

Cover Letter

Dear Shareholder,

In advance of the Quarterly Shareholder Meeting (QSM) due to take place on 11th April 2024, please find enclosed the POL progress update report.

As part of the standing agenda items this report includes an update on the four strategic priorities that the Department would like POL to focus on in the 2024/25 financial year, being:

- Effective financial management and performance, including management of legal costs, to ensure medium term viability;
- Addressing of POL's Remediation matters and setting the business up for success in the future;
- Maintaining and improving POL's capacity, capability, and resilience at all levels of the organisation;
- Facilitate the sharing of information with UK Government Investments ("UKGI") and the Shareholder in an open and transparent manner.

Whilst the QSM is a formal forum and a key mechanism in supporting the relationship between POL and DBT, we will of course continue to keep the Department updated on progress against these specific priorities through the regular 1:1s between the DBT Permanent Secretary/Chair and DBT Director General/CEO.

We look forward to meeting with you soon.

GRO

Nick Read **GRO**



Shareholder Quarterly Briefing

11 April 2024

Post Office Limited - Legally Privileged

Agenda for the meeting

Item	Time	Presented By	Page Reference
Introduction <ul style="list-style-type: none">Approval of minutes from Previous meeting	15.00pm – 15.05pm	Carl Creswell	Page 4
Update against DBT's 4 strategic priorities	15.05pm – 15.15pm	Nick Read	Page 6
Actions from last meeting: Update on HIJ and CIJ	15.15pm – 15.55pm	Martin Roberts, Simon Oldnall & Tracy Marshall	Pages 8 – 9 (& Appendix)
Culture Update	15.55pm – 16.15pm	Tim Perkins	Pages 11 - 12
Strategic Platform Modernisation Programme (SPMP)	16.15pm – 16.40pm	Chris Brocklesby	Pages 14 - 19
Remediation Unit Update	16.40pm – 16.55pm	Simon Recaldin	Pages 21 - 25
Issues of Note /AOB as required	16.55pm – 17:00pm		
Other Items included in Pre-read (see Appendix)			
POL operational & financial performance Update			Pages 28-31
Strategic Risks & Mitigations			Page 33
HIJ Update - Further Detail			Pages 35 - 42
CIJ Updtae – Further Detail			Pages 44 - 49

Actions from last meeting and Updates

	Actions from last meeting	Update	Owner	Status
1	Share action plan for Project Ethos	Update on Project Ethos to be provided in the next Quarterly Shareholder Meeting, 11 April 2024	Karen McEwan & Tim Perkins	Ongoing
2	Provide update on all CIJ and HIJ actions	Progress Update on HIJ and CIJ to be provided in the next Quarterly Shareholder Meeting, 11 April 2024	Martin Roberts, Simon Oldnall & Tracy Marshall	Ongoing



Update against DBT's 4 strategic priorities

Update against Shareholder strategic priorities

1. Effective financial management and performance

We continue to make progress against addressing Shareholder priorities in maintaining effective cost management. We have maintained close monitoring of the FY23/24 **IRRELEVANT** cost challenge (with Remco approval of the principles with regards to achievability). There is an equivalent **IRRELEVANT** of cost savings identified in the FY24/25 Business Plan.

The principles established by the Opex Committee around in-year prioritisation of spend and optimisation of return will also be applied to the change portfolio. Following on from approval of the FY24/25 Business Plan there is continuous improvement identified in managing contracts tightly and there is consideration of engaging external consultants to assist with the reduction of the Central Cost base. This will complement longer term 3-5 year planning which will rely on the outcome of any reviewed clarity from DBT on its long-term policy position.

3. Maintaining and improving capacity, capability & resilience

Board have now approved the Strategic People Plan, which is focused on three areas – improving colleague experience, improving organisational capability and becoming a more inclusive place to work. Alongside the development of the People Plan, a restructure of the People team is currently underway. The primary aim of the restructuring is to ensure there is capacity within the People team to effectively support the business through the delivery of the People Plan.

In February, sessions were delivered to colleagues across the business on the Horizon IT scandal. The sessions covered the human impact of the scandal and how today's colleagues must play a role in safeguarding its culture. To follow on from the sessions, Post Office has launched a new Ethical Decision-Making Framework and a culture self-check for colleagues known as the 'Yes check'.

The latest employee engagement survey has now closed with results due in mid April and a Postmaster and Strategic Partner survey is also underway. The outputs from these surveys will be important factors in assessing progress on culture.

2. Addressing of Remediation matters

There has been good progress made by the Remediation Unit as Post Office works hard to compensate impacted postmasters. This includes work on the issues affecting the suspension remuneration cohort together with preparation for the payment process review, with the aim of improving Post Office operations in line with Mr Justice Fraser's judgements and learnings from the Post Office Horizon IT Inquiry.

Post Office continues to prioritise engagement with the Post Office Horizon IT Inquiry and to prepare for the upcoming phases, namely phases 5-7.

4. Facilitate the sharing of information in open & transparent manner

We continue to ensure that our teams work closely and collaboratively over the coming months, and this includes sharing information openly with UKGI, DBT, your Permanent Secretary, Director General and other officials.

We appreciate our collaboration on business case preparations and welcome clear and consistent alignment on priorities in moving the agenda forward collectively.

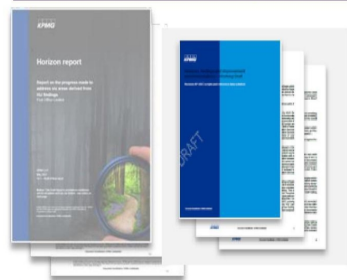


Actions from last meeting Update on HIJ and CIJ

Summary of approach to the Horizon Issues Remediation Programme

OUR VISION: To improve the **Horizon user experience** and **Postmaster service**, by re-establishing a level of **trust and confidence in Horizon** – specifically with regards to platform security, data integrity and supplier management.

What are the inputs?



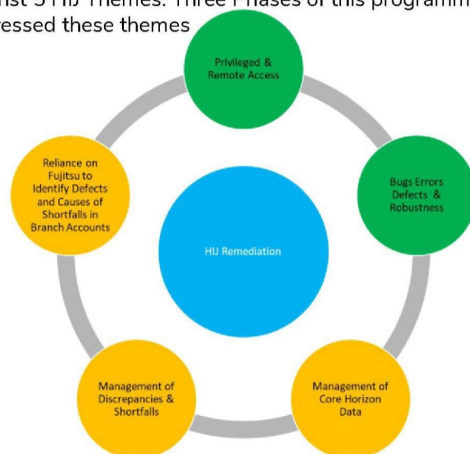
Formal evaluations by POL auditing partner (KPMG & Norton Rose) to assess proposed actions & outcomes to remediate against HIJ findings:

Internal Audit review of Horizon Remediation objectives & progress to remediate HIJs

Deloitte Horizon Security Audit to assess robustness of Remote & Privileged Horizon Accounts

Where are we now?

Horizon Issues Remediation Programme mobilised to remediate against 5 HIJ Themes. Three Phases of this programme have addressed these themes

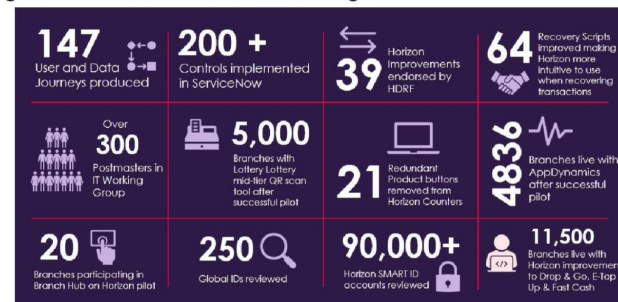


Postmaster IT Working Group actively involved in Horizon Change with positive feedback helping rebuild trust and confidence.



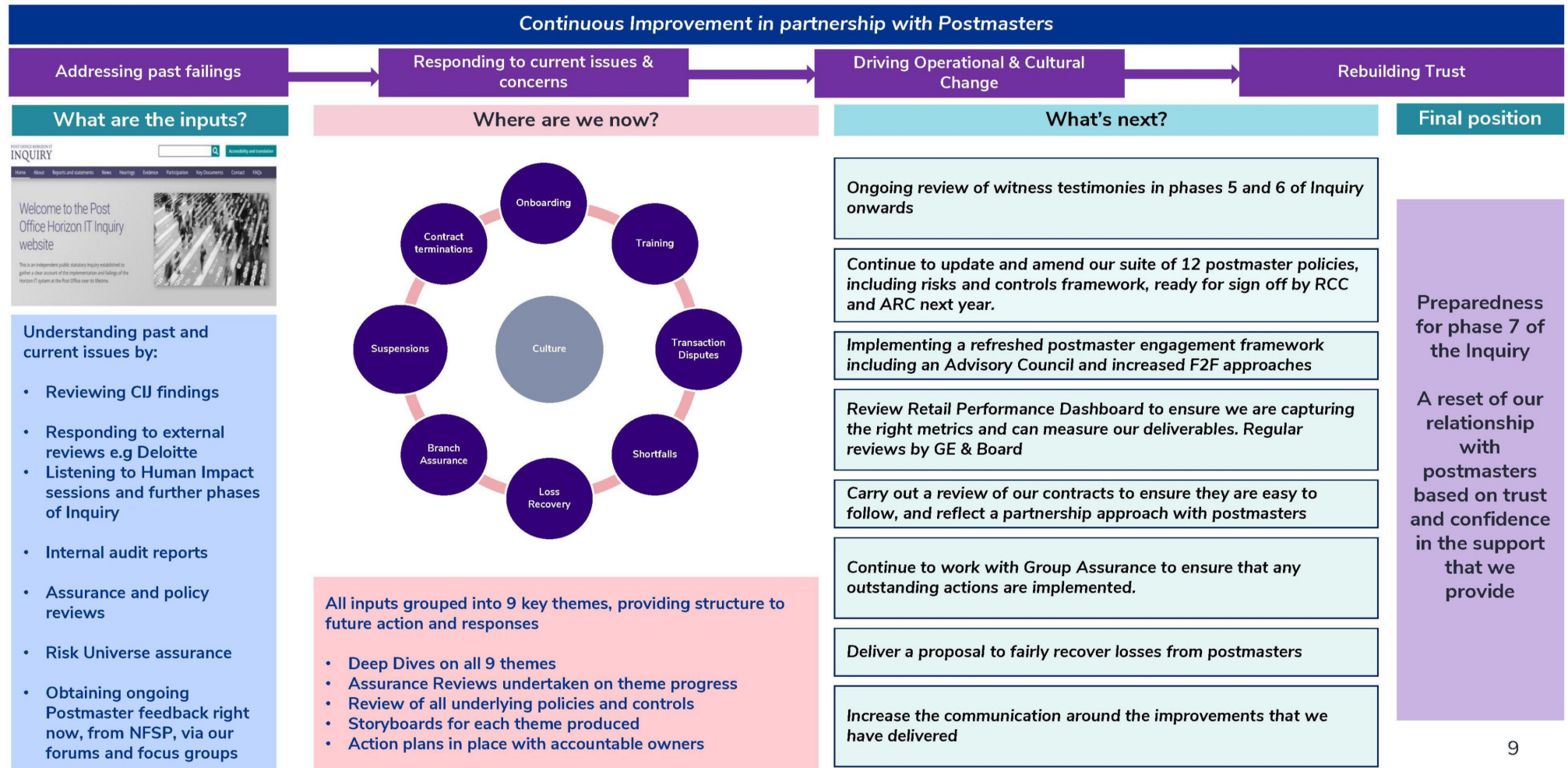
What's next?

