising RCA for P1 and P2's, and identifying RCA and trends/thematic
Overdue Internal Audit Management Actions	Overdue Actions # > 3 months				0 Reducing Trend	Sourced from Internal Audit, with exceptions highlighted if represent material risks
Overdue Group Compliance Management Actions	Overdue Actions # > 3 months				Reducing Trend	If and when Group Compliance have an integrated Assurance plan.
Control Self-Assessment – First Line Results	CSA due vs completed #/#				>95%	Sourced from Functional Dashboards With failures summarised and tracked as exceptions
	Pass rate %				>95%	
Control Self-Assessment – Group Compliance	Pass rate %				100%	This is the results of the Group Compliance sampling
Risk Management	Enterprise Risk - # OOT (# No remediation plan)		NA		Reducing Trend	Tracked from the GE and sourced from Group Risk. Expect to have OOT risk but then we should have remediations unless OOT has been accepted by Board
	Intermediate Risk - # OOT (# No remediation plan)		NA		Reducing Trend	Tracked from the GE and sourced from Group Risk
	Local Risk - # OOT (# No remediation plan)		NA		Reducing Trend	Probably not for this dashboard but should be part of GE Functional Dashboards.
Data Management Maturity	TBC					Not sure but I think may be needed once we have a Data Management Committee and aligned data maturity strategy and delivery plan
Status of Assurance on Historical matters	TBC					Again not sure but feel in the short term this may be needed to be monitored separately.

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NB: Once agreed, this dashboard will be submitted to the GE on a monthly basis. The measures will be RAGed to ease identification of exceptions. Also if and when agreed we will need time to operationalise this to weed out any operational data issues and embed this efficiently across the functions and or Group.

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POST OFFICE LIMITED
BOARD REPORT

Title:	IDG Update	**Meeting Date:**	27th September 2022
Author:	Jo Welch, IDG Secretariat Dan Zinner, IDG Chair	**Sponsor:**	Dan Zinner, Inquiry Improvement Delivery Chair

Input Sought: Noting

The Board are asked to note:

i. Progress made and priorities for operational, cultural and Horizon improvements as tracked through the IDG in preparation for the Inquiry.

Previous Governance Oversight

- IDG Board Updates: 12 July 2022, 29 May 2022, 3 June 2021, 6 May 2021, 25 Mar 2021
- IDG updates in CEO Report to Board

Executive Summary

Over the summer, since the last IDG Board update in July, there has been a small change to tracked improvements: a total of **542** items, 94% (**511**) items reporting closed (complete, incomplete or transferred) and 63% (**342**) verified through IA. Of the remaining 6% (**33** items) IDG is tracking to complete (in July this was **56** items), there is a relatively even split between CIJ (**17** items) and HIJ (**16** items). CIJ focus is mostly in potential detriment, where good progress has been made over the summer.

For HIJ, the business has agreed an overarching scope of work, specifically: Branch Hub on Horizon; the Branch Reporting Suite on Branch Hub; ensuring the least Privileged Access Management model is in place; a possible NRF programmatic review; an externally led audit of Fujitsu concentrating on Privileged Access Management/Remote Access Management; and a provisional list of 10 system usability improvements. This list is currently undergoing final challenge to ensure we are prioritising the right actions at the right time. Once planning for these items is completed the exact number of HIJ items tracked will be updated through proper governance.

11.3

CIJ Phase 5 Internal Audit scope has been finalised and field work has commenced with the final reported expected by end Oct 2022.

Questions addressed

1. What is the latest position on tracked improvement items since July Board?
2. What CIJ improvements are remaining and what progress has been made on potential detriment?
3. What is the current Phase 3 HIJ improvements list currently approved and being planned?

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Report

What is the latest position on tracked improvement items since March Board?

4. At Board on 12 July March 2022, IDG reported tracking **525** improvement items (which includes parts/stages of improvements), 84% (**443** items) of which had be "*closed as completed*" by programmes and 65% (**342** items) had been verified through IA.
5. Over the summer holiday period, there has not been a significant change in overall metrics with IDG currently reporting **542** total improvement items (increase due to new Phase 3 HIJ scope and 1 potential detriment issue), of which 87% (**473** items) had been "*closed as completed*" by programmes and no change to the list of IA verified items.
6. New categories have been added to the tracker. 3% (**16** items) have been "*closed as incomplete*[1]" (no longer actioned, ratified by IDG) and 4% (**20** items) have "*transition to BAU ownership*" as part of continuous improvement efforts to ensure sustainability.
7. Of the remaining 6% of tracked items (**33** items) that are not currently closed, **17** are for CIJ and **16** are for HIJ.

What CIJ improvements have been recently completed and what is the focus going forward?

8. Of the 5 CIJ related programmes delivering IDG tracked improvements:
    a. 2 have now closed (Postmaster Service Improvement programme; Culture Transformation) and remaining improvements transferred to BAU and monitored through continuous improvement
    b. The Supply Chain Improvement Programme is in closure with IDG agreeing any remaining improvements are now owned by Supply Chain to determine the most appropriate time to deliver and requesting change funding to make this happen
    c. Branch Hub will continue as a programme, however, IDG will not monitor Branch Hub moving forward, as confident these improvements will be prioritised and delivered appropriately.
    d. Thus the main CIJ related programme being monitored by IDG is the Detriment Remediation Programme (**12** items).
9. Since the last Board, IDG has approved the closure of the **20** items through the "*transition to BAU ownership,*" as part of continuous improvement efforts to ensure sustainability, including:
    a. **6** Culture Transformation improvements that have been approved to transition to BAU, which include the continual improvement of service training
    b. **5** Supply Chain Improvement Programme items transferred to Supply Chain BAU continuous improvement/change
10. This leaves a total of **17** CIJ related improvements being tracked, most of which (**12** items) are in the Detriment Remediation programme.
11. Good progress has been made in investigating potential detriment issues. A detailed list of information on the current status can be found in **Appendix 1.** As reported at the last IDG on 16 September 2022, of the 14 potential detriment areas:
    a. 3 areas of detriment found (Maintained Error Limits, Savings Remuneration, Postal Orders)
    b. 2 area of potential detriment found (FX counterfeit, ATM shortfall)
    c. 3 areas of no detriment expected (Obsolete Stock, SmartPost, Counterfeit GBP)
    d. 6 areas that have yet to be fully concluded

11.3

[11] "Closed as incomplete": *Activity removed from scope by agreement by programme steering committee and ratified by IDG.*

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12. The HM team are managing the potential detriment investigation process, which includes the 6 outstanding items related to Aged Balances discussed at the last Board. More details can be provided by the HM team when the full investigation process has completed. All areas are also brought to the HMC for proper governance approval and remediation activities would be part of Funding Pot B, as requested with the shareholder.
13. Of the remaining 5 items not in the Detriment Remediation Programme:
    a. **2** items due to complete imminently, pending governance approval, specifically: NFSP GFA update completion; Established Losses.
    b. **2** items to be completed in H2: Stock management training; Strategic Partner guide for "how to run your branch" relevant to specific SPs
    c. There is **1** item suggested by Deloitte ("Entire IT Systems landscape review with a single PM View delivered") "On Hold" which *may* have potential to cause harm ("Red" impact rating) as our systems are not all connected. IDG took a view to keep on hold given amount of IT change currently and lack of funding to execute.
14. 76% of CIJ Improvements (**13**) are currently on track to deliver this financial year, **3** are "Amber" where the route to on track delivery has been defined and **1** Red is delayed. All 3 items at risk or delayed items relate to Detriment Remediation and sit within funding pot B, which is still to be approved by the shareholder.

What is the current Phase 3 HIJ improvements list currently approved and being planned?

15. The Horizon Issues Remediation Programme Phase 3 draft list of activities, found in **Appendix 2**, has not yet been finalised. However, the business has agreed an overarching scope of work, in 2 separate approval processes.
16. In July, the business agreed that the programme should focus on 5 main areas: Branch Hub on Horizon; the Branch Reporting Suite on Branch Hub; ensuring the least Privileged Access Management model is in place; a possible NRF programmatic review; and an externally led audit of Fujitsu concentrating on Privileged Access Management/Remote Access Management. The review is still under consideration at the moment.
17. In September, the business agreed a further 10 system usability improvements to prevent user errors and reduce transaction corrections while minimising front office disruption. This was completed cross-functionally, in conjunction with NRF. This includes changes to product processes (IRRELEVANT

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11.3

18. Once the programmes full planning has been completed and reviewed against priorities, the total list of HIJ items tracked by IDG may change. At this time, the original Phase 2 list has been "*closed as incomplete*" and a new, provisional Phase 3 list of 16 items has been added to our IDG tracker.

Next Steps & Timelines

19. The IDG will continue to track, prioritise and guide improvements to put postmasters at the heart of our business.
20. The IDG's work is most likely to be relevant to Phases 6 and 7 of the Inquiry. In the event that the Inquiry requests that a witness attend from POL to give evidence about the IDG's work, the Inquiry will first issue a Rule 9 request for a witness statement and, potentially, subsequently invite the statement maker to give oral evidence.

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Appendix 1

	Potential Detriment Area	Status	Conclusion
1	Maintained Error Limits	Fully remediated	Detriment IRRELEVANT
2	FX Counterfeit and outmoded notes	Concluded (awaiting funding)	Potential Detriment IRRELEVANT
3	ATM Shortfall Process	Concluded (awaiting funding)	Potential Detriment IRRELEVANT
4	Savings remuneration	Concluded (awaiting quantification)	Detriment (£TBC)
5	Obsolete Stock	Concluded(HCR ratified)	No detriment
6	Counterfeit Sterling	Investigation complete awaiting legal review	No detriment expected
7	FX BAU Issue	Under Investigation	-
8	Postal Orders	Complete - under legal review	Potential Detriment IRRELEVANT
9	Paystation	Under Investigation	-
10	SmartPost	Investigation complete awaiting legal review	No detriment expected
11	MoneyGram	Under Investigation	-
12	Lottery trx/scratch cards	To be assigned	-
13	Branch Closures	To be assigned	-
14	Stamp Remuneration	To be assigned	-

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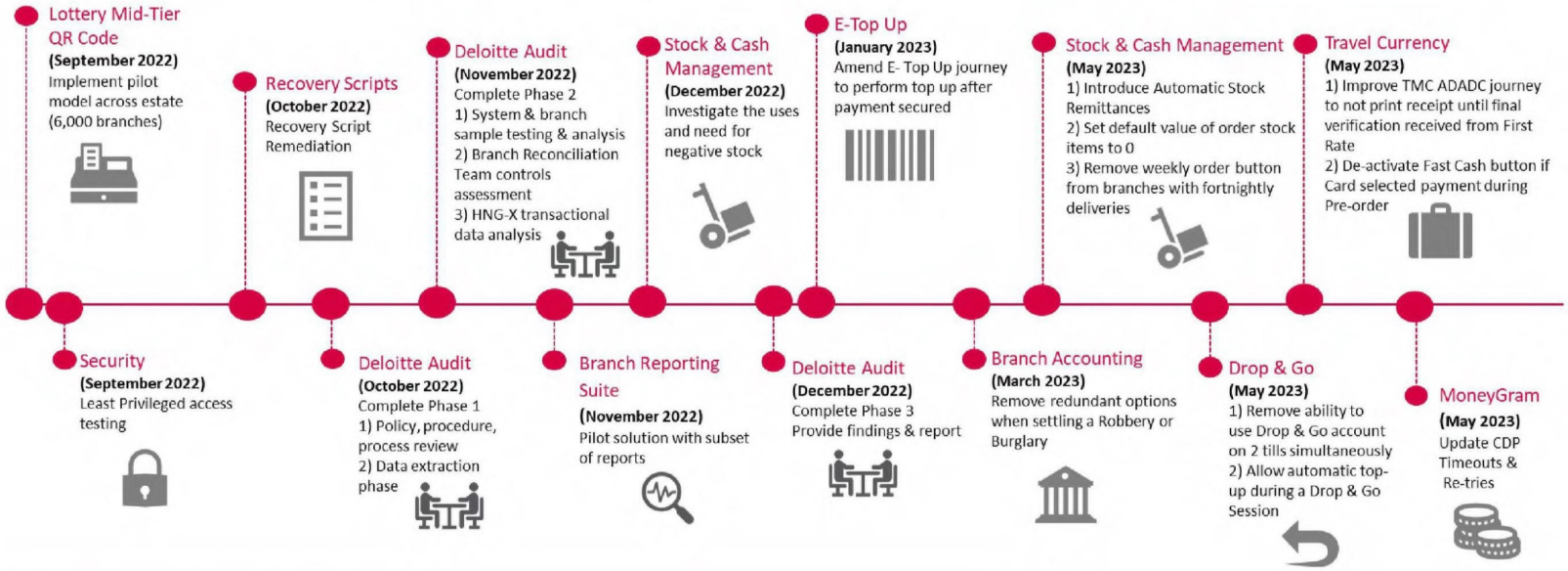
Appendix 2

What does Phase 3 look like?