Horizon improvements live across network supported by more consistent ways of working to embed sustained Horizon Change.



Remaining Action	Target Completion	Status
Design, test and implemented a new Audit solution for Horizon enabling greater transparency on the transmission etc of transaction records	February 2025	On Track
Complete the migration of over a 1000 file transfers to the new routing service	February 2025	On Track
Branch accounting improvements proposed as part of HSI will allow greater visibility of individual discrepancies to Post Masters, these will be looked	March 2025	Not yet started
Build on the current the POC for the capture of counter activity logs in order to make this data more readily available	February 2025 (linked to Audit SAN project)	On Track

Summary of the Retail approach to the Common Issues Improvements



CONFIDENTIAL AND COMMERCIALY SENSITIVE - FOR POST OFFICE INTERNAL USE ONLY



Culture Update

Culture transformation since 2019

The following are the core activities/deliverables that have transformed the culture of Post Office since 2019:

More Postmaster centric

- ✓ An established purpose and strategic drivers that focus on outcomes for Postmasters
- ✓ 2 Postmaster NEDs on the Board
- ✓ A serving Postmaster on the leadership team as Postmaster Director
- ✓ Postmasters involved in Horizon improvements and NBIT build
- ✓ Postmasters being surveyed on their engagement
- ✓ Senior leaders closer to Postmasters – for example through Adopt an Area and Regional Forums
- ✓ Specific Postmaster Support Policies developed
- ✓ More Area Managers to support Postmasters
- ✓ More training and better training facilities for Postmasters
- ✓ Branch Hub giving Postmasters better service
- ✓ Dedicated Postmaster complaints handling and issue resolution

More transparent

- ✓ Improved communications from the top of the business – 10@10, Townhalls, annual colleague conference, CEO coffee catch ups, expanded senior leadership group
- ✓ Wood Street relocation – no offices, hotdesking, one floor
- ✓ Postmaster conferences and Regional Forums
- ✓ Weekly emails to Postmasters
- ✓ Performance insight made available on Branch Hub for Postmasters
- ✓ Sharing Postmaster Support Policies with Postmasters
- ✓ Scandal awareness sessions held with colleagues to understand the human impact of the scandal and to consider the cultural conditions and behaviours that led to the scandal

Better at listening

- ✓ Restorative justice meetings with victims
- ✓ Postmaster listening groups
- ✓ 'Lead to Serve' programme for ~400 leaders
- ✓ 360 feedback as part of senior leaders performance reviews
- ✓ Improved formal mechanisms – Speak up review, establishing Group Assurance, culture findings in Internal Audit reports

More behaviourally consistent

- ✓ New Ways of Working with growth in colleagues recognising the behaviours being demonstrated in Post Office over time
- ✓ Embedding of the Ways of Working into performance management processes
- ✓ Informal recognition of the Ways of Working through the WOW recognition platform and regular awards
- ✓ New Ethical Decision-Making Framework
- ✓ 'Yes check' introduced for all colleagues

Continued progress and focus on culture transformation

Progress has continued over the last quarter (since the December QSM) and will continue in the next quarter

What has happened since December?

- ✓ New Strategic Executive Group formed
- ✓ New Leadership Team defined with demonstration of behaviours as a selection criteria
- ✓ 4 workshops held with businessfourzero in January to define the core cultural framework for Post Office (known internally as the 'Blueprint').
- ✓ An event was held for the newly formed Leadership Team in March to immerse the Leadership Team in the Blueprint.
- ✓ A Strategic People Plan has been developed and agreed by Board. It is focused on three core areas – Colleague Experience, Capability and Inclusion – and has three stages – Foundations, Growth and Sustainability.
- ✓ A new Ethical Decision-Making Framework has been launched
- ✓ A self-check culture temperature check for colleagues called the 'Yes Check' have been launched
- ✓ Scandal awareness sessions were held across Bolton, Chesterfield and London (which was also live streamed and recorded) in February to broaden the experience of restorative justice to all colleagues.
- ✓ Outcomes from the Grant Thornton governance review have been reviewed.

What is next?

- ✓ The Leadership Team will work through how to launch the Blueprint throughout the business.
- ✓ The Blueprint will be shared with the Shareholder and the Board.
- ✓ The Code of Business Conduct will be updated and taken to Board to incorporate the new Ethical Decision-Making Framework and Blueprint.
- ✓ A milestone plan is being developed with the new People Leadership Team for the 2024/25 deliverables of the Strategic People Plan.
- ✓ The colleague engagement survey has closed and full results will be made available to Post Office in mid-April.
- ✓ A Postmaster engagement survey is underway with results available in April/May.
- ✓ The new culture indicators will incorporate the latest results from the colleague and Postmaster engagement surveys and will be shared with the Board in June.
- ✓ Recommendations and an action plan from the Grant Thornton governance review are now being developed.



5. Strategic Platform Modernisation Programme (SPMP) / New Branch IT (NBIT)

Release Status

We continue to make good progress with building the NBIT system but we have has some delays with obtaining partner signoff

	Scope	Status
Release 2.0	Mails and Stamp functionality	Deployed to Aldwych on 1 st February (feedback overleaf)
Release 2.1	Parcelforce mails, Saturday delivery, security fixes and functional defects	Replanned to April
Release 2.2	Addition of Banking functionality, further security enhancements and updates needed for independent branches	Targeting late Summer – still dependent on agreeing signoff criteria with Bank especially on security topics

POST
OFFICE

Pilot Branch Feedback

Aldwych

GRO

St
John's

GRO

"In General, loving the new system...needs to be slightly faster."

"The fact it prints labels is fantastic, no consumables is brilliant love it."

"Overall, LOVE it, really happy so far."

"Balancing process is great, able to identify issues very quickly which is great."

"7 buttons to get to special delivery, 2 buttons on horizon so that is a bit frustrating."

"Dipti and Robert have been beautiful people to work with."

"It's perfectly good so far, the loading time from BO to CT can be a bit frustrating at times."

"Feel excited about going on NBIT and look forward to using it."

"Was a bit anxious to start with but so pleased with the support."

Dual Running Pilot Framework

R2.0 – Jan 2024

Aldwych DMB
Live 1/2/24 until 2.1 into live testing
Switched off whilst 2.1 is in live testing

R2.1 - Mar 2024

Aldwych DMB switched on April
St Johns DMB go live late April/May
3 more DMBs go live in following few weeks
Anticipate needing to shutdown whilst R2.2 in live testing

R2.2 – Summer 2024

Anticipate live in late Summer
Engagement activity with banks is critical and expected to take 8 weeks once system is tech ready
5 DMBs go live and stable
Steady expansion to 5 non DMBs – optimistically this side of peak 2024

- We expect further expansion into up to 40 more non DMB branches in 2025
- We have an initial short list of around 20 and will look to expand this over the forthcoming months based on previously stated principles that reflect the network shape + 15 SPs.
- The scheduling of this will depend upon the Tech Delivery plan and the alignment of ongoing functionality drops with the branches – the approach for this is being developed.

Financial Performance

We have underspent on our current business case by ~£3m and have not utilised optimism bias or contingency

Category	September	October	November	December	January	February	March	Total
POL Perm/Contractors	IRRELEVANT							
Third Party Resource Augmentation (Accenture/Coforge)								
Third Party other (AWS/Licences/Slalom)								
SPO Levy/Contingency								
Hardware								
Total								
Budget								
Variance								

Note: some of the underspend will be a timing issue due to delays

Stakeholder Management & Governance

- The Horizon Replacement Business Case was submitted to DBT on 18th March.
- This business case will fund:
 - The SPM programme until March 2026
 - The development of a new Self Service Kiosk and relace of our 600 devices
 - The rollout of a new mobile platform for Postmasters which will initial support bill payment
 - A new Identity and Access Management solution
- POL expect to present the business case to the DBT Investment Committee on 18th April and then to HMT for review before the end of June. POL have received and responded to the initial Keyholder report. Some comments appear to be internally inconsistent and do not reflect discussions with keyholders over the last 3 months. POL are concerned about the implications of the 'RAG' rating which cannot now be amended.
- The SPM Programme Management team are also supporting 3 different, concurrent reviews:
 - The IPA Gateway review which will be required to assist HMT with its funding decision
 - A separate review, sponsored by the Permanent Secretary and conducted by Public Digital
 - An external legal review of the Fujitsu extension which requires input from the SPM programme
- Chris Brocklesby has submitted his SRO appointment letter to the Permanent Secretary for review and approval

Fujitsu Extension

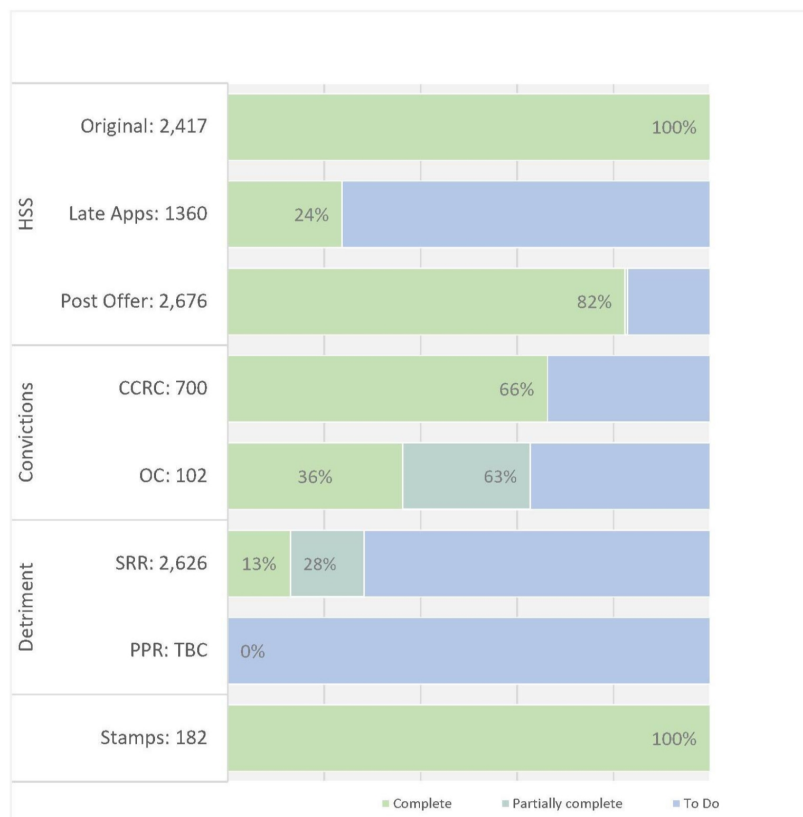
- POL have requested an extension of up to 5 years to March 2030 but we have still not received any formal confirmation that that Fujitsu will agree to this despite discussions with multiple stakeholders in POL and HMG
- POL continue to work with Fujitsu to define the detail of the contract, adopting the following principles in order to minimise the size of the extension:
 - POL will adopt 3rd party contracts for services such as Payment & Banking beyond March '25 (e.g. Worldline)
 - POL will directly procure software and hardware assets necessary to support Horizon resilience (e.g. Oracle licencing)
 - Services within the overall agreement will be terminated at the earliest opportunity within the extension term
- An alternative, such as insourcing of Horizon support, will take up to 18 months
- Fujitsu expect a formal request for an extension from HMG (rather than POL) and have suggested that all aspects of the commercial terms are agreed before this request is made. This is planned to be June
- Considering the risk to its ongoing operation, POL need confirmation of an extension as soon as possible and have provided David Bickerton with suggested wording that could form the basis of an immediate request



Remediation Unit Update

Remediation Unit (RU) Update (formally known as Historic Matters Unit 'HMU')**Executive summary**

Please see below Trading update across all schemes

**Notes on Status, Progress, and Issues:** *MI as at: 21/3/24***Total Paid to Postmasters £156.2m (up from last time: £111.1m).**

- **Original HSS Applications** – 2,417 Offers (100%) were issued, worth ~£112m, by the end of November 2023.
- **Late HSS Applications** – To date 1,360 late applications (+63 wow) have been received, of which 607 have been assessed for eligibility and 538 are eligible. Of these, we have issued 259 offers, worth £14.5m.
- **Post Offer** – Of 2,676 offers (~£126.5m) issued, we have received 2,218 accepts (+8 wow), and made 2,204 payments totalling ~£102.4m after tax. To date, 136 disputes have been resolved to resolution, of which 66 at stage 1 (prior to a Good Faith Meeting). Currently in progress are 15 queries and 337 active disputes (a total WIP of 354, being 13.7% of responses to date).
- **Criminal Case Review Commission** –700 POL convictions, of which 675 Potential Future Appellants have been contacted. Of these, 193 appealed: of which 149 appeals had outcomes: 92 were overturned, and 57 were unsuccessful. Additionally, 10 non-POL convictions were overturned.
- **Overturned Convictions** – To date, 102 claims (93 POL + 9 other prosecutors) have been received. These are being worked through, and to date we have paid out £40.4m, of which £21m has been the £600k up-front offers.
- **Suspension Remuneration Review:** So far, of the 2,626 eligible Postmasters we have sent disclosure letters to 2,536 (97%), received 1,592 applications, issued 742 Offers, received 442 Accepts, and made 341 payments. 560 cases have been closed.
- **Capture** – We have written to DBT suggesting they appoint an independent forensic accountant to review RU investigation work to date and perform any other due diligence work required. This would be used to support a decision on what if any redress action is required.
- **POL Process Review:** Following discussion at RC we have written to DBT asking them approve the funding of the Pilot cases prior to the full set of funding conditions being met (e.g. process assurance). Once this confirmation is received, we will begin the PPR pilot.
- **Stamp Scheme:** Offers issued on all 182 eligible claims. 167 payments made totalling £1m.

Remediation Unit (RU) Update

Strategic Priorities

- **HSS** - We have now completed the original applications cohort with all offers having been issued (2,417 offers issued).
- We have acceptances from 2,056 of those and have now been paid and settled 2,050, the remaining 361 are in our dispute resolution process having either raised queries or not willing to accept the current offer or awaiting further details.
- **Late applications** –since the Bates vs PO drama we have seen a significant uplift in volumes of late applications received, with the current number sitting at 1,360 with this being received at a rate of between c50– 100 per week. There has been a gradual reduction with last week being 38 which is the lowest number so far this year, but absolute volume is far higher than originally expected.
- All budgets were originally built on an estimated 350 claims received, we then moved this up to 416 which we advised last report – and since we have again revised this up to 1,500 but again this will likely need to be increased further.
- Following the £75k fixed sum offer announcement the provision could be insufficient depending on total volumes received which are being assessed.
- So far, we have issued 259 applications from this population. The current pinch points are eligibility checks, and Short Fall assessments – with both areas being resourced to deal with far lower volumes than we now are seeing – discussions are under-way to address.
- **HSS Appeal** –Ahead of Phase 5 of the Inquiry we reviewed what areas in HSS we may feel we may have some vulnerabilities around early cases in HSS delivering fair outcomes.
 - These broadly fall into 4 areas and have made recommendations that both POL and by extension DBT may choose to take in response.
 - The 4 areas of potential are: **Consequential Loss Guidelines, De-minimis, Absence of legal advice, and Discounting for evidential uncertainty.**
 - We raised with DBT the option of an independent appeal mechanism – where those not happy with their outcome due to the 4 mentioned reason or indeed anything else could potentially have their case reviewed against set criteria.
 - We still await a formal position on whether a 'Independent appeal' will be built into the process.
 - If an appeal was implemented the advantage would be to start to conclude those cases still in DRP where we do not feel they will accept their offers as they deem them unfair but have not submitted further evidence. Clearly where they do submit new evidence, we work with them via dispute resolution processes.
- **£75K Fixed sum offer** – This was announced recently in Parliament, replicating the fixed sum offer in GLO for HSS.
- We await formal confirmation of funding, but in the meantime have started working through the steps needed to operationalise this work. This will broadly fall into two pieces of work i) The back book 'top ups' ii) New applications.

Remediation Unit (RU) Update

Strategic Priorities Continued

- Back book top ups is progressing on the data, letters and process – we expect to be able to go live during April 24 subject to a funding letter being received.
- Modelling suggested that c166 cases currently in dispute will benefit from this top up, of which a lower number we think will settle as a result of the top – how many we do not yet know – current thinking is c50.
- The £75k for new applications, we are working on an abridged process to speed up assessments and offers to those who accepted this minimum payments value.
- **HSS Closure date** – Whilst we have not yet finalised governance around an end date, this is being discussed between DBT & RC as March 25 as the date the HSS scheme will cease. [REDACTED]
- Given the large influx of new applications we have delayed any external communications on this – but we are mindful that it will need to be agreed and then socialised well ahead of any final closure to be fair to applicant. We expect it could lead to a spike in volumes at the point we do break cover on this.
- **Tax Top Ups** – Good progress made in this space; we are now live with this work. So far, we have issued 2,213 letters (up from 334 last report) and received 1,524 (up from 78) response and made payments to 1,078 of those totalling £7.1m. We remain well ahead of the original plan.
- GLO – We remain slightly ahead of the disclosure plan agreed with DBT and have made good progress in this space with 334 Disclosures now completed. We continue to work closely with the DBT GLO operational team and work with them to identify which cases need disclosure, we expect to be complete by Aug 24.
- **Overtured Convictions** – Following the recent announcement of the Mass exoneration legislation at a working level we expect those cases to go via a OC2 process sitting outside of POL. But what that looks like and POL's involvement is still forming, we expect our own involvement to be large restricted to Disclosure work.
- OC1, We remain focused on delivering on those cases received under the existing scheme and have now fully settled 37 cases – but the volumes of new applications received is far slower than anticipated, with claimants now having an option to wait and see what OC2 may look like we expect this theme to continue.
- The spectre of OC2 coming has clearly had a destabilising effect on the current POL OC team and we maintain that we have built a viable scheme that delivers fair and reasonable outcomes. We now have Sir Gary onboarded as the independent panel for any escalations on areas of disagreement, we have principles agreed and a functioning operating model in place and have a track record of sending outcomes that have been accepted. What we do not have is the volumes of claims that we had hoped at this stage.