Draft Work in Progress

Change Freeze
PM Services 23/11 - 05/01
POL Services 19/12 - 05/01

The below timeline provides an overview of the scheduled roll out for Phase 3 Programme deliverables



- AP-ADC scope and planning to be confirmed
- Branch Hub on Horizon / Horizon Help Pilot date to be rescheduled subject to confirmation of 72.20 timeline
- Security Phase 3 deliverables - V2.0 Idam process improvements and remote / privileged access audit - being planned

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POST OFFICE LIMITED
BOARD REPORT

Title:	Project (Pensions) Assurance – Post Office Section Royal Mail Pensions Plan (RMPP)	**Meeting Date:**	27th September 2022
Author:	David Scothern, Interim Programme Manager Paul Wood, Group Reward Director Laurence O'Neill, Head of Legal HR/IR	**Sponsor:**	Angela Williams, Interim Group Chief People Officer

Input Sought: For noting and approval

- The Board is asked to approve the signing by the CEO and CFO of the Memorandum of Understanding (MoU), which is uploaded in the reading room.
- The Board is asked to note:
  - the progress of the rectification project and POL's negotiations with the Trustee
  - how the project is tracking against resolving this issue for the existing IRRELEVANT board mandate
  - the next steps and the remaining foreseeable risks.

Previous Governance Oversight

- 22 September 2020: ARC endorsed the earlier decision of RCC to report the pension data issues to The Pension Regulator (TPR), which was done on 9 October 2020.
- ARC recommended that the matter be escalated to Board so that they have visibility.
- GE Paper of 14 October 2020 to inform of progress towards the resolution of the errors and notification of TPR.
- 27 July 2021: Board updated and gave delegated authority to reach a negotiated settlement with the RMPP Trustee to the value of IRRELEVANT.
- Further updates have been given periodically in response to ongoing actions raised at these committees.
- The paper was approved by RCC on 13th September 2022 and approved by ARC on 26th September 2022.

11.4

Executive Summary

In July 2020, ARC was advised of material errors uncovered in pensions data in the Royal Mail Pension Plan (RMPP), the actions being taken to resolve them and the next steps. Some of the errors resulted in RMPP members (current and some former POL employees) having their pension benefits overstated or overpaid. There were also examples where benefits had been understated or underpaid. In June 2021 POL advised its employees of the errors and the Trustee notified the wider membership.

The Trustee's actuary estimated the costs for correcting the benefits. The Trustee indicated areas where it expects POL to contribute financially. These were in the range IRRELEVANT which included an estimate of costs from the Trustee of IRRELEVANT The Trustee also

IRRELEVANT

These figures have since been moderated. The Trustee is requesting from POL IRRELEVANT to reflect the increased liability inherent in certain augmentations. IRRELEVANT IRRELEVANT In line with the mandate from the Board

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The Trustee and POL have formalised the agreement of these augmentation costs in a Memorandum of Understanding (MoU), which is uploaded in the reading room. The MoU also sets out the parties' agreed interpretation of the pension data and associated application of the scheme rules. The MoU must be signed as a deed by two Post Office Directors. **This paper recommends the MoU for signature.**

There are a number of additional matters to resolve that could result in further cost to POL (**Additional Matters**). Key is the sum POL should pay towards the Trustee's own costs associated with rectification. The Trustee puts its costs at IRRELEVANT and rising. POL believes its obligation to pay is capped at IRRELEVANT, pursuant to the terms of an indemnity but is yet to hear the Trustee's view. The subject of the Trustee's costs is controversial because any IRRELEVANT IRRELEVANT IRRELEVANT POL is approaching the matter sensitively and may consider contributing more than its strict legal obligations if that is considered to be the right thing to do in all the circumstances. Other additional matters include IRRELEVANT IRRELEVANT

When taken together, the IRRELEVANT under the MoU and the Additional Matters could result in POL's total contribution exceeding the existing IRRELEVANT board mandate. It is estimated that, including the IRRELEVANT, the potential range to settle all known matters could be between IRRELEVANT and IRRELEVANT (Appendix 1).

Once signed the MoU provides the certainty needed for the Trustee to calculate correct benefits, notify members how they have been individually affected, and process corrections. POL has secured for itself under the MoU a right to review and to contribute to bulk member communications, and will manage employee comms sensitively. Any resulting member complaints will be managed by the Trustee. Members' ultimate recourse will be to the Pension Ombudsman. With the mitigations in place we do not envisage material penalties or censure by the Ombudsman. We hope to have informed all members by Jan or Feb of 2023 and to have corrected benefits by Spring 2023. We would expect to have dealt with the most vociferous/knee-jerk member complaints by Summer 2023. If there is any material press attention this will therefore land Jan to June 2023. The team will work closely with comms and Inquiry team to manage messaging around this time.

11.4

One of the early risks associated with these pension errors was that, if they prevented us from completing partial buy out by March 2022, we would lose favourable commercial terms negotiated with Rothesay at the stage of buy in. Rothesay has since agreed to extend the current buyout terms until the end of 2023. This is the new target date for achieving partial buy out, agreed by the Trustee and Rothesay.

Questions addressed

1. Recap - What went wrong and why?
2. What has been the extent of the investigation and negotiations to date?
3. What does the attached draft MoU do and why do we recommend it for signature?

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4. What are the Additional Matters to be resolved that could result in financial costs for POL and the risk that we will exceed the existing £3m mandate?
5. What are the next steps and future risks?

Report

Recap - What went wrong and why?

1. In **2017** POL embarked on an exercise to move its rights and liabilities under the Royal Mail Pension Plan (RMPP) to an insurance backed arrangement. The first phase of the buyout known as partial buyout, transfers 85% of the liabilities for the scheme to Rothesay Life. Full buyout transfers the remainder, breaks the link with final salary, and transfers the administration responsibility to the insurer. This is known as a pension "buy out". Whilst seeking to "true up" pension data for that purpose it was discovered that data and calculations of pensionable pay provided by POL to the RMPP administrators had overstated some pay elements and understated others. The majority of the errors resulted in members (current and former POL employees) having their pension benefits overstated or, where they were in payment, overpaid. There were limited occasions where the errors resulted in benefits being understated or, where in payment, underpaid. An illustration of the approximate number of scheme members impacted and how is at Appendix 1.

What has been the extent of the investigation and negotiations to date?

2. Post Office and the Trustee's teams have worked closely to identify and fix the errors, and now agree that the reconstructed pensionable earnings data is fit to be used for the recalculations of member benefits. The Trustee has shared a timetable for this and expects to be writing to members in January and February 2023 to advise them of their revised benefits. The parties voluntarily reported the issue to the Pension Regulator in October 2020.
3. Negotiations between POL and the Trustee have focussed on agreeing the augmentation to benefits and associated one-off contribution to the fund that POL should make. The Trustee was requesting contributions in the range of IRRELEVANT and rectification costs of IRRELEVANT. The Trustee also asked POL to consider augmenting affected pensions to their current overpaid/overstated levels at a cost of IRRELEVANT rather than correcting them as is the standard approach. At board in July 2021 it was agreed that POL should negotiate a more reasonable and realistic contribution. The Board/ARC agreed with the recommendation that POL should press for the correction of overstated or overpaid benefits where such payments exceeded a *de minimis* amount.

11.4

4. POL has now agreed in principle to contribute to the value of IRRELEVANT to cover:
   - an augmentation to waive historical overpayments (so we don't need to claw back past overpayments from members): value IRRELEVANT (plus a tolerance of +/- 10% range: IRRELEVANT
   - an augmentation to avoid the need to correct for the future the pensions in payment for those with small overpayments of less than IRRELEVANT per annum (*de minimis*) (so we avoid correcting small overpayments): value IRRELEVANT
   - an augmentation to avoid the need for the Trustee to recover the overpayments associated with past transfers out and deaths in service: value IRRELEVANT (plus a tolerance of +/- 10% range IRRELEVANT

5. POL has declined to continue to overpay pensions going forward; where pensions are overpaid/overstated above the *de minimis* amount they will be corrected. Any underpayments identified must, and will be, paid in full where the beneficiary can be traced and will be covered by the scheme insurer.

What does the attached MoU do and why do we recommend it for signature?

6. A significant part of POL's and the Trustee's work to date is captured in the attached MoU. At a high level, this:
   (i) ***codifies pension data rules:*** Following the reconstruction work, it is important that both POL and the Trustee should agree in writing their new common understanding of how to work together to administer the benefits correctly, to minimise the possibility of a recurrence.

   (ii) ***delivers those benefit augmentations which are reasonable:*** POL has agreed to augment affected members' benefits within the RMPP to mitigate the overall impact of correction of benefits on individual members, as explained above. The MoU is the formal written record of these arrangements.

   (iii) ***sets out POL's contribution to augmentation liabilities:*** Having agreed how POL and the Trustee will augment benefits within the RMPP to mitigate the impact on members, that agreement, and the amount that POL would pay for such augmentations, needed to be documented to modify the general provisions of the existing Trust Deed and Rules, to fix the amount payable, and to remove any doubt that POL should make that payment despite the terms of a 2017 agreement limiting POL's contributions. This will enable the Trustee to rectify benefits with certainty and on a correct legal footing.

7. Further explanation of what the MoU does and does not do is at Appendix 2. The MoU itself is in the reading room.

What are the Additional Matters to be resolved that could result in financial costs for POL and the risk that we will exceed the existing IRRELEVANT mandate

11.4

8. There are a number of additional matters which, when added to the initial IRRELEVANT under the MoU, could result in POL's total contribution exceed the existing IRRELEVANT Board mandate. These matters are set out below. Please note the estimates of value stated below are very approximate at this stage.

   The Trustee's rectification costs IRRELEVANT

9. The Trustee puts their estimated rectification costs at IRRELEVANT but those costs continue to rise. Typically, the costs to administer a pension scheme, including error correction, can be paid from the scheme itself. Indeed, the 2018 Triennial Valuation of the RMPP contained an expense reserve of IRRELEVANT for the purposes of scheme administration costs. Notwithstanding the IRRELEVANT that the Trustee expects to have spent, POL believes that its liability to indemnify the Trustee's costs is capped at, at most, IRRELEVANT per the terms of a 2015 Administration Agreement. POL wrote to the Trustee in September 2021 outlining its intention to settle costs in accordance with its interpretation of the agreement, but it still does not have confirmation from the Trustee that they share this interpretation. We have IRRELEVANT

IRRELEVANT That dispute could result in material delay, including to members receiving their correct benefits.

10. *POAL (est.* IRRELEVANT Under the RMPP rules, a change of election for purchase of annual leave (POAL) after March 2014 could detrimentally affect the value of benefits earned after April 2014. This effect was not understood or flagged to employees. Additional costs may therefore arise if employees (or former employees) have suffered detriment. This risk is unchanged since it was reported in July 2021. 75 members are potentially impacted. The impacts of this will be known at the end of 2022 following the benefit recalculations.

Uncertain liability for RMSPS underpayments (Trustee estimate IRRELEVANT

11. Since this risk was reported in July 2021 the Cabinet Office who manage the RMSPS scheme has indicated that it will be seeking to recover any costs to the scheme of rectification and the value of back-payments to correct historic underpayments arising from CVit skills allowances that should have been accounted for pension purposes. The costs of rectification and the value of the historic underpayment will be known at the end of 2022 following the benefit recalculations. We believe it is sensible for POL to pay the rectification costs but think that, had the shortfall been known in 2012, the value would have been accounted for when RMSPS took over liabilities for this scheme from RMPP. As a result, RMPP retained assets that should have been transferred to RMSPS and should now meet that additional cost.

One-off cases where benefits cannot be corrected IRRELEVANT

12. POL has agreed that if the Trustee is of the opinion that a member has come forward with a viable defence to correction of their benefits or demonstrated that correction would have a disproportionately detrimental effect on them such that correction would be unconscionable, POL will look "in good faith" at making a contribution towards the additional liability inherent in limiting correction. Any such claims are likely to arise in Spring 2023 or later following the roll out of communications to members about the corrections.

13. The table at Appendix 3 shows the range of costs (£m) associated with the Additional Matters, which are between IRRELEVANT POL intends to work towards settlement of all of these matters within the existing IRRELEVANT mandate. It will update the Board on its progress and may seek an increased mandate to contribute to the Trustee's costs if that is considered the right thing to do in all the circumstances.

11.4

What are the next steps and future risks?

14. After signing the MoU there are a number of further steps to take, including:

14.1.

14.2.

14.3.

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14.6. IRRELEVANT

14.7.

14.8.

15. Additionally, there are a number of risks that may arise as follows:

Member complaints, including to Pension Ombudsman

16. Once members are advised how they have been individually affected this may prompt member complaints. POL has attempted to mitigate against the number of complaints by securing for itself under the MoU a right to review and contribute to bulk member communications to ensure the messages are clear and well landed. POL will also plan sensitive engagement with its own employees. Complaints that do arise will be managed by the Trustee. Members' ultimate recourse will be to the Pension Ombudsman. A claim for the original, higher, incorrect benefit level is unlikely to succeed, but compensation may be due for distress and inconvenience in the way the notification and rectification process was run by the Trustee. While most claims should lie directly against the Trustee, the Ombudsman could, amongst other options, choose to order POL to pay a small amount of compensation for any disproportionate distress and inconvenience caused by POL's own activities. This remediation project has been run, funded and managed with a view to mitigate this particular risk so, we do not envisage material penalties or censure by the Ombudsman.

Negative press and PR

17. The one-off nature of the errors, and the approach taken by POL to fixing the errors, meant that POL was not required to inform the Pension Regulator, although we did report it voluntarily. No action has been taken or proposed by the Regulator. This issue has not made the press despite the facts that both POL and the Trustee have already informed employees and members and the CWU had commented publicly. While the pensions trade press may note the fact of a rectification exercise, as a matter of technical interest and with the focus generally on the administrator (PSC/Capita), such stories are relatively commonplace in the pension arena and do not excite much comment. The biggest press risk is of the mainstream press trying to make a link to the Horizon or Inquiry issues.

18. A key matter that could be picked up on is the matter of any shortfall between the Trustee's costs and POL's contribution towards those costs. If POL adheres to the terms of the indemnity and does not pay all of the Trustee's costs, the Unions may seek to characterise the idea of any rectification costs coming from the scheme fund as amounting to POL penalizing employees and members for its mistakes. This is somewhat mitigated

by the fact that there is such a large surplus in the RMPP and by POL's overall settlement which demonstrates that POL has met the cost of the historic additional liabilities created by these errors and their rectification, paid the Trustee's costs in accordance with its obligations, and that no beneficiary will receive less than their legal entitlement.

19. The Trustee hopes to have informed all affected beneficiaries by Jan or Feb of 2023 and to have corrected benefits by Spring 2023. Member complaints could arise at any time over the next three years, but we expect to have dealt with the most knee-jerk complaints by Summer 2023. If there is any material press attention, this is expected to land between January and June 2023. The team will work closely with comms and Inquiry team to manage the messaging around this time.

Further errors are identified

20. The parties' agreement under the MOU is limited to the payroll data errors identified over the last two years of investigation. If a separate set of errors were later to come to light forcing further changes to benefits, they would need to be dealt with separately. The possibility of further errors coming to light cannot be eliminated and could arise from reasons other than those identified in this project such as the unintended consequences/implementation of future pay awards. Such errors will not be eliminated until full buyout of the scheme has been completed and the responsibility for the administration passes to Rothesay Life. However, controls have been put in place such as using a calculator, developed by a POL actuarial secondee, to calculate changes in pensionable earnings and the checking of the results to reduce the risk of future errors.

Further contributions to RMPP

21. The triennial valuation will be based on the revised benefit calculations. As these valuations are the trigger for an assessment of required funding, there is, in principle, a risk that the increased value of liabilities exhausts the funding surplus, requiring POL to make future contributions to RMPP. The Trustee's scheme actuary estimates that there would be a reduction in surplus of IRRELEVANT as a result of correcting post March-17 leavers benefits (pre-March-17 costs will be borne by insurance with Rothesay Life). The scheme currently has a surplus of ca. IRRELEVANT so a new funding requirement appears extremely unlikely but cannot be ruled out.

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Appendix 1 – Member Impact

The table below shows the number of members impacted by changes to their RMPP pensions. It should be treated as indicative only as it is based on a simplified calculation of benefits by the Trustee.

Impact on RMPP Members	Combined (FS +CSDB)	%
Increase in benefits	IRRELEVANT	
No Change*		
Decrease in benefits		
N/A		
Total		

Status of those with Decrease
Active
Deferred (whole or part) **
Pensioner (whole or part)***
Sub Total

* includes those within the deminimis threshold of IRRELEVANT p.a
** includes two members who have died
**7 pensioners will have a decrease for both CSDB and FS

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Appendix 2 - High level summary of legal commitments in MoU

Legal background

[redacted]

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[redacted]

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Summary of agreed POL Fund augmentations and exercises of discretionary powers and associated contributions

Pension	Period	Excess	Principles agreed	Element of contribution
Pensions in payment at the Correction Date and benefits on death before Correction Date	Overpayments before Correction Date	IRRELEVANT	POL award of award of value of actual overpayments (so no need to recoup) (clause 8(a))	IRRELEVANT
			Trustee exercise of discretion not to correct (so no need to recoup) (clause 10(a) or 11)	
	Overpayments on or after Correction Date		POL award of pension at current overstated rate in payment, so no need to correct (clause 8(b))	
			Where the member has a defence to correction – Trustee intends to exercise discretion not to correct (clause 10(b))	
			If no defence to correction - benefit to be reduced to correct entitlement on Correction Date	
Transfer payments	Transfers before Correction Date		POL award of award of value of actual excess on transfer payments (so no need to recoup) (clause 9)	
Pensions and lump sums coming into payment after the Correction Date	All overpayments		POL augmentation to current overstated value (so no need to correct) (clause 8(c))	
			Where the member has a defence to correction – Trustee intends to exercise discretion not to correct (clause 10(b)).	
			If no defence to correction - benefit to be reduced to correct entitlement on Correction Date	
			Total	

Notes:

- Correction Date varies by member/beneficiary – for Trustee to determine, but delays do not increase POL liability
- Final Salary and CSDB entitlements are considered separately
- "Defence to correction" in this table is shorthand for any circumstances peculiar to a particular member which in the reasonable opinion of the Trustee would justify an exercise of the Trustee's power to compromise the right to correct that member's benefit e.g. because of detrimental reliance or particular hardship

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Appendix 3 – Estimated Potential Range of expense for Additional Matters

Item	Low Case	Best Estimate	Worst Case
MoU	IRRELEVANT		
Trustee Costs			
POAL			
RMSPS			
One-Off Payments			
Total			

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Board Report

Period 5

27th September 2022

POST OFFICE

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Contents of the Board CIJ Dashboard

Training and Onboarding:
- Onboarding satisfaction and duration.
- Confidence after training
- Confidence after go live (available soon)
- Number of views of training videos and collateral
- % capacity filled in training sessions.

Postmaster Complaints:
- Number of complaints received
- % resolved within 10 days
- Top 5 themes

Cash Management:
- Volume and value of outward cash discrepancies
- Volume, value of shortages, surpluses and counterfeit notes
- Number of requests to view CCTV footage by Postmasters
- Percentage of successful cash declarations

Transaction Corrections:
- Volume, value and reason of issued transaction corrections

Discrepancies and Postmaster Accounts:
- Volume and value of reported discrepancies
- Amount provisioned for postmaster balances

Accounting Dispute Resolution:
- Volume and value of discrepancies received for investigation
- Average days to resolve
- Investigated cases root cause

Network Monitoring and Audit Support:
- Number of Network Monitoring cases
- Number of audit activities

The 4 Contract policies:
- Number of suspensions, with reasons and number of reinstatements
- Number of terminations, with reasons
- Decision reviews and outcomes

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Board CIJ Dashboard RAG Status *

Area	Metric	Performance
Training and Onboarding	Onboarding satisfaction and duration	On track ↑
	Confidence after training	On track →
	Confidence after go live (available soon)	On track →
	Number of views of training videos and collateral	Needs work ↓
	% capacity filled in training sessions	Off track →
Postmaster Complaints	Number of complaints received	On track ↑
	% resolved within 10 days	Off track →
	Top 5 themes	Needs work →
Cash Management	Volume and value of outward cash discrepancies	On track ↑
	Volume, value of shortages, surpluses and counterfeit notes	On track →
	Number of requests to view CCTV footage by Postmasters	On track →
	Percentage of successful cash declarations	Needs work ↑
Transaction Corrections	Volume, value and reason of issued transaction corrections	On track ↑

Area	Metric	Performance
Discrepancies and Postmaster Accounts	Volume and value of reported discrepancies	On track →
	Amount provisioned for postmaster balances	Needs work →
Accounting Dispute Resolution	Volume and value of discrepancies received for investigation	Needs work ↓
	Average days to resolve	Needs work →
	Investigated cases root cause	Needs work →
Network Monitoring and Audit Support	Number of Network Monitoring cases	Needs work ↓
	Number of audit activities	On track ↑
The 4 Contract policies	Number of suspensions, with reasons and number of reinstatements	On track ↑
	Number of terminations, with reasons	On track ↑
	Decision reviews and outcomes	On track ↑

*This performance summary is work in progress. The RAG status may change in future as we continue work to clearly define targets for each of these key metrics.

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What actions are being implemented to improve performance

Area	Metric	RAG	Improvements planned or in place
Training and Onboarding	Number of views of training videos and collateral	Needs work	• Further communications to postmasters and updates to Area Managers and on-site trainers to ensure knowledge of what's available
Training and Onboarding	% capacity filled in training sessions	Off track	• Regional Training Leads are attending Regional Manager meetings each month to advocate classroom courses with their teams • Area Managers and BSMs to promote both eLearning and classroom courses • New Branch Hub learning centre will include a link to the classroom registration form and instructions on how to register (launch in early P7) • P6 is tracking at 45% presently pre-cancellations
Postmaster Complaints	% resolved within 10 days	Off track	• More streamlined process for IT complaints being implemented which will improve resolution time
Cash management	Percentage of successful cash declarations	Needs work	• Further communications campaigns being explored, and consideration also being given as to whether we 'mandate' completion or possibly provide more note counters.
Discrepancies and Postmaster Accounts	Amount provisioned for postmaster balances	Needs work	• Established loss GE subgroup being arranged to review process and agree whether any changes should be made to enable grater recovery of losses. • Where discrepancies have occurred and we cannot contact the postmasters, AM's now being utilised.
Accounting Dispute Resolution	Volume and value of discrepancies received for investigation	Needs work	• Encourage Postmasters to learn how to investigate themselves. New investigations tool on Branch Reporting Suite being piloted shortly.
Accounting Dispute Resolution	Average days to resolve	Needs work	• 3 new team members now in place within Dispute Resolution Team so we should see this decrease.
Network Monitoring and Audit Support	Number of Network Monitoring cases	Needs work	• Additional resource being explored.

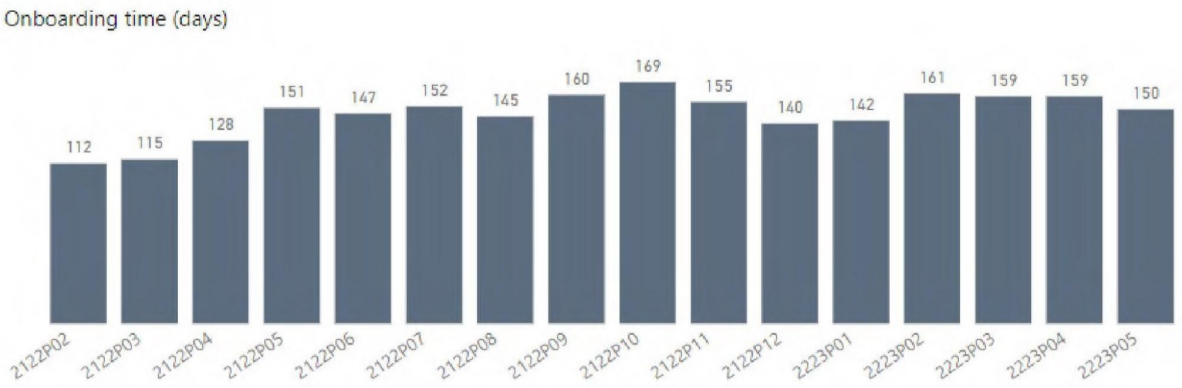
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Postmaster Onboarding

Onboarding time (days)

150

Previous period: 159



Onboarding overall satisfaction rating

80%

Previous period: 78%



Commentary

Satisfaction has improved and average time has reduced by almost two weeks

Additional finance resource now in place to speed up financial assessment reviews.

Puzzel phone system has now been implemented in onboarding allowing detailed monitoring of call handling.