Remediation Unit (RU) Update

Strategic Priorities Continued

- **Restorative Justice** - POL has undertaken c49 meetings with claimants across GLO, HSS and OC, (overwhelmingly GLO) in order for them to meet Senior POL Executives (predominantly Simon Recaldin and Nick Read to date) and has received requests for c4 more days of multiple meetings that are being planned across Q2 2024, we have also seen 2 other POL Executive members also attend these which we think is valuable to give a real insight into the impact on these victims.
- **CCRC / Disclosure issues** – Disclosure issues of new repositories in the Inquiry may have an impact on the Post Conviction Disclosure Exercise ("PCDE") this work remains under review and ongoing, in Scotland we have again been informed that they may act if we don't act in a timely way on disclosure for a particular case. We are engaged with our Scottish counsel in this regard.

Detriment

- **Suspension Renumeration Review 'SRR'** – we have now sent 2,536 disclosure letters inviting people into this scheme, have had 1,592 applications received. Have made offers to 742 Postmasters and received 442 acceptances to those offers. With £4.7m (£2.6m) of payments.
- **Payment Process Review 'PPR'** – funding is agreed. We expect the total cost to be between £40m - £80m and currently planning to commence this work in April 24. We are planning to commence a Pilot of 120 cases initially to test the principles, processes and provide assurance, this is awaiting DBT approval.
- Funding remains conditional on receipt of external assurance; we have requested that we can commence the pilot ahead of this being in place.
- **Capture issues** – this is a legacy system that pre-dates Horizon, it was not a networked system and was effectively a spreadsheet database that helped Postmasters reconcile their weekly returns. It was used during the 1990's.
- So far, we have had c15-20 people come forward and claim they were impacted with issues similar to Horizon whilst using this system, and some may even have been prosecuted.
- We have investigated the data we do hold but given the passage of time there are gaps in that information base and so it is hard to conclude.
- Ongoing investigations are taking place and we continue discussions with DBT on potential solutions or courses of action, it remains a live issue.

Remediation Unit (RU) Update

Financials

- The Full Year forecast is expected to be **IRRELEVANT** under Approved Funding with costs slipping onto FY24/25 (mostly PPR Database costs), the re-phasing of the Tax Top Up team into FY24/25 and continued vacancies in Operations. Central internal resourcing costs and OC costs associated with the Upfront Offer being the material overspends at the end of the year.
- Budget FY24/25 contains significant risks to the current 3YP indicating an increase of **IRRELEVANT** above Approved Funding.
- Increases are driven by the significant increase in HSS Late Applications (416 to 1,500), the Post-Conviction Disclosure Exercise, Restorative Justice and uplift in resources within the Operations team.
- Note: Forecast excludes risks relating to mass-exonerations in OC, changes to the HSS Appeals Process and further associated additional disclosure requirements – all to be quantified pending decisions.

	FY22/23	FY 23/24	FY 24/25	3YP
By Programme	Actual	Forecast	Forecast	Forecast
Horizon Shortfall Scheme	IRRELEVANT			
Overtured Convictions				
CCRC				
POL Process Review				
Central				
Operations				
Programme Total				
Tax Top Up				
Exit Costs				
Remediation Unit Total				



Appendix



POL Operational & Financial Performance Update

P11 Financial Performance - Executive Summary (1/3)

1 Total Revenue and Trading Profit

- P11 revenue of [IRRELEVANT] was [IRRELEVANT] budget, [IRRELEVANT] forecast, and [IRRELEVANT] growth on prior year. Mortgages, Savings, Loans revenue of [IRRELEVANT] outperformed budget by [IRRELEVANT] due to the Bank of Ireland incentive commission of [IRRELEVANT] (budget). The incentive commission is recognised in P11 when it becomes virtually certain following confirmation from Bank of Ireland. Banking services revenue was ahead of budget in the month [IRRELEVANT] led by a volume recovery in Deposits; on a YTD basis Deposit revenue has now caught up to be in line with Budget. Post Office Insurance revenue underperformed against both budget and forecast, with Travel and Protection insurance sales continuing to be adversely impacted by the negative press coverage.
- This has translated to a Trading Profit of [IRRELEVANT] in P11 and a YTD trading profit of £ [IRRELEVANT] budget and [IRRELEVANT] prior year). **This has surpassed the 9+3 Forecast Trading Profit (as presented to the Board on 1st March), however the full year outturn continues to be reviewed based on potential year end adjustments.**

2 Mails Revenue

- P11 Mails revenue of [IRRELEVANT] was in line with budget, but [IRRELEVANT] forecast, largely due to underperformance in 2nd class labels.
- YTD Mails revenue is c. [IRRELEVANT] of budget, however with the launch of Tracked and further expectation of RM price increases this is putting pressure on FY24/25 Mails projections although partially offset by growth in revenue streams with other carriers.
- Compared to prior year, total Mails revenue was up [IRRELEVANT] in period, largely due to the impact of RM cyber attack on International volumes in the same period last year (estimated to be [IRRELEVANT] in the month). When adjusting for this the YoY growth is [IRRELEVANT] with the decline in RM Labels, being offset by growth in Non-RM carriers.

3 Banking & ATMs Revenue

- Banking services revenue of [IRRELEVANT] of budget due to higher deposit volumes and [IRRELEVANT] ahead of forecast due to higher volumes and higher ATVs across both personal and business banking deposits. ATVs remain under budget due to deposit limit regulations. Total banking revenue continues to increase year on year with [IRRELEVANT] growth in P11 and [IRRELEVANT] growth YTD.
- The outperformance from P10 and P11 has offset previous revenue underperformance on deposits, which are now in line with budget YTD at [IRRELEVANT]. This strong performance on deposits has continued into the first week of P12.**
- ATMs revenue of [IRRELEVANT] both budget and forecast due to an ATM classification issue with Vocalink which has impacted the commission rate applied. This is expected to be resolved pre year-end, with the additional revenue missed from P11 to be recognised in P12.

4 Other Revenue

- Post Office Insurance revenue of [IRRELEVANT] underperformed against both budget [IRRELEVANT] and forecast [IRRELEVANT], with Travel and Protection insurance searches, online traffic and sales notably down considered to be adversely impacted by POL press coverage. **Travel Insurance sales have recovered slightly in P12, [IRRELEVANT] up on budget in the first week of the period, although slightly under forecast. Protection insurance remains more of a challenge with daily reviews of marketing and social media activity which has been significantly paired back since January.**
- Mortgages, Savings, Loans revenue of [IRRELEVANT] includes [IRRELEVANT] of Bank of Ireland incentive commission; This was [IRRELEVANT] than budget due to higher interest rates for longer than expected and better margins across the BOI products.
- Government Services Revenue of [IRRELEVANT] with UKVI revenue of [IRRELEVANT] under budget by [IRRELEVANT]; this is considered to be an impact of the changes to student visa requirements preventing students from bringing dependents to the UK. **The YTD upside on UKVI at P11 is now [IRRELEVANT] and almost all of this could be offset by the end of the year.**

P11 Financial Performance - Executive Summary (2/3)

5 Postmaster Remuneration (PM Rem)

- P11 Variable PM Rem of [IRRELEVANT] was [IRRELEVANT] than budget, from outperformance in high rem generating Mails and Banking products (Special Delivery and Deposits); and [IRRELEVANT] above forecast, largely driven by Banking and Lottery (with final transactions occurring in the first week of P11). YTD Variable PM rem of [IRRELEVANT] revenue, an increase from [IRRELEVANT] in prior year. This is driven by Banking (which has benefitted from two rate increases) and Mails, where the YoY revenue decline from Labels (lower rem generating) is offset by other (higher rem generating) products which have remained stable.
- YTD Fixed PM Rem of [IRRELEVANT] budget predominantly from lower exceptional payments. There continues to be a conscious shift away from loss making and poorly used branches, replacing outreaches with Drop & Collect and focusing fixed payments towards commercial branches. The Rem Strategy will continue to be assessed and reviewed through FY24/25 and beyond.

6 Staff costs and Headcount

- P11 Staff Costs of [IRRELEVANT] budget with [IRRELEVANT] due to delay in DMB Exits and [IRRELEVANT] from unbudgeted GLO resourcing costs which are expected to be settled by DBT in P12; this has been partially offset by updated bonus accruals and unutilised CIO salary increase provision. Against 9+3 forecast, staff costs were [IRRELEVANT] largely due to updated bonus accruals with further refinement and adjustments likely as we approach the year end. As at the end of P11, headcount is 62 FTE above budget – with 81 FTE over budget in Postmaster (due to delay in DMBs exit) offset by open vacancies in Supply Chain, CIO and People.
- YTD staff costs of [IRRELEVANT] budget, however, on adjusting for unbudgeted GLO resource [IRRELEVANT] Bank Hub recharges [IRRELEVANT] DMB budget assumptions [IRRELEVANT] and unutilised CIO salary increase provision [IRRELEVANT], on an underlying basis YTD staff costs are c. (£3m) under budget - driven by the vacancies that have been, and in some areas remain, unfilled across the business.

7 Non-staff cost

- P11 Non-Staff Costs of [IRRELEVANT] were [IRRELEVANT] budget, and [IRRELEVANT] lower than the 9+3 forecast. This is driven by c. [IRRELEVANT] of lottery provision releases, c. [IRRELEVANT] spend across commercial including reduced POI marketing from turning off social media channels and lower BOI Eagle fund spend (contracted and dependent on BOI confirmation, [IRRELEVANT] additional VAT recovery due to a higher recovery rate in Q3 and [IRRELEVANT] lower spend within CIO of which [IRRELEVANT] is considered to be genuine savings and [IRRELEVANT] related to timing differences.
- Whilst YTD Non-Staff costs of [IRRELEVANT] are now [IRRELEVANT] budget, based on the latest forecast, we expect c. [IRRELEVANT] than budgeted non-staff costs in P12. This would be prior to any potential year-end adjustments.

8 Performance against agreed cost savings

- Based on the original construct of the [IRRELEVANT] challenge, the latest 9+3 forecast suggests we could achieve [IRRELEVANT] with a gap of [IRRELEVANT].
- However, since the Remco have approved the fungibility principles of classifying 'genuine and intended' savings achieved elsewhere towards the [IRRELEVANT] challenge, the latest forecast suggests that the full [IRRELEVANT] will be met.
- We are focusing on refining the evidence of these cost savings being achieved as part of year end processes.