POL00448625

Postmaster Training

New PM training - confidence after e-learning

94.0%

Previous period: 96.0%

New PM training - confidence after classroom learning

95.6%

Previous period: 98.9%

Views of videos and training guides via BH and LMS

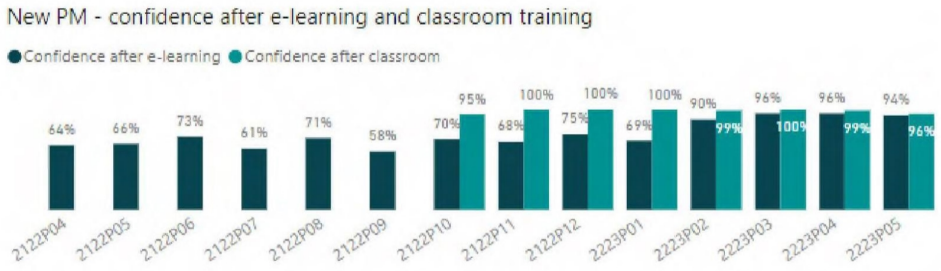
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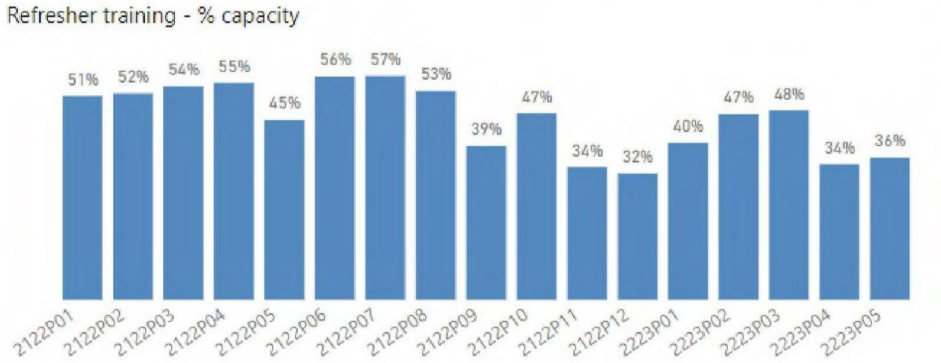
Previous period: 1367

Refresher training - % capacity

35.9%

Previous period: 34.2%





Commentary

3.3% drop in post classroom confidence score due to 3 delegates stating they were not confident and required time to practice in their branch.

View of video/training guides have fallen by 25% compared to previous period due to a fall in Branch Hub views, but P5 was still higher than the average for the year by just over 100 views.

Refresher classroom utilisation has seen a marginal improvement on previous period (+2%). Early data from new cancellation tracking process indicates that late cancellations are depressing utilisation rates. The cancellation rate in this early data is 16% with three quarters of those being a week or less from the date of the classroom

6

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Postmaster Complaints

No. of new complaints

677

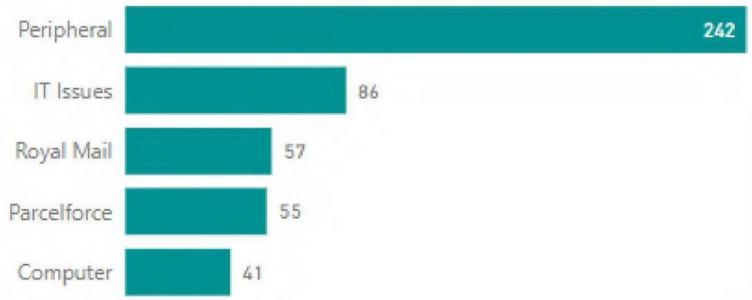
Previous period: 1031

% of complaints resolved within 10 days

75.7%

Previous period: 79.0%

Complaints created by type - Top 5 (Latest period)



Commentary

4% decrease in service levels in P5 with 75.7% of complaints resolved within the 10 day SLA.

Changes are underway to amend the process for handling IT related complaints by BSC that relate to an open incident. This will result in a smoother experience for the postmaster, who will be able to liaise with IT directly, and is expected to positively influence SLA performance with fewer complaints remaining open for issues already under investigation.

- A peripheral is a device used with a computer. This includes printers.
- Target is 82% of complaints resolved within 10 days

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Cash Management

Cash and Stock Management

Outward Cash Discrepancies

IRRELEVANT

%age of Pouches Containing Discrepancies
11.1%
Previous Period: 10.2%

11.1% of pouches contained a discrepancy / error of some kind – up very slightly on previous period.

Overall, the number of Shortages and Surpluses is broadly consistent with a 4-week period.

1,398 pouches were found to contain counterfeit notes which was lower than the previous period. Again, many involved £50 notes or multiple notes. This is IRRELEVANT up on the previous 4-week period and indicates a continuing rise in counterfeits being accepted at counters.

Average Shortage / Surplus values are both down on the previous period. However, we have noticed more high value errors – 85% of Shortages and 72% of surpluses were £100 or more, again an increase on the previous period.

IRRELEVANT

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Cash Management (continued)

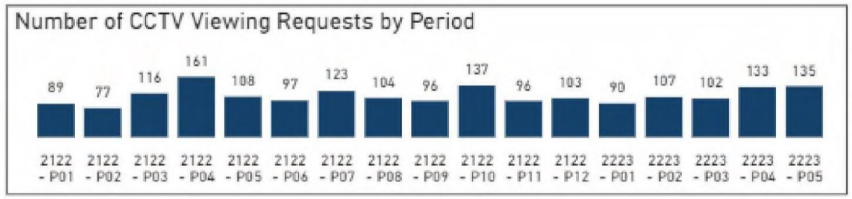
Cash and Stock Management

CCTV Requests

No of CCTV Requests

135

Previous Period: 133



135 CCTV Viewing requests, up 2 on previous period

Requests to view CCTV footage follow the trend of the number of discrepancies identified and the volume of cash returned to the cash centres.

Cash declarations

Percentage of Successful Cash Declarations

88.7% ▲

Previous Period: 88.6%

IRRELEVANT

Commentary

The percentage of successful cash declarations made remains consistent. Further analysis is required, but this does point to the fact the July campaign to highlight the importance of cash declarations has not been successful, so this will need to be revisited to find alternative ways to encourage conformance.

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Transaction Corrections

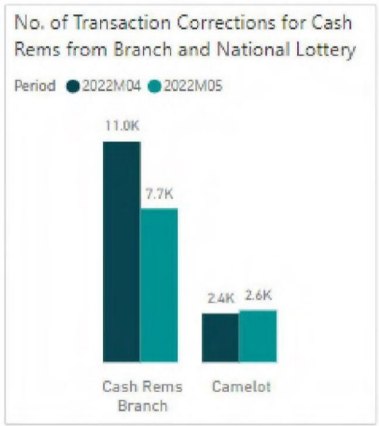
No. of Transaction Corrections Issued

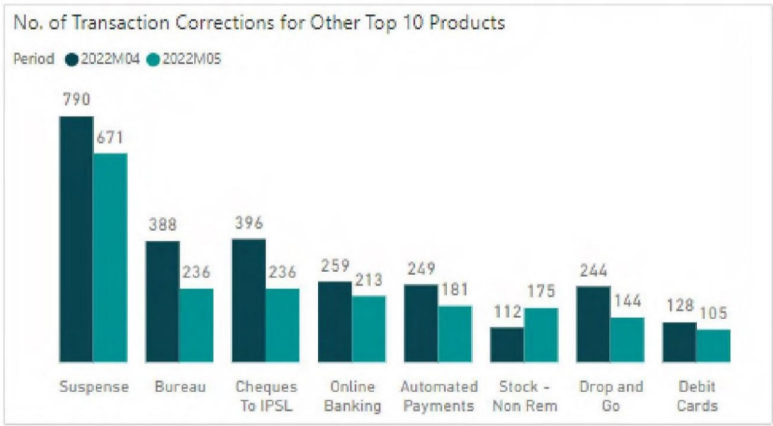
12,584 ▼
Previous Period: 16,419



Value of Transaction Corrections Issued

IRRELEVANT





Commentary

Transaction corrections for cash, Camelot and other areas are consistent with previous 4-week periods.

Cash Rems continue to be the highest % of all TCs issued – 66% in P5 V 72% in P4 (6% reduction). This is due to branches counting cash incorrectly before returning it to the Cash Centre.

10% of Cash TCs were issued to 50 branches and phone calls continue to be made to these 50, to support in reducing the volume of TCs received.

Feedback will be provided in P6 commentary in terms of how successful this has been.

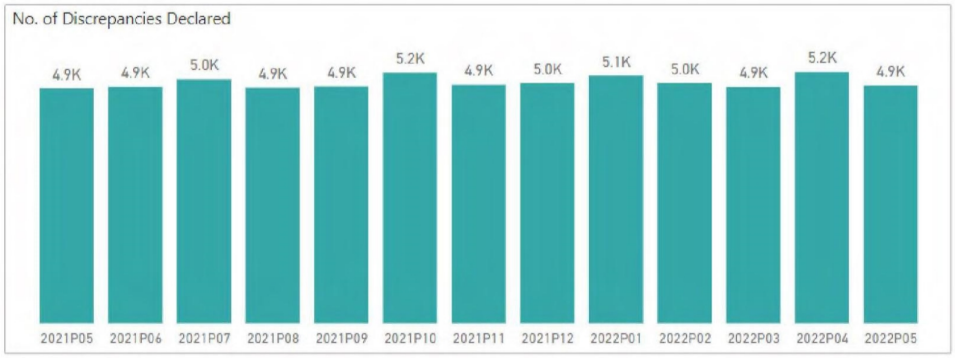
Value is debit and credit figures totalled together (not net)

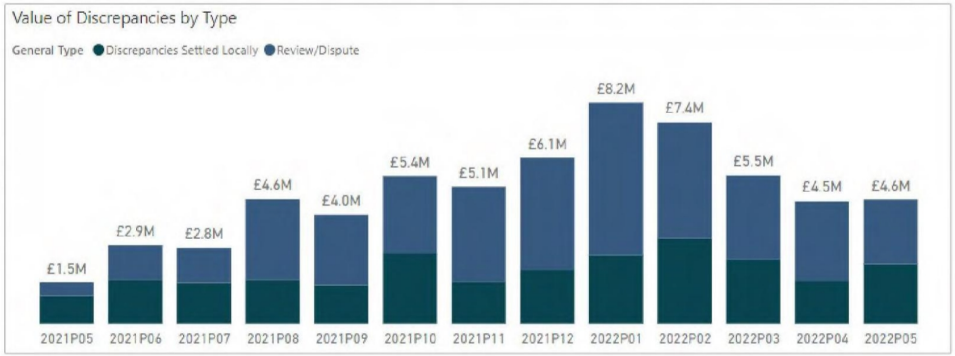
11.5

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Discrepancies and Postmaster Accounts

Total No. of Discrepancies Declared at Trading Period End 1 4,910 ▼ Previous Period: 5,188	Total Value of Discrepancies Declared at Trading Period End £4.6M ▲ Previous Period: £4.5M
No. of Declared Discrepancies Balanced at Trading Period End 2 4,275 ▼ Previous Period: 4,494	Value of Declared Discrepancies Balanced at Trading Period End £2.2M ▲ Previous Period: £1.6M
No. of Review or Dispute Discrepancies Declared at Trading Period End 3 635 ▼ Previous Period: 694	Value of Review or Dispute Discrepancies Declared at Trading Period End £2.4M ▼ Previous Period: £2.9M
Former Postmaster Provision 4 £15.45M ▲ Previous Period: £15.29M	Current Postmaster Provision £7.41M ▲ Previous Period: £6.78M





- Total discrepancies are consistent with previous 4-week periods.
- Review/Dispute button presses have decreased this period to 635.
- There is an increase of £790k to the current and former postmaster provision.
- Many branches are not contacting us after pressing the button and we're unable to establish contact with the branch.
- Positive steps are being taken wherever possible by engaging with Area Managers and sharing relative information relating to the branch position which will aim to increase recoveries of Established Losses.

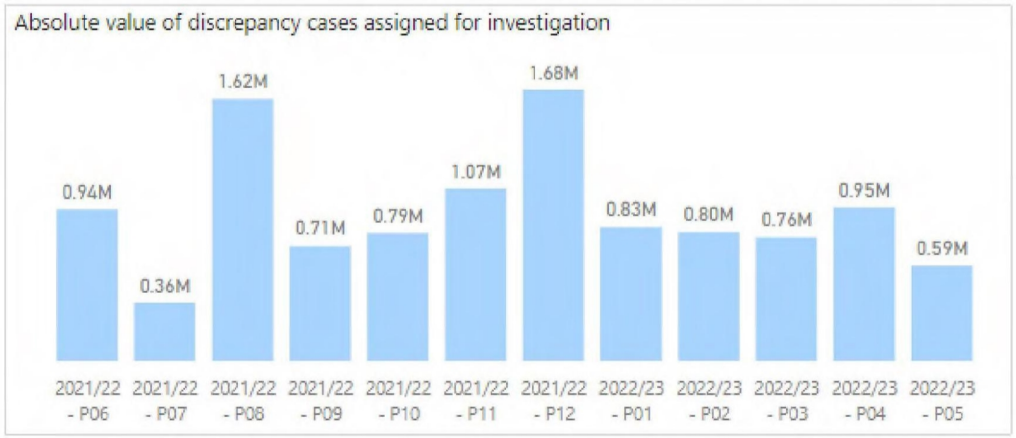
Discrepancy figures are negative and positive totalled together (not net)

1.Total Discrepancies **(4910/£4.6m)** is the total number of discrepancies declared by branches on their trading report when they balanced in P5
2.Discrepancies Balanced refers to the proportion of total declared discrepancies where the Postmaster has balanced by putting in the cash or taking it out.
3.Review or Dispute discrepancies are the proportion of total declared discrepancies where the Postmaster has pressed the "Review/Dispute" button.
4.Provision for former and current postmasters is the amount we provide for on our books for expected losses.