P11 Financial Performance - Executive Summary (3/3)

9

Open Branch network

- The network increased by 47 branches in February to finish at 11,783 branches. This increase was largely due to re-openings of Outreaches.
- A further 18 Drop & Collect branches were opened in the month, with 552 trading and 575 Drop & Collect branches live by the end of February. **Drop & Collect openings will continue to grow through to the end of March, and we plan to have over 600 locations as we start the new financial year.**
- **With the current forecast we are looking to maintain a stable network number through to the end of the financial year and into Q1 of FY24/25.**

10

Investment and Change Spend (excluding project Opex – to be included from P1 FY24/25)

- P11 Change Spend of **IRRELEVANT** than forecast, with underspends driven by **IRRELEVANT** in VAT refunds (not controllable), **IRRELEVANT** costs (timing differences) from disputed supplier invoices in ATM Banking Strategy, **IRRELEVANT** across SPM and various CIO projects; these underspends have been partially offset by **IRRELEVANT** of proceeds from sale of assets (expected in P12) and **IRRELEVANT** in Remediation Unit.
- YTD spend of **IRRELEVANT** budget with the full year forecast expected to remain below budget.
- **Based on the 11+1 Change forecast, the full year outturn for 'Other Change Spend' (net of sales proceeds) is reduced by **IRRELEVANT** from costs being rephased into FY24/25, removal of contingencies and savings/underspend in P11.**
- **The implications of this rephasing into FY24/25 is being assessed with regards to the FY24/25 Budget (proposed **IRRELEVANT**) and beyond.**

11

Security Headroom

- At the end of P11, Security Headroom of **IRRELEVANT** was **IRRELEVANT** than forecast resulting largely from assumptions around timing of cash receipt on BOI incentive commission **IRRELEVANT** and RU/Inquiry funding **IRRELEVANT**. BOI incentive cash is expected in P12, with RU/Inquiry funding timing assumptions to be refined with RU Finance team.
- **The Baseline Budget for FY24/25 assumes **IRRELEVANT** RMU/Inquiry contingency funding and **IRRELEVANT** Horizon replacement funding, resulting in a positive Security Headroom position throughout FY24/25. The lowest point would be **IRRELEVANT** in Dec-24 (noting a recommended buffer of **IRRELEVANT** maintained throughout the year).**
- The SH forecast assumes an unfunded variance of c. **IRRELEVANT** change spend on SPMP (over and above the **IRRELEVANT**) and c. **IRRELEVANT** of RU/Inquiry spend (over and above the **IRRELEVANT** contingency); these are subject to ongoing business case/ discussions and should this position change this would provide additional SH upside.

As reviewed and discussed with UKGI on 27.03

Profit Before Tax

	Period 11						YTD					
	Actual	Budget	9+3 Forecast	Variance to budget	Variance to 9+3	YoY	YoY %	Actual	Budget	Variance	YoY	YoY %
Mails - RM												
Mails - Non RM												
Retail/Lottery & Gift Cards												
Government Services												
Banking Services												
ATMs												
International Money Transfer												
Travel Money												
Payment Services & Payzone												
Voucher Encashment												
Mortgages, Savings & Loans												
Credit Cards												
PO Insurance												
Identity Services												
Supply Chain/Other												
Total Revenue												
Cost of Sales												
Postmaster Rem Variable Costs												
Postmaster Rem Fixed and Other Costs												
Merchant Commission												
FRES												
POCA Other Income												
Gross Margin												
Staff Costs												
Non Staff Costs												
Total Overheads												
Trading Profit/(Loss)												
Network Subsidy Payment												
EBITDA												
Depreciation												
Interest												
Exceptional Change Spend												
Remediation Settlement/Reimbursement												
Investment Funding												
Profit/(Loss) On Asset Sales												
Profit/(Loss) Before Tax												

IRRELEVANT



Strategic risks and mitigations Update

Post Office Limited - Document Classification: INTERNAL

Top Enterprise Risks – Quarterly Shareholder update

This report provides a high-level view of key risks which are currently being managed outside of agreed tolerance. Our current risk posture and the ability to remediate risks should be seen in the context of the current crisis. The Post Office vs Mr Bates and the Inquiry is having a material impact on the wellbeing of colleagues across the business. Management are working through options (i) crisis management provider (ii) review comms strategy (iii) additional support to certain individuals (iv) enhancing security arrangements and security around information etc

RAG key:
Red – Remediation plan off track.
Amber – Concerns that remediation plan may go off track.
Green – Remediation plan on track.

Enterprise Risks	Intermediate risks outside tolerance	Latest Position	Target to remediate
Cyber Security - We fail to prevent unauthorised and/or inappropriate access to Post Office systems, potentially exposing confidential data and a loss of service for Postmasters, Post Office employees and our customers.	IRRELEVANT	<ul style="list-style-type: none"> Target maturity has provisionally been set to IRRELEVANT. Initiated a Cyber programme which aims to achieve this new target by the end of 2026. Investment of IRRELEVANT agreed for 24/25 to commence the Security Maturity programme A new CISO started on 18 March and is assessing current position and will confirm target maturity and dates. 	December 2026
Technology - We fail to provide robust technology across our branches and administrative sites, potentially causing service disruption to our Postmasters, customers and Post Office employees and non-compliance with Legal obligations.		<ul style="list-style-type: none"> Formal discussions commenced with FJ on extension beyond March '25 for a period up to 5 years. Signing of the contract is planned for October 24. Current refresh programme will be substantially completed by March 2025. 	October 2024 March 2025
Legal - We fail to meet current, changing or new regulatory and legislative expectations, potentially leading to liability or other loss or failure to take appropriate measures to protect Postmasters, Post Office employees and our customers.		<ul style="list-style-type: none"> FOIA/DSAR requests continue to increase. Post Office is unable to comply requests within statutory timeframes. Funding required to increase resource. There is insufficient budget and resource within the legal & investigations team to support the business to manage legal risk and conduct investigations in a timely manner. Funding required to increase resource. Poor data management and governance creates significant challenges in complying with disclosure requirements. Improvements to organisational governance is required to ensure that organisational decisions are robust, ethical, documented and reported to appropriate executive and board forums. 	March 2025
People - We are unable to attract, retain, recognise and reward people commensurate with the workload, pressure and stress, across our workforce, which adversely impact Postmasters and Post Office employees.		<ul style="list-style-type: none"> FAQs relating to Mr Bates vs Post Office drama is accessible to colleagues. Ongoing support related to Inquiry matters, continual monitoring of issues raised by colleagues. Processes now in place to ensure we are compliant with IR35 requirements for new and extended contracts. Review to bring contractors within to IR35 and impact of this is being assessed. 	March 2025
Operational - We fail to ensure that our Postmasters have the service and support required to operate an effective service, potentially leading to a decrease in customer satisfaction.		<ul style="list-style-type: none"> Operational excellence programme in flight, focus on BAU improvement activity, note counter trial, auto stock rem pilot, risk is expected to IRRELEVANT Re-shape the network in line with our target blueprint to shift towards more sustainable branches, supported by the investment in the 'Network Strategy Acceleration' continuous improvement programme. 	March 2025
Financial - We fail to effectively manage the business finances in accordance with our requirements and financial constraints, potentially leading to a loss of investment from the shareholder, ability to operate a financially viable business and successfully deliver the annual priorities.		<ul style="list-style-type: none"> Risk has increased, HMRC correspondence in recent months states their position and they have issued a protective assessment letter, next steps are currently being worked through. 	TBC
Commercial - We fail to identify new commercial opportunities and to effectively manage commercial partnerships, supply chains, contractual requirements, changing consumer preferences and banking requirements, potentially leading to the withdrawal of products and services.		<ul style="list-style-type: none"> PO has launched a range of new Mails products over the past two years and continues to grow the number of new carriers we work with. However, the market remains extremely challenging with low margins. Due to funding constraints our ability to develop, market, and launch entirely new products is not a current priority with focus on PO core products to reducing costs/maintaining our market share. 	March 2025



HIJ – Further Detail

HIJ Finding Theme(s): Bugs Errors Defects & Robustness

HIJ Findings 1-3

Remediation Status: Activities Complete and sustained in BAU



1. Overview of Theme

Bugs, errors or defects had the potential to, and did cause apparent or alleged **discrepancies or shortfalls** relating to **Sub postmasters' branch accounts or transactions**.

Bugs, errors or defects therefore **undermined the reliability of Horizon to** accurately process and to record transactions.

The extent to which any IT system can **automatically** alert its users to bugs within the system itself is necessarily limited, and although Horizon has automated checks which would detect certain bugs, there are types of bugs which would not be detected by such checks. Indeed, the evidence showed that some bugs **lay undiscovered in the Horizon system for years**

HNG-X, the first iteration of Horizon Online, was slightly more robust than Legacy Horizon, but still had a significant number of bugs, errors and defects. **The experts are agreed that HNG-A is robust, and far better than it was in either its Legacy Horizon or HNG-X form.**

2. Key Activities/Deliverables

Established robust governance to proactively track and resolve Horizon Defects – led and owned by Post Office

Historical Defects
Closed backlog of historical defects KELs (Known Error Defects)



Defect Tracking
Defects logged and tracked in Service Now until resolution



Defect Review Forum
Bi-weekly session run by POL with Suppliers and stakeholders to monitor defects status



Defect Criticality
POL stakeholders assess defect impact to prioritise urgency for resolution



Defect Comms
Issue Branch Hub & Knowledge Article within 2 day SLA once defect raised



Embedded robust and formal identification & categorisation of Horizon defects – led and owned by Post Office

Defect Definitions
Consistently identify system defects by severity and business impact



Defect Triage
Bi-weekly meeting led by POL with Fujitsu to discuss all system defects by severity



Defect Thresholds
Common set of limits on accepted defect volumes at each stage of testing process



Defect Tooling
Jira software tool used across POL to capture defects during testing



Horizon Monitoring Solution gives independent view of Horizon health

AppDynamics
Completed pilot on 107 counters and 20 Horizon servers



AppDynamics
Rolled out solution to 4836 counters following pilot



Improved Solution Governance & change management reduce the risk of new BEDS

Horizon Solution Authority
Agrees Horizon change with focus on Postmaster impact



Reference Data Management
Enhanced processes & controls for managing reference data



3. Remaining Deliverables

Ongoing/continuous improvement based on reporting & controls attestation

HIJ Finding Theme(s): Management of Core Horizon Data (Inch Reference and Third-Party)

HIJ Findings 4-6

Remediation Status: In Progress



1. Overview of Theme

There is a material risk for errors in data recorded within Horizon to arise in **(a)** data entry **(b)** transfer or processing of data in Horizon in both the Legacy Horizon and HNG-X forms. Reference data is critical to the operation of Horizon and that errors in reference data have led to discrepancies in branch accounts. If data in Horizon was wrong (due to bugs, errors or defects within Horizon) and did not reconcile to third party data, manual corrective fixes and issue of manual TCs would be undertaken.