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Accounting Dispute Resolution





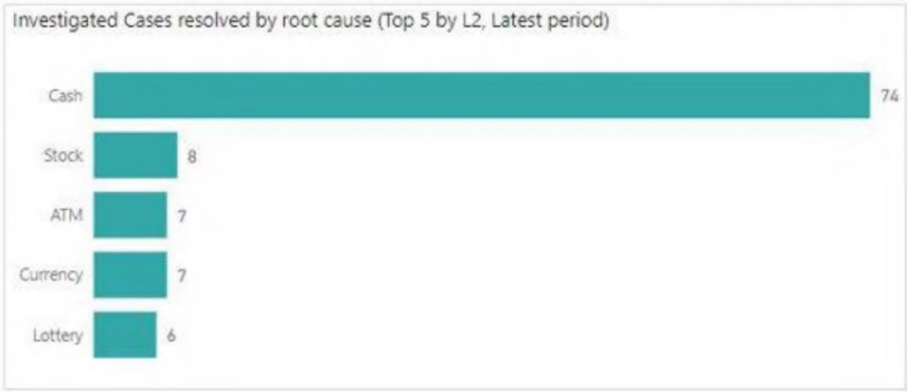
- Volume reduced by 18% compared to P4 [5-week period] with 361 new cases assigned. Compared to the same period last year [220], volume is 64% higher.
- Cases escalated through Review/Dispute on Horizon [635 on previous slide] continue to influence escalated volumes [button presses are 52% higher than same period last year].
- Value of discrepancies reduced by 0.36M. A session is being held with finance to agree how we share data more efficiently.

1. The resolved figures are not a true reflection as they don't account for completed investigations that are passed onto another team and later closed by them. A solution to this is being worked on.

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Accounting Dispute Resolution (continued)





Commentary

- 328 cases resolved for P5 and the average days to handle has reduced to 18 working days.
- The team achieved SLA with 74% of cases resolved in 10-days [88% within 20].
- The common cause of discrepancies [based on cases closed] continues to be inaccurate accounting [67% YTD]. Cash remains the main driver of volume.

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Network Monitoring and Audit Support

Network Monitoring pro-actively supports Postmasters, focusing on reducing losses and driving compliance.

A risk model highlights branches failing to perform compliance tasks, such as completing a Trading Period or failing cash declarations. If a branch is flagged in any category, Network Monitoring will create a case and look at all areas of compliance at that branch.

If the results indicate that the branch needs support, the most suitable support will be offered (i.e. a call to coach the branch on the issue, a SPEAR call or visit or an audit).

No. of Network Monitoring Cases

206 ▼

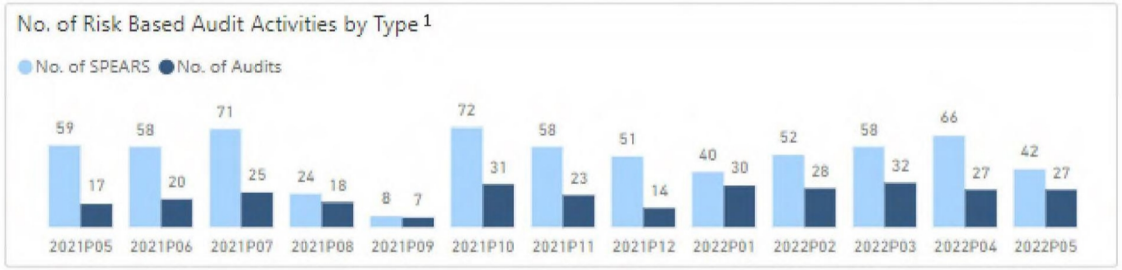
Previous Period: 312



No. of Risk Based Audit Activities

69 ▼

Previous Period: 93



Audit Support

Audit and SPEAR activity down slightly on previous periods due to annual leave commitments in August

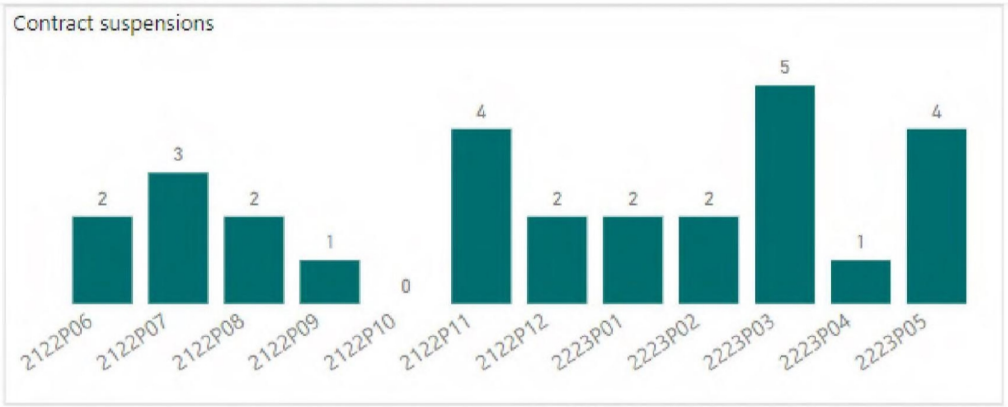
A discrepancy of -[IRRELEVANT] identified at New Cross (stock related discrepancy)

[IRRELEVANT] of excess cash and [IRRELEVANT] of excess stock returned through SPEAR visits

1. Note that there is a lag between Audits/SPEAR visits and calls being an outcome in the top graph and being carried out
2. Calls or visit that **S**upport, **P**revent, **E**ducate, **A**dvise and **R**esolve

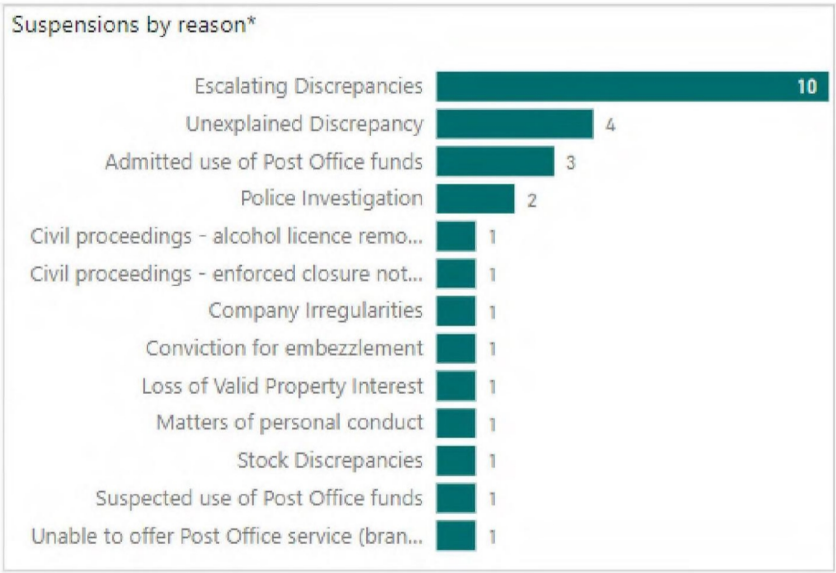
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Contract Suspensions



Contract reinstatements*

4



*Rolling last 12 periods

Increase in suspensions cases to four during the period, including New Cross where a discrepancy of -£793,861 identified (stock related discrepancy) .

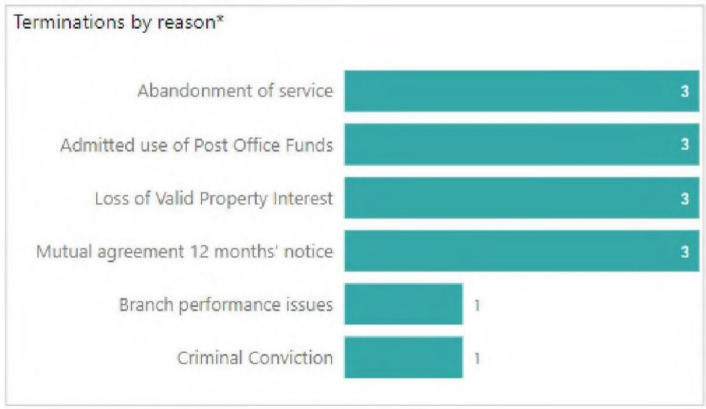
The losses across the remaining three suspensions totalled £51,672.

One branch suspension following an admitted use of Post Office funds with the matter being referred to the Central Investigations Unit to determine an action from their perspective (in addition to action being taken in respect of the breach of agreement by the postmaster).

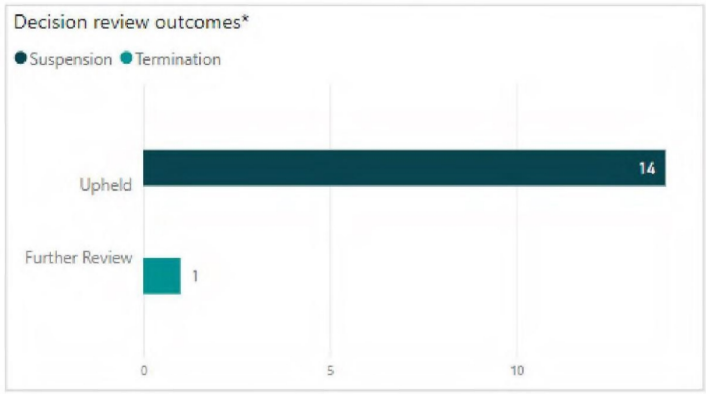
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Contract Terminations and Decision Review Panel Cases









*Rolling last 12 periods

Decision review panel sat in August and reviewed five suspensions, upholding the decision to suspend in each case.

Still the one termination decision challenged in the past 12 months (4 termination decisions challenged in total since the panel was established).

No contract termination decision signed off in P5 with three cases with legal services for assurance review.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Post Office Investigations: Next Steps	**Meeting Date:**	27th September 2022
Author:	Sarah Gray, Group Legal Director John Bartlett, Head of Central Investigations Unit	**Sponsor:**	Ben Foat, Group General Counsel

Input Sought: Noting

The Board is asked to **note**:

- POL, POL Staff, Postmasters, and Postmasters' staff all being within the remit of the Post Office Investigation Branch.
- CIU to conduct criminal investigations
- Mobilizing a new partnership model with the relevant bodies across the UK to facilitate the investigation and referral of suspected criminal misconduct.

Previous Governance Oversight

- ARC approval of Law Enforcement Policy
- Group Executive Tactical Meeting of 5 May 2021
- Group Executive Tactical Meeting of 15 September 2021
- Group Executive Tactical Meeting of 20 April 2022
- Group Executive Tactical Meeting of 06 July 2022 – Approval for onward submission to Board

Executive Summary

- CIU will be staffed[1] from September 2022 and fully operational by January 2023.
- CIU is working with other departments to identify the types of cases likely to be escalated to CIU, identify potential sources of digital evidence, and to test the reliability of that evidence.
- A virtual Post Office Investigations Branch develops a one-team approach to Post Office investigations, ensuring the application of best practice across the organisation.
- CIU provides investigative training, mentoring, and coaching to the de-centralised teams; will introduce and carry out quality assurance of the lower risk investigations; and conduct the higher risk or more complex investigations.
- It is proposed that the Investigations Branch's remit includes POL and POL staff, Postmasters, and Postmaster's staff for a range of matters based on employment, ownership of property, and practical factors.
- Post Office has no appetite to pursue private prosecutions. However, it is proposed that Post Office investigators conduct investigations into suspected criminality and to report what has been evidenced to law enforcement and prosecutors in all four nations of the UK. The rationale being to act as a deterrent and to seek financial restitution through the independent and external criminal justice system.

[1] 1x Head of CIU, 2x Senior Investigations Managers

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- At present, Post Office is at risk of not discharging our duty as an organisation in receipt of public funds to investigate and then refer suspected criminal conduct. The Cooperation with Law Enforcement Policy permits reporting to law enforcement, but criminal investigations are not currently actual practice which is preventing pro-active reports being made to law enforcement. The solution to the broader context within which Post Office operates is to discontinue the practice of not performing criminal investigations, but rather to ensure they are carried out correctly by appropriately qualified and experienced individuals, working closely with the relevant external bodies and to report matters to the appropriate authorities if and when evidence has been established.
- BEIS assistance is to be sought to establish strategic relationships with law enforcement and public prosecutors in the three UK jurisdictions.

Questions addressed

- How has the establishment of the investigation model progressed?
- How should Post Office manage criminal investigations?

Report

1. Operating Model – Current Status Up-date

1.1. Post Office is committed to undertake ethically executed, evidence-led, and transparent investigations which can withstand internal and external scrutiny. We will apply best practice, applicable laws, and guidance so that we instil confidence in those who would consider themselves as being investigated that they are being treated fairly, and to external agencies that we have applied the highest possible standards in the conduct of our investigations.

1.2. As part of this commitment, GE agreed on 20 April 2022 to the forming of the virtual Post Office investigations Branch (IB[2]). This will consist, starting in September 2022, of two levels of investigative capability within Post Office[3]. The first level is a small group of experienced and trained professional investigators who set standards for investigations across POL, provide a quality assurance role, and conduct investigations into matters presenting the greatest risk to Post Office or which are the most complex to carry out (e.g. failings of critical processes or allegations of senior staff misconduct). The CIU forms this group of investigators.

11.6

1.3. The other strata of investigators are based in the business and will continue to either conduct volume investigations as part of their BAU (e.g. in to shortfalls), or conduct

[2] [2]The Post Office Investigations Branch was the first recognised investigation unit in the world dating back to near the foundation of the Post Office itself. It has an unblemished reputation. It's motto was ***Suaviter in Modo, Fortiter in Re*** meaning ***Gentle in Manner, Resolute in Deed*** which is very much in keeping with the intended approach of the new investigation function. The IB underwent many changes over the years and the name fell out of use in the mid 20th century.

[3] As well as proposing a central investigative function, the KPMG review examined the investigative activity conducted by the following teams: Network Monitoring, PM Dispute Resolution, PM Complaints, Contracts, Customer Complaints, Financial Crime, Conduct Compliance, Whistleblowing, Data Protection, and Cyber, as well as those under HR's remit eg Grievances, Code of Conduct, and Dignity at Work complaints.

investigations less frequently and/or carry lower risk. These investigators will be trained where appropriate to the best standards as set by CIU.

1.4. Moreover, the CIU will be the escalation point for the other teams.

1.5. The de-centralised investigative activity continues under their existing reporting lines but for investigative activity they have a dotted line to the centralised team. The IB as a whole will perform to the same standards and methodologies adjusted for the complexity of the cases in-hand. By using the IB brand the aim is to foster a one team approach in the conduct of investigations.

1.6. The CIU will set standards, provide coaching, and conduct quality assurance of lower-risk and/or volume investigations conducted by the de-centralised staff. Within appropriate parameters and with suitable support, those not in the central team can conduct quality investigations that meet the requirements of Post Office best practice.

1.7. Once the additional CIU staff start in September 2022 there will be sufficient capacity and capability to start increasing the volume of investigations suited to the CIU but currently carried out by a Speak Up investigator and the Head of CIU. At the same time, CIU and Triage will develop processes, procedures, systems, thresholds, and internal and external stakeholder relationships to operate the model. The aim is to be fully operating the model from January 2023.

1.8. The Disputes Resolution Team have provided some scenarios for CIU to sand box in order to understand how these cases would flow between the teams and what QA framework would be appropriate. A group of events from the last 18 months is being identified by the Disputes team which may have been suitable for escalation to CIU for discussion.

1.9. CIU is also working with the Horizon and GLO IT team, IT Security (Retail & Controls), and Legal colleagues to identify sources of evidence, how digital evidence can be accessed, and the level of reliability for use in case work.

2. *Operating Model – Extent of Investigative Remit*

2.1. For an internal investigation function, the Post office is not a straightforward organisation. Normally, the full extent of a corporate's activities and all "staff" would fall within the function's remit. However, the Post Office is a more complex environment for an investigation function to engage with.

2.2. Given this complexity, it is proposed that GE selects one of the below options (or another variation) as the remit for the investigation function for the first 12 months that it is in place and that this decision is reviewed at the one-year marker[4].

[4] The Whistleblowing team sits outside this decision as those types of investigations are determined by the Public Interest Disclosure Act 1998 and laid out in the Whistleblowing Policy.

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2.3. This appetite would then help define the purpose of the IB e.g.: The investigation function conducts structured, transparent, objective, fair, and evidence-based collection and assessment of information with the intent to prove or disprove the suspicion of wrong-doing, or assertion of a particular chain of events, that has or could affect (insert applicable categories from the table below)

Option	Extent of remit	POL & POL staff	Postmasters	Postmasters' staff	POL's Business Partners	Customers at a post office	Post Office website visitors
1		✓	✓	✓	✓	✓	✓
2		✓	✓	✓	✓	✓	
3		✓	✓	✓	✓		
4		✓	✓	✓			
5		* ✓	* ✓				
6		✓					

* Denotes current investigative activity. However, investigations which consider Postmaster conduct or activities, such as that governed by the Dispute Resolution Committee, are limited in scope.

2.4. It is our recommendation that the minimum remit of the investigation function is Option 4[5]. This would allow POL to act in determining facts relating to situations ranging from allegations of theft or fraud by Postmasters and/or their staff using/misusing POL systems or functions where either or both POL and the Postmaster are victims, through to misconduct or process failings in POL and the subsidiaries. The Horizon issue identified a failure to investigate beyond the Postmaster in determining culpability. Best practice (and in some situations, law) requires all reasonable lines of enquiry to be followed, whether they point away or towards the considered investigative hypothesis as it is the truth that is sought, not that a case is to be made against a selected individual. By investigating wider than the Postmasters, for example their staff when relevant, we demonstrate that POL has learned from the past and would seek to determine actual culpability, if any, which is treating the Postmasters fairly. Allegations of misconduct by Postmasters would be explicitly included in the proposed remit.

2.5. There may be situations where it is suitable for the investigation function to conduct an evidential investigation building on intelligence work conducted by Financial Intelligence Officers in Compliance e.g. when a post office is the venue of a serious and/or series of frauds or money laundering which uses Post Office infrastructure to facilitate the offence. Cooperation and liaison with other organisations and agencies would be essential in these circumstances.

2.6. POL investigators do not have the power of detention, seizure or arrest and so will not over-reach and seize personal property, will enter and remain on property only in in accordance with the law, and will not seek to compel attendance to under-caution interviews but will inform interviewees that they are free to leave at any time if they do consent to a voluntary interview. The IB is not a constabulary and will not act as one.

[5] Peters & Peters have been advised of this paper and the proposed approach to criminal matters.

2.7. It is our view that more exploratory work is required to better understand the investigation needs of Post Office's on-line presence before proposing an investigative remit in this space.

3. *Operating Model – Criminal Investigations*

3.1. Speak Up / CIU already conduct non-criminal investigations that touch Postmasters as well as POL itself. These include significant process and policy failures, root-cause analysis of significant events, allegations of discrimination, allegations of bullying and harassment, and activity which could cause reputational damage to POL. These case types will continue to be investigated once CIU is established and are assumed to continue to fall within CIU's investigative remit.

3.2. However, data from Speak Up reporting shows that c50% of reported matters relate to potential criminal offences. Analysis of Dispute Resolution information shows a regular and continuous identification of sometimes sizable shortfalls which may result from criminal activity conducted by Postmasters and/or their staff. Recent events around stamps shows other criminally-exploited vulnerabilities, and working with the Contracts team we are aware of multiple other potential criminal activities such as theft of cash pouches, compensation frauds against RMG, and manipulation of inputs into terminals to facilitate thefts or frauds. Resolution of these event types are currently viewed from a contractual perspective. We are proposing that these are instead viewed through a criminal investigation and referral lens. Without a criminal investigation and referral capability, POL cannot effectively provide a counter to these potential losses of public funds. Project Oberon is a clear example of where a lack of a criminal investigation and referral capability was detrimental to POL and to the interests of justice.

3.3. A policy decision was taken that Post Office would cease to act as a private prosecutor of alleged criminal offences in England & Wales. This paper does not seek to change that decision. The Cooperation with Law Enforcement Policy[6] (CLEP) sets out POL's intent to report suspected criminality to law enforcement, how we support police investigations with evidence when requested by the police, and sets minimum control standards for doing so. It is silent on whether POL investigators may conduct criminal investigations in advance of applying the policy. The Group Investigations Policy is not explicit on this matter and is primarily concerned, in respect of criminal matters, with disclosure of information, referencing the CLEP.

11.6

3.4. As a wholly government-owned corporation in receipt of government funds, it may be viewed that we have a duty to investigate as well as report suspected criminal events to the relevant authority. We may be criticised for not doing so, particularly where POL funds have been misappropriated (and so by inference public funds are lost) and where we seek only a commercial outcome to these events. For example, where evidence obtained via an investigation supports a suspicion of someone having defrauded POL, they should be reported to the police irrespective as to whether or not the loss has been made good so that a credible deterrence may be established.

[6] A brief summary of the CLEP forms Appendix A

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Existing policies facilitates the reporting to police but not the preceding internal investigation. This paper asks Board to note that CIU staff are to conduct criminal investigations within the IB's remit and report these matters to police when appropriate and in accordance with the CLEP.

4. *Operating Model – Criminal Referrals & Strategic Partnerships*

4.1. As a government organisation, Post Office is viewed by law enforcement (LEA) differently from a privately owned company. It is unfortunately fact that LEAs de-prioritise most reports of crime made by government-linked organisations if made in the traditional way. There is an expectation that a degree of self-sufficiency exists. Without recourse to private prosecutions an alternative is required if the interests of Post Office, Postmasters, our staff, our shareholder, and the public are to be protected.

4.2. Suspected offences with an element of criminal dishonesty would form the vast majority, if not all, of our criminal investigations and potential referrals. This would include theft, fraud of all types, and money laundering. These types of offences are those which most LEAs do not have sufficient, nor sufficiently skilled, resource allocated, and which are lengthy to investigate, often resulting in them not being prioritised. If we do not investigate these matters prior to referral then the likelihood of preventing the loss of public money significantly diminishes, as does any deterrence factor.

Jurisdiction is also relevant. Typically, authorities in Scotland are less inclined to adopt evidence collected by non-LEA investigators. England & Wales LEAs expect an almost complete case in an admissible format and Northern Ireland is likely to be somewhere between the two.

It is proposed that ahead of any specific case referrals (other than in extremis):

4.3. England & Wales:

- A CEO letter to BEIS, and then on with a Minister's endorsement, requests assistance from the Commissioner of the City of London Police's (CoLP) Economic Crime Directorate (ECD) (the national lead force for fraud and other economic crime) to work in partnership with CIU to investigate and then refer to the Crown Prosecution Service all strong cases of dishonesty-based offences above a certain level of complexity or monetary loss;

- A dedicated team to be formed within CoLP ECD to work closely with CIU under a MoU would be the best-case scenario – its size would be dependent upon volumes and budget;

- Post Office or BEIS may be asked to contribute to the cost of this team

4.4. Scotland:

- A CEO letter to BEIS and then on, with a Minister's endorsement, to the Crown Office and Procurator Fiscal Service and the Chief Constable of Police Scotland seeking a similar arrangement to England & Wales; OR

- the HCIU and CIU Senior Investigator for Scotland engage Police Scotland and seek a solution at a more operational level with their ECD;

4.5. Northern Ireland

- A CEO letter to BEIS and then on, with a Minister's endorsement, to the Public Prosecution Service Northern Ireland (PPSNI) and the Chief Constable of the Police Service of Northern Ireland (PSNI) seeking a similar arrangement to England & Wales; OR

- the HCIU and CIU Senior Investigator for Northern Ireland engage PSNI and seek a solution at a more operational level with their ECD

4.6. The purpose, as ever with criminal case work, is to act as a deterrent to prevent or limit future loss, seek punishment, and to seek compensation for the victim(s) (including Postmasters where they are the victims). By working with and through LEAs we could achieve all three, but this outcome is less predictable if we take an ad hoc approach to LEA referrals.

4.7. By seeking partnership working in this way, POL demonstrates that we do not operate as victim, investigator, and prosecutor. Conceptually, the police and the prosecutors will decide on the strength of evidence what they will (or will not) progress through the criminal justice system, not POL. To get to that point, POL will need to collect admissible evidence to assist over-stretched LEAs and that requires competent, evidence-led, ethical investigators.