The measures and/or controls that existed in Legacy Horizon and HNG-X did not prevent, detect, identify, report or reduce to an extremely low level any of the following risks

- a) data entry errors
- b) data packet or system level errors (including data processing, effecting, and recording the same)
- c) failure to detect, correct and remedy software coding errors or bugs
- d) errors in the transmission, replication and storage of transaction record data; and
- e) the data stored in the central data centre not being an accurate record of transactions entered on branch terminals?

2. Key Activities/Deliverables

Horizon Solution Review
Engaged Postmasters to produce definitive list of Horizon issues with **147 User & Data Journeys developed and 39 system improvements**



Horizon Improvements
Implemented Horizon improvements across Lottery, Drop & Go, E-Top Up and Fast Cash, helping reduce discrepancies, and mitigate risk of Postmaster detriment.



Horizon Recovery Scripts
Implemented improvements to 64 Recovery Scripts helping ensure discrepancies do not occur in branches when transactions fail to complete successfully on the counter



Horizon UX / UI
Streamlined look and feel of counter screens by removing 21 redundant product buttons making it simpler for Postmasters to navigate Horizon.



Enhanced Testing & Release Management
Improved governance and rigour in how we carry out Horizon testing. More regular releases and detailed regression testing introduced



Securing Banking Data
Implementation of a PCI compliant Payment & Banking solution to better manage banking transaction data



Application Modernisation
Migration of 300 file transfer routes to modern secure solution. Replacement of the voucher authorisation platform with modern solution within POL domain



Reference Data Management
Enhanced processes & controls for managing reference data



Transaction Correction Management
Improved analysis of all transactions for risk of discrepancies



AppDynamics
Rolled out solution to 4836 counters following pilot of 107 counters & 20 servers



3. Remaining Deliverables

- By February 2025 we will have designed, tested and implemented a new Audit solution for Horizon enabling greater transparency on the transmission etc of transaction records
- We will also have also completed the migration of over a 1000 file transfers to the new routing service

HIJ Finding Theme(s): Management of Privileged and Remote Access to Branch Accounts

HIJ Findings 7, 10, 11, 12, 13

Remediation Status: Activities complete and sustained in BAU



1. Overview of Theme

Fujitsu had the ability to **insert, inject, edit or delete transaction data or data in branch accounts, implement fixes in Horizon to affect transaction data or data in branch accounts, or rebuild branch transaction data without the knowledge or consent of SPMs.**

POL could only inject transaction data etc. utilising its Global User role, which permitted the injection of transactions without the knowledge or consent of SPM, but only if the said Global User was present in the branch.

The Balancing Transaction Tool Fujitsu specifically to insert a transaction into branch accounts. Permission controls upon the use of the remote access facility were considered inadequate. Whilst existing, the roles very wide and not controlled, included but not limited to the lack of any proper logs.

Whilst some Privileged User Logs exist, the content of the logs was considered inadequate (i.e. recording when a user logged on and off but not what they were actually doing.)

Post Office and Fujitsu were unable to provide a clear and precise answer to what is, in essence, a very simple question – How often was the remote and privileged access facility utilised by POL and Fujitsu?

2. Key Activities/Deliverables

Security Reporting

More robust and frequent Horizon Data Centre Security Reporting e.g. Privileged Accounts, Remote Access, Appsup, Failed logins, Break glass



Global, SMART ID, PAM Account Reviews

- Reviewed 250 Horizon Global ID back office and 90,000 SMART ID accounts
- Reduced Privileged Access accounts on counter



Cloud Security

Embedded robust 'JML' and User Recertification processes for Horizon applications in POL Cloud which Fujitsu support



External Benchmarking

- Performed Penetration Testing on Model Office and Data Centre
- Conducted annual independent Horizon Security Audit



AppSup/Break Glass Process

Process revised with greater emphasis on PM communication and rigour around audit



Service Now

Over 200 IT Controls consolidated and moved into ServiceNow



Controls Training

POL IT Control Owners trained on their role and how to use ServiceNow



Controls Adoption Surveys

POL IT Control Owners Adoption Survey on new process and training – positive feedback received



Independent Audit

To validate the effectiveness of the remediation approach



3. Remaining Deliverables

- Ongoing/continuous improvement based on reporting & controls attestation

HIJ Finding Theme(s): Management of Discrepancies & Shortfalls**HIJ Findings 9,14, 15****Remediation Status:** In Progress

1. Overview of Theme

SPMs had limited access to reports and data, as well as a limited knowledge regarding POL's complex back-end systems. Therefore, SPMs ability to investigate apparent/ alleged branch shortfalls/ discrepancies was equally limited.

SPMs did not have access to many reports relating to different aspects of running a branch (such as currency exchange, stock etc.). There was also availability restrictions on transaction logs (some only available for 6 weeks). SPMs could print these out on paper till rolls, but these were not user friendly.

Ultimately, SPMs required the cooperation of POL to help investigate discrepancies, a term that was also an important implied terms identified from the Common Issues Judgment. SPM cannot dispute a discrepancy, or any figure on Horizon, or record on Horizon that they have raised a dispute.

There have been over 100,000 TCs issued each year since 2006 to counter errors due to bugs etc. POL does not have comprehensive records of how many TCs that have been challenged by SPMs have been upheld.

Transaction Acknowledgments ("Tas") are also used to make corrections to branch accounts – Tas are now automated following the "Ping" fix – a SPM has no options whether to accept Tas, they have to be accepted in branch.

2. Key Activities/Deliverables

Review & Dispute Buttons

Introduced to allow PM to create a dispute and have a discrepancy investigated



Discrepancy Management

Improved how discrepancies are handled and investigated including upskilling Investigation Support Teams and refreshing our case management processes

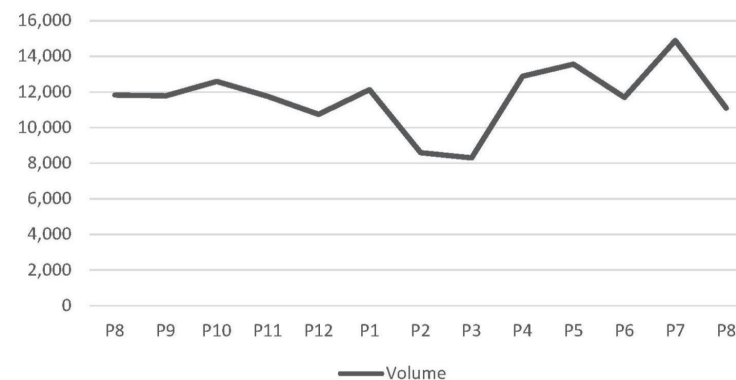


TC Volumes

Actively managed, trend analysis completed, currently showing a 26% decreasing the volume of TCs disputed



TC Volume



3. Remaining Deliverables

- The branch accounting improvements proposed as part of HSI will allow greater visibility of individual discrepancies to Post Masters, these will be looked

HIJ Finding Theme(s): Reliance on Fujitsu to Identify Defects and Causes of Shortfalls in Branch Accounts

HIJ Findings 8

Remediation Status: In Progress



1. Overview of Theme

POL had access to data and systems that were not available to SPMs via a range of Horizon reports and POL's own management information systems. POL could also use standard database reporting tools to retrieve/ analyse information about branch transactions and request audit data from Fujitsu.

The only source of actual key stroke information (what buttons had been pressed in branch) was found within the Fujitsu audit data – Credence does not provide this.

Whilst POL did have access to “the causes of alleged shortfalls in branches, including whether caused by bugs etc” such information had to be obtained through Fujitsu – POL was “plainly reliant upon Fujitsu for diagnosis of whether the occurrence of shortfalls was caused by bugs/ errors or defects within Horizon”.