5. *Next Steps*

5.1. If the approach is agreed, CEO letters to be drafted and sent to BEIS for the relevant authorities in all three jurisdictions.

5.2. Based on approvals given and decisions made as a result of this paper, The Group Investigations Policy and The Cooperation with Law Enforcement Policy will require significant up-dating.

POL00448625

Appendix A

The Co-operation with Law Enforcement Policy's Post Office's approach to cooperating with Law Enforcement Agencies is based upon the following core principles:

- Post Office is committed to supporting Law Enforcement Agencies in the prevention, detection, investigation and potential prosecution of alleged offences;
- Post Office will as far as possible cooperate with Law Enforcement Agencies and voluntarily provide information and evidence on request;
- Post Office is committed to ensuring that prosecutions are fair and that Prosecution Teams are made aware of, and provided with, Disclosable Material in Post Office's possession;
- Post Office will manage the risks associated with providing such cooperation, by ensuring that appropriate controls are in place in relation to the provision of information.

In accordance with these principles, and subject to the controls described in the policy, Post Office:

- will make a Victim Crime Report to the police where suspected criminal misconduct is identified in its business operations;
- will not conduct private prosecutions (Post Office's shareholder must be consulted and approval obtained from the Post Office Board if any deviation from this is contemplated);
- will provide information to Law Enforcement Agencies to assist the prevention, detection, investigation and potential prosecution of crime:
  - o voluntarily for intelligence purposes, accompanied by an Advisory Note if required to describe any known issue/s which might affect the reliability of the information;
  - o voluntarily for use as evidence, where it is classified by Legal and Compliance as 'low risk data' for the purpose of this policy (see Appendix 1);
  - o voluntarily for use as evidence, if approved by Post Office Legal or any Nominated Criminal Law Advisors acting for Post Office; or
  - o as required by a Mandatory Order or otherwise approved by the Post Office Board.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Officer Changes	**Meeting Date:**	27 September 2022
Author:	Rachel Scarrabelotti, Group Company Secretary	**Sponsor:**	N/A

Input Sought: Noting and Approval

The Board is asked to note:

i. The Chairman of the Board Tim Parker is due to step down from the Board on 30 September 2022;
ii. The shareholder has appointed Henry Staunton as the new Chair of the Board, with a start date of 1 December 2022.

The Board is asked to approve:

iii. The appointment of Ben Tidswell as interim Chair of the Board, for a period commencing on 1 October 2022 and expiring on 30 November 2022.

Executive Summary

The second term of the Chairman of the Board Tim Parker is due to expire on 30 September. The new Chair of the Board, as selected by the shareholder, is not due to commence with the Board until 1 December 2022. During this intervening period the shareholder has agreed that Ben Tidswell be appointed as Chair of the Board.

Ben Tidswell joined the Board in July 2021 as Legal NED, and is appointed as Chair of the Historical Remediation Committee.

The Board is asked to approve the appointment of Ben Tidswell as interim Chair of the Board for a 2 month period commencing 1 October 2022 and completing on 30 November 2022.

12.1

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POST OFFICE LIMITED
BOARD REPORT

Title:	Appointments to Board Committees	**Meeting Date:**	27 September 2022
Author:	Cordelia Hagan, Company Secretariat Administrator	**Sponsor:**	Rachel Scarrabelotti, Group Company Secretary

Input Sought: Decision

The Board is asked to approve:

i. The appointment of Lisa Harrington as interim Chair of the Nominations Committee;
ii. The appointment of Safaraz Ismail to the POL Nominations Committee;
iii. The appointment of Elliot Jacobs to the POL Audit, Risk and Compliance Committee; and,
iv. The appointment of Brian Gaunt to the POL Remuneration Committee.

Executive Summary

Pursuant to the Nominations Committee's Terms of Reference, the Committee can recommend to the Board new appointments to Committees, as required from time to time.

Appointment of Lisa Harrington – Chair of Nominations Committee

The current Chair of the Nominations Committee, also Chairman of the Board, is due to step down on 30 September 2022. The new Chair of the Board, who will also Chair the Nominations Committee, is not due to commence in office until 1 December 2022. Given this, the Board is asked to approve the appointment of Lisa Harrington as interim Chair of the Nominations Committee for the period 1 October 2022 until 30 November 2022.

Lisa Harrington joined the Board in April 2020 and has been a member of the Committee since this time. Lisa currently chairs the Nominations Committee pursuant to her external appointment at Digital 9 Infrastructure Plc.

Appointment of Saf Ismail – Nominations Committee

The Board is asked to approve the appointment of Saf Ismail as a member of the Nominations Committee. Saf is a passionate advocate of Diversity, Equity and Inclusion. Additionally, as a serving Postmaster, Saf will bring unique views to the Committee. Saf joined the Board in June 2021 and is not currently serving on any Board Committees.

12.2

The Board is asked to note that the UK Corporate Governance Code 2018 (provision 18) requires that a majority of members of the committee should be independent non-executive directors. This provision is currently satisfied given the existing composition, with the Chairman and Lisa Harrington constituting independent non-executive directors, whilst Tom Cooper does not qualify as an independent non-executive director. The appointment of Saf Ismail to the Committee would mean that the Committee composition would no longer satisfy this criteria. The practical consequences of this are a disclosure will be required in the Governance Report in the Company's Annual Report and Consolidated Financial Statements detailing the departure and the reason, being the Company's uniquely composed Board requires that the Board's Committees are reflective of this.

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Appointment of Elliot Jacobs – Audit, Risk and Compliance Committee

The Board is asked to approve the appointment of Elliot Jacobs as a member of the Audit, Risk and Compliance Committee. Elliot currently is not appointed to any Board Committees, and similarly to Saf, as a serving Postmaster, has the potential to bring unique views to the work of the Audit, Risk and Compliance Committee.

The Board is asked to note that the UK Corporate Governance Code (provision 24) provides that the Audit, Risk and Compliance Committee should be composed of independent non-executive directors. This provision is currently not satisfied given Tom Cooper, as shareholder representative, is a member of the Audit, Risk and Compliance Committee, and disclosure to this effect is made in the Company's Annual Report and Consolidated Financial Statements. A similar disclosure would be required in respect of Elliot.

Appointment of Brian Gaunt – Remuneration Committee

The Board is asked to approve the appointment of Brian Gaunt as a member of the Remuneration Committee. Brian joined the Board in January 2022 and is currently not a member of any Board Committees. Brian's appointment may provide Brian with further opportunities to establish himself.

The Board is asked to note that the UK Corporate Governance Code (provision 32) provides that the Remuneration Committee should be composed of independent non-executive directors. This provision is currently not satisfied given Tom Cooper, as shareholder representative, is a member of the Remuneration Committee, and disclosure to this effect is made in the Company's Annual Report and Consolidated Financial Statements.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Sealings Report	**Meeting Date:**	27th September 2022
Author:	Rubia Khanom, Company Secretariat Administrator	**Sponsor:**	Rachel Scarrabelotti, Company Secretary

Input Sought: Approval

The Directors are invited to consider the Register of Sealings and to approve the affixing of the Common Seal of the Company to the documents set out against items number 2146 – 2155 inclusive in the Register of Sealings.

Executive Summary

For the Directors to resolve that the affixing of the Common Seal of the Company to the documents set out against items numbered 2146 – 2155 inclusive in the Sealings Register are hereby confirmed.

12.3

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POL00448625

Date Created
16/09/2022

Post Office Limited
Register of Sealings

Company Number
2154540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
2146 / Lease Renewal	11/07/2022	13/06/2022	Lease renewal relating to Property at 351 and 353 Kings Road London, SW3 5EX between The Mayor and Burgesses of the Royal Borough of Kensington and Chelsea situated at The Town Hall Hornton Street London W8 7NX ("the Landlord"), and Post Office Limited (incorporated and registered in England and Wales under company registration number 02154540), the registered office of which is at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ (the "Tenant").	Rachel Scarrabelotti (Company Secretary), Alisdair Cameron (Director)	Karima Karger (Legal)
2147 / Side Letter	11/07/2022	13/06/2022	Side Letter in respect of the lease relating to property at 351 and 353 Kings Road London, SW3 5EX between THE MAYOR AND BURGESSES OF THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA of The Town Hall Hornton Street London W8 7NX ("the Landlord"), and Post Office Limited (incorporated and registered in England and Wales under company registration number 02154540), the registered office of which is at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ (the "Tenant"). Side letter will signed by the Landlord upon completion.	The Landlord	Karimer Karger (Legal)
2148 / Lease	19/07/2022	18/07/2022	Lease of part of a retail building relating to 79B Hampstead High Street, London, NW3 1QL between: Post Office Limited (with company number 2154540) whose registered office is Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ (Landlord); Sisu Clinic UK Limited (with company number 13922412) whose registered office is Redland House, 157 Redland Road, Redland, Bristol BS6 6YE (Tenant); Sempiternal Aesthetics Limited (with company number FC036443) an overseas company incorporated in Ireland whose registered office is 60 Oliver Plunkett Street, Cork, Ireland (Guarantor).	Rachel Scarrabelotti (Company Secretary), Alisdair Cameron, (Director)	Karima Karger (Legal)
2149 / Side Letter	19/07/2022	18/07/2022	Side Letter in respect of the lease relating to part of a retail building at 79B Hampstead High Street, London, NW3 1QL between: Post Office Limited (with register company number 2154540) whose registered office is Finsbury Dials 20 Finsbury Street, London, EC2Y 9AQ; Sisu Clinic UK Limited (with registered company number 13922412) whose registered office is Redland House, 157 Redland Road, Redland, Bristol BS6 6YE; Sempiternal Aesthetics Limited (with registered company number FC036443) an overseas company incorporated in Ireland whose registered office is 60 Oliver Plunkett Street, Cork, Ireland.	Rachel Scarrabelotti (Company Secretary), Alisdair Cameron, (Director)	Karima Karger (Legal)
2150 / Licence for alterations	19/07/2022	18/07/2022	Licence for alterations relating to part of a retail building at 79B Hampstead High Street, London, NW3 1QL between: Post Office Limited (with registered company number 2154540) whose registered office is Finsbury Dials 20 Finsbury Street, London, EC2Y 9AQ (Landlord); Sisu Clinic UK Limited (with registered company number 13922412) whose registered office is Redland House, 157 Redland Road, Redland, Bristol BS6 6YE (Tenant); Sempiternal Aesthetics Limited (with company number FC036443) an overseas company incorporated in Ireland whose	Rachel Scarrabelotti (Company Secretary), Alisdair Cameron, (Director)	Karima Karger (Legal)

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POL00448625

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
			registered office is 60 Oliver Plunkett Street, Cork, Ireland (Tenant's Guarantor).		
2151 / Lease	12/08/2022	10/08/2022	Lease of Whole - Unit 20 Nursling Industrial Estate, Majestic Road, Nursling, Southampton SO16 0YT between Aviva Life and Pensions UK Limited (Landlord) and Post Office Limited (Tenant). Executed under Company Seal 2151(x2).	Sarah Koniarski, Senior Assistant Company Secretary	Karima Karger Legal and Womble Bond Dickinson
2152 / Deed of surrender	12/08/2022	10/08/2022	Deed of Surrender of Underlease dated 4 May 2021 - Unit 20 Nursling Industrial Estate, Majestic Road, Nursling, Southampton SO16 0YT between Loomis UK Limited (Landlord) and Post Office Limited (Tenant). Executed under Company Seal No 2152(x2).	Sarah Koniarski, Senior Assistant Company Secretary	Karima Karger (Legal) and Womble Bond Dickinson
2153 / Floating charge confirmation	12/08/2022	10/08/2022	Letter of non-crystallisation: Premises at Unit 20 Nursling Industrial Estate, Majestic Road, Nursling, Southampton S016 OYT - Debenture over the property of Post Office Limited. Executed under Company Seal No. 2153. Post Office Limited hereby confirm that, in relation to the debenture in favour of The Secretary of State for Trade and Industry dated 17th October 2003, and the debenture in favour of Alliance and Leicester PLC dated 4 April 2007, so far as we are aware none of the events that would give rise to the crystallisation of the said debenture have occurred.	Sarah Koniarski, Senior Assistant Company Secretary	Karima Karger (Legal) and Womble Bond Dickinson
2154 / Lease	01/09/2022	31/08/2022	Lease Renewal in respect of Unit 6 on the Ground Floor of Peninsula Apartments ,4 Praed Street West End Quay, Paddington, London W2 1JE between WEST END QUAY LIMITED with registered number 584778, of Les Echelons Court, Les Echelons, St Peter Port, Guernsey, GY1 1AR (Landlord) and Post Office Limited with registered company number 02154540, whose registered office is at Finsbury Dials 20 Finsbury Street, London, EC2Y 9AQ (Tenant).	Rachel Scarrabelotti, Company Secretary and Alisdair Cameron, Director	Karima Karger, Legal and Womble Bond Dickison
2155 / Side Letter	01/09/2022	31/08/2022	Side letter relating to the Lease Renewal of Unit 6 on the Ground Floor of Peninsula Apartments ,4 Praed Street West End Quay, Paddington, London W2 1JE between WEST END QUAY LIMITED (Landlord) and Post Office Limited (Tenant).	Rachel Scarrabelotti, Company Secretary and Alisdair Cameron, Director	Karima Karger, Legal and Womble Bond Dickison

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POL00448625

POST OFFICE LIMITED
BOARD REPORT

Title:	Future Meeting Dates	**Meeting Date:**	27th September 2022
Author:	Rubia Khanom, Company Secretariat Administrator	**Sponsor:**	Rachel Scarrabelotti, Company Secretary

Input Sought: Noting

The Directors are requested to note the future meetings dates scheduled in respect of Post Office Limited Board and Committee meetings.