2. Key Activities/Deliverables

Defect Tracking

Defects logged and tracked in Service Now until resolution



Defect Review Forum

Bi-weekly session run by POL with Suppliers and stakeholders to monitor defects status



Defect Criticality

POL stakeholders assess defect impact to prioritise urgency for resolution



Defect Comms

Issue Branch Hub & Knowledge Article within 2 day SLA once defect raised



Enhanced Testing & Release Management

Improved governance and rigour in how we carry out Horizon testing. More regular releases and detailed regression testing introduced



AppDynamics

Rolled out solution to 4836 counters following pilot of 107 counters & 20 servers



3. Remaining Deliverables

- We need to build on the POC for the capture of counter activity logs in order to make this data more readily available, this activity is now being delivered within the current project to replace the Horizon Audit SAN

Monitoring Remediation Technology Subcommittee – Monthly reporting

Monthly reporting is now in place that highlights measures including

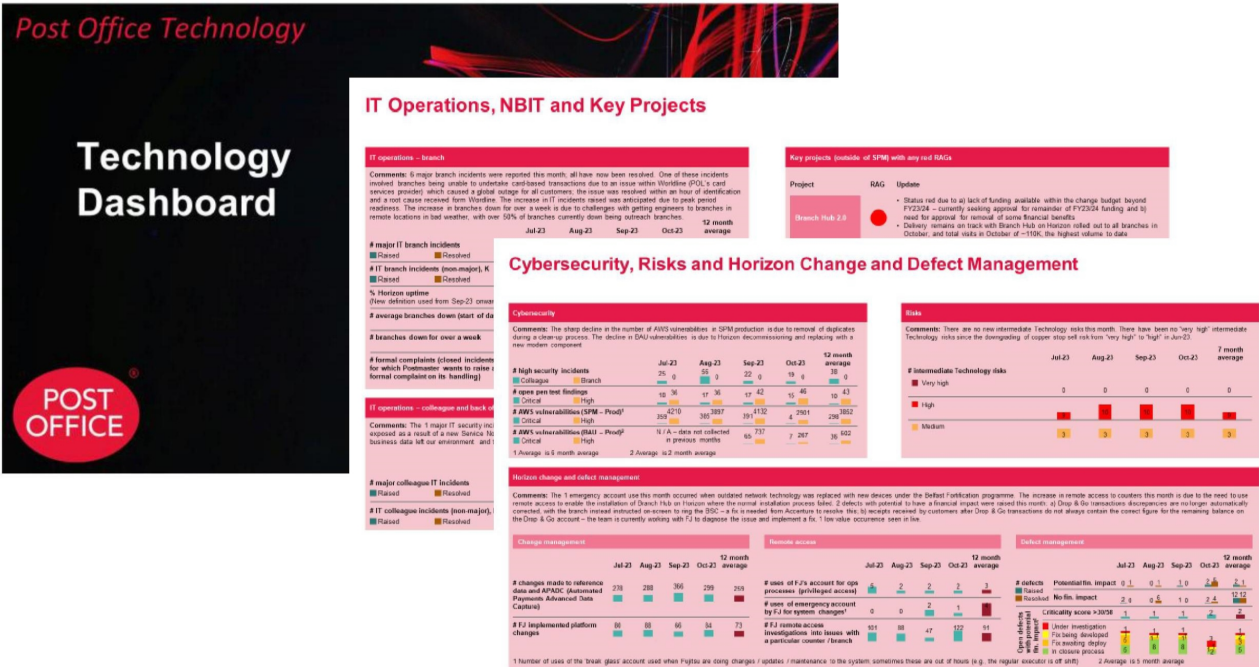
Branch impacting defects/problems

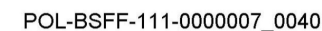
Horizon stability

Volumes of changes applied to Horizon

Use of privileged or remote access

These are reviewed at IT Leadership, GE and reported to Board

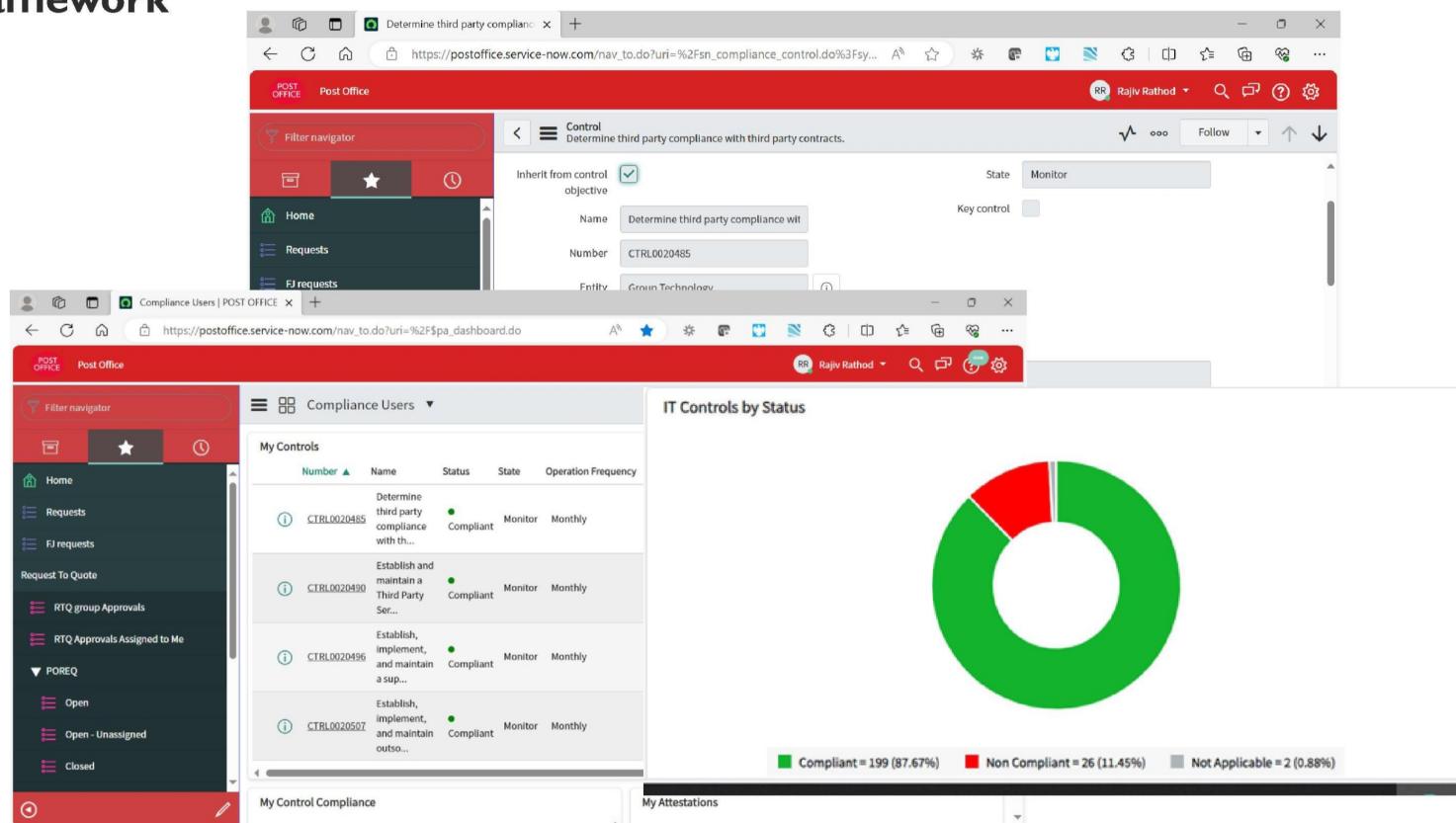




Monitoring Remediation IT Controls Framework

We have refreshed the overall IT controls framework. This has resulted in over 227 new controls being implemented

These go through cycles of attestation and review to ensure compliance/flag issues where additional work is required.





CIJ – Further Detail



CIJ Finding Theme(s): CIJ 1 and 2 – Postmaster Onboarding and Training

1. Overview of Theme

Post Office failed to give postmasters the opportunity to fully understand the contract.

1. POL failed to show Postmasters the full terms of the Postmaster contracts prior to contracting / signing.
2. POL failed to provide clear, easy to understand and uniform Contract documentation to Postmasters
3. POL failed to make Postmasters aware of potentially onerous or unusual terms prior to contracting

Post Office was criticised for its training of postmasters, specifically in the following areas.

1. POL failed to provide adequate training, especially when new working practices were introduced
2. POL didn't provide additional training when requested
3. POL didn't deliver a uniform approach
4. POL didn't provide adequate training on dealing with discrepancies
5. POL didn't assess postmaster competency after training

2. Key Activities/Deliverables

The postmaster contract is simpler, all documentation has been reviewed and contract terms restated to postmasters

Conditional Agreement shared
10 weeks prior to transfer. Legal advice recommended



Clearer documentation
Simpler, bite-size documentation is shared electronically during the Onboarding journey



Review of Operations Manual
Easy to understand information on the day to day running of a Post Office branch



Simpler journey
Guided by a Support Advisor, the process has been simplified, and includes a 'guide to completion'



Contract Restatement
Terms added, modified or removed in 2020, with communications to postmasters



The postmaster learning journey has been overhauled, providing postmasters with much improved support when they first join PO and on an ongoing basis

Blended learning approach
Providing postmasters and their teams with a range of options to suit their needs



Learning management system
A digital platform with learning collateral for branch teams to access



Classroom Training extended
3 to 4 days of classroom training is now a pre-requisite for any new postmaster



New Training Policy
Clearly sets out our processes and procedures for training to ensure uniformity of approach



Operational Training Guide
Setting out step by step processes for all front and back office tasks



New refresher training courses
Anyone can attend refresher classroom sessions on front and back office processes



Investigating Discrepancy courses
Classroom and learning material on how to investigate the cause of a loss and seek support



Business Support Managers
20 managers support branches in their first 6 months, and address and residual training needs



Postmaster Competency
Now assessed at every stage of the learner journey and interventions undertaken if needed



Postmaster Satisfaction
Measures at every stage of the process to identify areas for improvement





CIJ Finding Theme(s): CIJ 3 – Branch Assurance

1. Overview of Themes

POL's ways of working in relation to audit (now renamed Branch Assurance) were criticised for not being supportive, not engaging with postmasters and not operating in good faith and transparency.

1.POL failed to fully engage with postmasters during the assurance process.

2.POL structure included a multi-skilled team of trainers and auditors.

3.POL failed to refrain from exercising "any discretion arbitrarily, capriciously or unreasonably"

4.POL failed to "exercise any discretion in accordance with the obligations of good faith, fair dealing, transparency, co-operation and trust and confidence"; and

5.POL failed to take reasonable care in performing its functions and/or exercising its functions within the relationship".

2. Key Activities/Deliverables

Engagement with postmasters before and during a Branch Assurance visit

Postmaster feedback

For continuous improvement and to establish that process has been followed



Rational Document introduced

Outlining the reason for the visit, this is shared with the postmaster



Scripts introduced
to give a consistent approach, explains the outcome addresses questions and allows issues to be raised



All visits pre-arranged
No unannounced visits, allowing the postmaster to be present



Postmaster verifies cash and stock.