2022

Date			Time	Meeting
Friday	08 September	2022	10:00 – 12:00	Historical Remediation Committee[1]
Monday	26 September	2022	15:00 – 17:30	ARC
Tuesday	27 September	2022	10:00 – 11:00	Nominations Committee
Tuesday	27 September	2022	11:00 – 12:30	Remuneration Committee
Tuesday	27 September	2022	13:00 – 17:30	Board
Thursday	29 September	2022	08:30 – 11:00	Historical Remediation Committee[2][3]
Monday	10 October	2022	14:00 – 16:00	Historical Remediation Committee[4]
Tuesday	01 November	2022	10:00 – 15:30	Board
Monday	21 November	2022	09:30 – 11:30	Historical Remediation Committee[5]
Monday	05 December	2022	15:00 – 17:30	ARC
Tuesday	06 December	2022	10:00 – 11:00	Nominations Committee
Tuesday	06 December	2022	11:00 – 12:30	Remuneration Committee
Tuesday	06 December	2022	13:00 – 17:30	Board

12.4

[1] We are collapsing the HRC meetings on the 1st and 16th September into one single meeting to be held on 8th September.
[2] Occurs every 2 weeks on Thursday effective 06/01/2022 from 08:30 – 10:30
[3] HRC Members have agreed to extend this meeting by 30 minutes and to allocate additional agenda time to discuss the level of disputes, lessons learnt and other priority items.
[4] Due to NED diary clashes, the meeting on Thursday 13th October has been moved to 10th October.
[5] Due to NED diary clashes, the meeting on Thursday 24th November has been moved to 21st November.

POL00448625

2023

Date			Time	Meeting
Monday	23 January[6]	2023	14:30 – 17:00	ARC
Tuesday	24 January	2023	10:00 – 15:00	Board
Tuesday	28 February	2023	09:30 – 12:30	Additional Board to discuss the initial review of the 2023/24 budget
Tuesday	28 February	2023	13:00 – 14:00	Nominations Committee
Tuesday	28 February	2023	14:00 – 15:30	Remuneration Committee
Tuesday	28 March	2023	10:00 – 12:30	ARC
Tuesday	28 March	2023	13:00 – 17:30	Board
Tuesday	16 May	2023	09:00 – 11:30	ARC
Tuesday	06 June	2023	09:30 – 10:30	Nominations Committee
Tuesday	06 June	2023	10:30 – 12:00	Remuneration Committee
Tuesday	06 June	2023	12:30 – 17:30	Board
Monday	10 July	2023	14:30 – 17:00	ARC
Tuesday	11 July	2023	09:30 – 14:00	Board
Tuesday	11 July	2023	14:45 – 18:00	Board Strategy Away Day - 1
Wednesday	12 July	2023	08:30 – 17:00	Board Strategy Away Day - 2
Monday	25 September	2023	14:30 – 17:00	ARC
Tuesday	26 September	2023	09:30 – 10:30	Nominations Committee
Tuesday	26 September	2023	10:30 – 12:00	Remuneration Committee
Tuesday	26 September	2023	12:30 – 17:30	Board
Tuesday	31 October	2023	10:00 – 15:00	Board
Monday	27 November[7]	2023	14:30 – 17:00	ARC
Tuesday	28 November	2023	10:00 – 11:00	Nominations Committee
Tuesday	28 November	2023	11:00 – 12:30	Remuneration Committee
Tuesday	28 November	2023	13:00 – 17:30	Board

12.4

[6] In January 2023 and January 2024, there is an Internal Audit session from 17:00 – 17:30.
[7] In November 2023, there is an External Audit session from 13:30 – 14:00.

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POL00448625

2024

Date			Time	Meeting
Monday	29 January[8]	2024	14:00 – 17:00	ARC
Tuesday	30 January	2024	10:00 – 15:00	Board
Tuesday	20 February	2024	09:30 – 12:30	Additional Board to discuss the initial review of the 2024/25 budget
Tuesday	20 February	2024	13:00 – 14:00	Nominations Committee
Tuesday	20 February	2024	14:00 – 15:30	Remuneration Committee
Tuesday	26 March	2024	10:00 – 12:30	ARC
Tuesday	26 March	2024	13:00 – 17:30	Board

12.4

[8] In January 2023 and January 2024, there is an Internal Audit session from 17:00 – 17:30

POL00448625

Post Office Limited
Board Governance Map & Forward Plan 2022/23 (n.b. items are shaded where the item or date is tentative)

Item	Origin of Request	Owner	Action Required	29/03/22	07/06/22	12/07/22	27/09/22	01/11/22	06/12/22	24/01/23	28/03/23	Notes
STANDING ITEMS FOR PRESENTATION												
Welcome and Conflicts of Interest	Companies Act 2006 s.177	Chair	Noting	X	X	X	X	X	X	X	X	
Minutes from previous meeting	Terms of Reference	Company Secretary	Approval	X	X	X	X	X	X	X	X	
Matters Arising	N/A	Company Secretary	Noting	X	X	X	X	X	X	X	X	
Committee reports (verbal)	Terms of Reference	Committee Chairs	Noting	X	X	X	X	X	X	X	X	
CEO report	Terms of Reference	CEO	Noting & discussion	X	X	X	X	X	X	X	X	
Financial Performance Report (including Change Spend)	Terms of Reference	CFO	Noting & discussion	X	X	X	X	X	X	X	X	
STANDING ITEMS FOR NOTING (NO PRESENTATION)												
Health & Safety Report	Terms of Reference	CFO	Noting	X	**X**	X	X	X	**X**	X	X	**Scheduled as a discussion item bi-annually, including violence and robberies reporting. The Director of Health and Safety, Environment and Business Continuity attends for these items.**
Historical Matters: HMU and Public Inquiry	Terms of Reference	HMU and Inquiry Executive Sponsor	Noting	X	X	X	X	X	X	X	X	
Governance items: Forward Plan, Sealings, Meeting Dates	Terms of Reference	Company Secretary	Noting	X	X	X	X	X	X	X	X	
Approvals: spend over £5m; procurement risk exceptions	Terms of Reference	Executive Team	Noting	X	X	**X**						**The strategic procurement is scheduled as a discussion item periodically and this item is attended by the Director of Procurement.**
CYCLICAL ITEMS: (annual unless otherwise stated in notes column)												
Budget and performance against strategic plan	Terms of Reference	CFO	Approval for submission to Shareholder	X						X	X	Draft considered in January and final draft approved in March for submission to the Shareholder.
Three-year plan (to tie in with Government Spending review)	Terms of Reference	CFO	Approval for submission to Shareholder									Draft approved for submission to the Shareholder in August 2021.
Quarterly Deep Dive 2022/23 Budget	Board Request - Board Meeting of 04/05/22	CFO	Discussion					X			X	
Annual Report and Accounts	Terms of Reference	ARC Chair/ CFO	Approval			X						FY year end 31 March, deadline for filing 31 December but must first be laid in Parliament.
Dedicated strategy sessions	Terms of Reference	Executive Team	Discussion and Approval of recommendations									Scheduled for 13 July.
Network Performance Report	Terms of Reference	Network Strategy Delivery Director	Approval					X				Usually each September/ October. The Report has to be laid in Parliament.
Governance Report (terms of reference review; register of interests; matters reserved and delegated authorities)	Terms of Reference	Company Secretary	Approval	X							X	
Board and Committee Evaluations	Terms of Reference	Company Secretary	Discussion and Approval of recommended actions	X				X (Board Review - Progress against Recommendations)			X	The Board and Committee Evaluations should be externally facilitated every third year to comply with the UK Corporate Governance Code and Public Sector guidance on corporate governance.

12.5

POL00448625

Item	Origin of Request	Owner	Action Required	29/03/22	07/06/22	12/07/22	27/09/22	01/11/22	06/12/22	24/01/23	28/03/23	Notes
Modern Slavery Act Statement	Terms of Reference	Head of Customer Experience Strategy & Deployment / Retail & Franchise Network Director	Approval			X				X		The statement and recommended actions are discussed in detail at the ARC so Board discussion is usually minimal. The next approval will be required in July 2023.
People Strategy (including culture)	Terms of Reference	Group Chief People Officer	Discussion									
Succession Planning (including succession below Board and GE level)	Nominations Committee Evaluation & Board Action from 12 July 2022	Group Chief People Officer	Discussion					X				Board discussion every 6 months (November and May).
ESG	Terms of Reference		Discussion					X				To be scheduled.
Group Risk Policy	Terms of Reference	Chief Financial Officer	Approval	X					X			
Communications and Stakeholder Strategy	Terms of Reference	Group Corporate Affairs, Brand and Communications Director	Noting									To be scheduled.
ITEMS SCHEDULED												
Operational/ Network												
Darwin Paper	Approved by GE on 04/05/2022	CFO/ Programme Manager/ Supply Chain Director	Approval (no presentation)			X						
Property Strategy	S Norris email 26/05/22	CFO/ Director of Supply Chain/ Head of Property	Discussion									GE - 06th July. No longer requires Board discussion.
Project Assurance - Augmentations to RMPP	David Scothern Email 11/08/2022	Head of Legal HR/IR, Group Reward Director, Interim Group Chief People Officer	Noting and Approval				X					
PO Control Framework Direction of travel/next steps	Anshu Mathur	Interim Group Compliance Director	Approval				X					RCC on 13th September, GE on 14th September, ARC on 26th September and Board on 27th September.
Mails Strategy	Board Request - Board Meeting of 29/03/22	CCO/ Managing Director Parcels and Mails	Decision			X						Board requested item be brought to the June Meeting. Deferred to July meeting
Technology												
Assurance Framework for the Strategic Platform Modernisation Programme	Zdravko Mladenov email 30/05/22	Business Transformation Director	GE Decision, RCC & ARC (noting with presentation), Board (noting without presentation)						X			To be confirmed. ~~Proposal: GE on 17th August, RCC on 13th September, ARC on 26th September, Board on 27th September.~~ Updated Proposal: GE on 12th October, RCC on 15th November, ARC on 05th December, Board on 06th December.
SPMP Deep Dive	Board Action from 07 June 2022	Group Chief Digital Information Officer	Discussion					X				To be confirmed.
SPM (decision on EPOS build/ buy)	Referred to in paper to Board on 28 July 2021	Business Transformation Director	Decision	X				X				To be confirmed.
Belfast Exit Funding	Email from Bim Famotibe on 06/06/2022	Jeff Smyth, Enterprise Cloud & Data Transformation Director	Decision			X						
Joint presentation from the network and SPM Teams	Action in response to June Board discussion	Business Transformation Director	Discussion		X							Moved to June 2022.
Commercial												
Payzone Integration Exploration	Board Action from 12 July 2022	CCO/ Commercial Strategy & Planning Director	Noting					X				

POL00448625

Item	Origin of Request	Owner	Action Required	29/03/22	07/06/22	12/07/22	27/09/22	01/11/22	06/12/22	24/01/23	28/03/23	Notes
Update on Mails Strategy	~~Board Request - Board Meeting of 29/03/22~~	CCO/ Managing Director Parcels and Mails	Discussion	X		X						Request raised at POL Board Meeting 29 March 2022. Deferred until July Board Meeting.
Postmaster/ Customer/ other Stakeholders												
Investigations paper	John Bartlett	John Bartlett	Discussion				X					GE - 06th July
Improvement Development Group Update	Updates were previously received at Board (CCRC) meetings	COO	Discussion	X		X	X					The session also links to a suggestion from Al Cameron at the September 2021 meeting to have a conversation on how we evidence to the Public Inquiry that the historical errors cannot be repeated.
Corporate Governance and Internal Decision Making Forums	Phase 6 of the Inquiry	Group General Counsel, Company Secretary	Noting					X				GE Approval - 12th October 2022