Supports full transparency and postmaster involvement



Structure changes and improvements in training and Quality Assurance

At least 2 advisors at each visit

Allows one advisor to lead the visit and be responsible for engagement



Removed dual role

Introduction of a dedicated Branch Assurance team, with Team Leaders and admin support



Training

Mindset training was delivered to the Team in 2020. Induction and training plans are in place.



Quality Assurance introduced

Consistent deployment of QA including documentation and spot checks



Improved Ways of Working

Policy introduced

Sets the minimum operating standards relating to network monitoring and branch assurance



Documentation and processes reviewed

For consistency, clarity and with focus on postmaster engagement



Supportive visits

Aimed to support Postmasters with issues identified by the Network Monitoring Analysis team



Case management introduced

Microsoft Dynamics records all branch assurance activity





CIJ Finding Theme(s): CIJ 4, 5, 6 – Shortfalls, Loss Recovery and Transaction Disputes

1. Overview of Themes

POL was heavily criticised in its lack of support of postmasters facing discrepancies, lack of dispute options and oppressive loss recovery practices.

1. POL failed to support postmasters to investigate discrepancies, or to investigate themselves to understand the causes

2. POL failed to be transparent about the causes and extent, of shortfalls

3. POL needs to make decisions based on fact and not exercise discretion arbitrarily, capriciously or unreasonably"

4. POL must take reasonable care in performing its functions, particularly those which could affect the accounts

5. POL failed to allow the dispute of any shortfall or TC from the Horizon system, forcing postmasters to 'accept' the discrepancy

6. POL made assumptions that a shortfall was the fault of the postmaster

7. POL attempted to recover losses without agreement or investigating

8. POL deducted from remuneration without considering financial impact

2. Key Activities/Deliverables

A new operating model was created to support postmasters with their investigation of shortfalls, or for Post Office to investigate for them

Dedicated teams
supporting with transaction corrections and shortfalls, to support the postmaster to find the reason



Case management and QA introduced
Microsoft Dynamics records all shortfall cases, and these are reviewed



Postmaster training and education
Collateral and training produced for supporting postmasters to investigate their own shortfalls



Standard checks
are carried out to ensure Horizon did not cause the discrepancy, and that PO carried out its obligations



Findings shared
A report is created to share with the postmaster, explaining the rationale for the resolution of the case.



Loss recovery practices were reviewed, resulting in the cessation of civil recovery and forced deduction from remuneration

Improved processes
Focus on support for the postmaster, and finding the reason for a shortfall, including pro-active support calls



Old recovery practices ceased*
Payments no longer deducted from remuneration, unless requested. There is no civil recovery.



Policy introduced
Sets the minimum operating standards relating to postmaster account support



Training for a new mindset
A suite of training on culture and practices has been delivered



Revised documentation
Discrepancy letters revised into a supportive tone, not demanding payment.



Physical mechanisms were introduced to allow postmasters to dispute shortfalls, supported by improved processes.

Launch of the Review or Dispute button on Horizon
Including the removal of a £150 minimum limit on disputed items



Documentation reviewed and scripts created
Documentation and scripts focus on the dispute options for postmasters



Dispute Resolution Committee
Was created to review the facts of complex cases and review any disputed findings



Communication to postmasters
Focusing on how to dispute a shortfall or transaction correction



Branch Impacting Problems (BIPs)
To ensure transparency, branch impacting problems are published on Branch Hub



***Established Loss Recovery**

Planning in place to develop and implement a recovery process, via deduction from remuneration, shortages that:

- have been investigated and found to be postmaster error, and
- have been agreed with the postmaster, but remain unpaid

Future plans to address:

- Failed promises to pay
- Independent review process where Postmaster doesn't agree with a review outcome
- Leavers process



CIJ Finding Theme(s): CIJ 7 & 8– Suspensions and Terminations

1. Overview of Themes

POL Failed to support postmasters throughout the suspension and termination process and asserted too much control:

1. Suspended postmasters were excluded from their premises and were denied access to information
2. PMs were not paid remuneration during the period of suspension
3. POL failed to consider 'appropriate period of notice' and failed to 'consider relevant factors relating to individual circumstances'
4. CIJ criticised POLs right to 'terminate with immediate effect' as provision in Contract allowed POL to treat minor breaches as though they were repudiatory breaches
5. Ways of working – POL must exercise its discretion in good faith and must not suspend or terminate a PMs contract
 - a. "arbitrarily, irrationally or capriciously";
 - b. without "reasonable and proper cause"; and/or
 - c. in circumstances where POL was in material breach of duty in respect of matters which POL considered provided the right to suspend.

2. Key Activities/Deliverables

Improved governance across decision making

New policies for suspension and termination decisions

Clearly sets out procedures to follow and decision making framework

**Suspension Decision Governance Committee**

Provides ongoing oversight on all decisions to suspend

**Legal Assurance**

All decisions to terminate assured by POL Legal, providing confirmation that the grounds have been met and the matter dealt with in good faith

**Contract Termination Decision Committee**

Decision making committee for all decisions to terminate, includes SEG and Postmaster representation

**Decision Review Panel**

A route for a postmaster to challenge a decision to terminate, includes Postmaster representation



End to end process and procedure improvements, supporting the postmaster journey

Remuneration paid during suspension

Monthly payment is based on average fees over the previous six-month period.

**Suspended postmasters are not excluded from premises**

Can access premises, but not the secure area.

**Information pack introduced**

Postmasters are provided with all information in connection with the suspension

**Improved documentation**

Tone and consistency of application updated. Postmasters signposted to wellbeing support.

**Contract Management Team restructure**

Aiding consistency of decision making



Suspension is only considered where absolutely necessary





CIJ Finding Theme(s): CIJ 9 – Culture and Governance (Postmaster)

1. Overview of Themes

Post Office culture was one of secrecy and Post Office was oppressive in the way it dealt with postmasters.

1.POL had a “Culture of secrecy and excessive confidentiality generally ... but particularly focussed on Horizon” and “the subject matter of the litigation”

2.POL’s approach to asserting/enforcing its legal rights against certain Operators as “oppressive” and found that POL “impose[d] [the] draconian effect [of the Contracts] upon [Operators] and behave[d] with impunity and oppressively”

3.CIJ criticised POL’s relationship with the National Federation of Subpostmaster (NFSP). The CIJ found that the NFSP was “not an organisation independent of the Post Office” and “the Post Office effectively controls the NFSP

2. Key Activities/Deliverables

Engaging with Postmasters is business as usual now and they are much more involved in decision making

Two Postmaster NEDs

Joined in 2021, bringing the postmaster voice into the business at Board level



New Postmaster Director

Introduced in 2021, a serving postmaster embedded into the Retail team to drive improvements



Other engagement methods introduced

Adopt an Area, regional forums and a monthly change forum



Listening groups

Now take place regularly and face to face, a chance for Pms to speak to leaders and network



NFSP relationship Revised Agreement in place to give more independence with new ways of working established



Support provided to postmasters more generally has improved, supporting them to their businesses

Increase in Area Managers

Every Post Office now has a dedicated Area Manager to support them



Branch Insight Tool

Introduced to provide data to PMs and help them understand their operational performance



Operational Excellence initiatives

Provision of note counters, incentives to perform key daily and monthly tasks



Improved remuneration

Higher proportion of income passed on to PMs, significant remuneration increases.



And there are two way communications channels in place now for us to update, listen and respond

Regular updates on known errors

Working groups to address known errors and monthly communications to PMs



Improved communications

Via weekly emails and operational updates, development of Branch Hub



Postmaster Complaints

New complaints policy introduced and communicated to PMs – SLAs in place to respond effectively

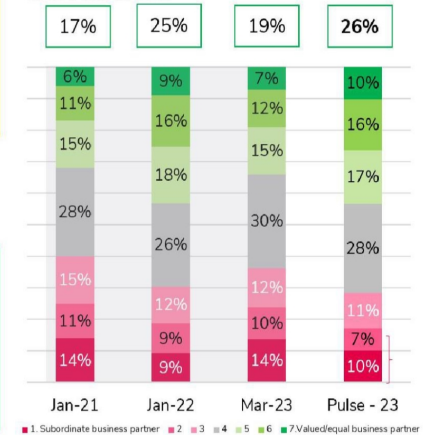


Postmaster Research Survey

Annual survey and pulse survey to measure overall sentiment



How would you describe the relationship you have with Post Office?



Monitoring Performance Across the Postmaster Lifecycle:

KPIs across each stage of the postmaster lifecycle are measured and reported on a monthly basis, from onboarding, through to contract terminations.

The Retail Committee and SEG review the dashboard on a monthly basis, with Board review every quarter.

Each metric is assigned a RAG status and corresponding actions and accountable owners to address any gaps

Retail Performance Dashboard Summary Period 11

The dashboard has been developed to provide a summary of key metrics with comparisons:

The current month's performance
The average year to date figure (adjusted for 5-week periods where applicable)
The performance seen in the same month last year

The RAG status is based on parameters agreed with each business area, based on currently used targets/Service Levels or the average previous year to date metrics. Some areas have no RAG as they are not targeted areas, so appear in grey for noting only.

Area	Metric	P11 Performance	YTD average (adjusted for 5-week periods if applicable)	Compared to P11 last year
Onboarding and Training	Onboarding satisfaction	83%	83%	82%
	Onboarding duration	125 days	125 days	150 days
	Confidence after e-learning	93.1%	95%	92%
	Confidence after classroom training	100%	97%	99%
	Branches engaging with training in the previous 12 months	4001	2549	N/A
	% capacity filled in refresher training sessions	47.4%	47.4%	57%
Postmaster Complaints	Number of complaints received	303	322*	240
	% resolved within 10 days - 92%	90%	90%	92%
	Volume of outboard cash discrepancies	4295	4118*	35
Cash Management	Volume of inward surpluses	3268	3642*	3825
	Volume of inward shortages	647	991*	1045
	Volume of inward counterfeit notes			

Discrepancies and Postmaster Accounts

