



POST OFFICE LIMITED STRATEGIC EXECUTIVE GROUP REPORT

Title:	Grant Thornton Operational Governance Recommendations	Meeting Date:	3 July 2024
Author:	Chrysanthy Pispinis, Chief of Staff Mark Underwood, LCG Operations Director	Sponsor:	Nick Read, CEO

Input Sought: Discussion

SEG is asked to **Note** the contents of the Operational Governance Recommendations made by Grant Thornton (GT) and plans for how these will be taken forward within the business. SEG is asked to note the capacity constraints to deliver the actions, and to provide any steers on the prioritisation of actions.

Executive Summary

1. GT finalised its report, which assesses the effectiveness of Post Office's (POL's) Enterprise and Operational Governance structures and processes, for the attention of POL Board on 25 June 2024.
2. The report contains a number of strategic recommendations designed to enable POL to continue its journey towards creating value rather than merely preserving it. Some recommendations are within POL's control, while others are subject to Shareholder approval / buy-in. Which of these recommendations can / should be taken forward now, at a more appropriate time in the future, or are disagreed with, will be discussed at the July Board. In summary, they relate to:
 - Resetting the relationship with the Shareholder regarding roles, responsibilities and authority, in order to provide greater clarity on accountability and improve the pace of decision-making.
 - Producing a long-term vision and strategy for POL which goes beyond the funding period, is understood and supported by all stakeholders, and has unifying financial and non-financial metrics which define the ambition and allow its realisation to be tracked.
 - With this strategy settled (which would include a long-term ownership model ambition), that POL explores with its Shareholder the optimal corporate governance structure to enable effective strategic execution.
3. GT believes that addressing the lack of clear vision on the purpose of POL, objectives and relationship with the Shareholder, and its influence over the day to day running of the business, are the most fundamental issues which influence the effectiveness of governance, clarity on roles and responsibilities and pace of decision-making within POL.
4. The report also includes a series of more tactical recommendations which sit below Board to take forward. Some are dependant upon the Strategic Review conclusions but others do not have dependencies and can be taken forward now.
5. Appendix 1 includes a table which sets out GT's Operational Governance recommendations along with management's initial view of where ownership sits, and what a reasonable timeframe is for these actions to be discharged. Please note that, at this stage, these actions have not been socialised with the proposed owners, not least as the GT report has only just been finalised and its distribution has been very limited; [owners are being engaged in parallel to help fine tune and finalise].
6. Broadly speaking, this set of recommendations relate to:



Streamlining the number of Executive level committees, with decisions being taken at the right level without defaulting to the Executive.

Clearer accountabilities and performance management.

The creation and embedding of new culture, leadership & behaviour frameworks.

Rebuilding trust and confidence in leadership.

Establishing a consistent and effective approach to risk management and internal audit.

7. Meetings will be scheduled with each proposed 'Action Owner' to ratify ownership and understand the extent to which there are any gaps between already planned work and GT's Operational Governance recommendations. The action owners might also have better views on how the recommendations could be discharged.
8. On the whole, management is accepting the majority of GT's recommendations, and many are already in train / had been identified as requiring attention.
9. NB: the table in Appendix 1 sets out all the recommendations from GT; many of them overlap. We have included them all for completeness and so that the read-across on actions is clear, but they are not all discrete recommendations and a simpler, de-duplicated action table will be put forward for tracking purposes.

Appendix 1

	Category	GT Recommendation	POL Management Comment	Timeframe ¹	Owner
1	Division of Responsibilities	Streamline the executive level committees: a) Review DoA, MI, papers and Committee structures. Remove duplication of papers across decision making groups. b) Identify subsequent leadership capability and capacity; c) Consider re-orientating some current forums (e.g. H&S Committee and Pensions Plan Governance Group); d) Further reduce the number of CEO direct reports, with a presentation to Board. e) Simplify decision-making structures (to improve approvals, speed-up decision-making, reduce siloed working, and free up capability that is currently taken up by producing multiple papers). f) Review and communicate decision-making protocols and accountabilities.	Agreed . This is an ongoing piece of work over the next 6- 12 months. It was originally envisaged the Chief of Staff would lead this piece of work but does not currently have capacity to do so owing to being asked to provide oversight for business readiness of Phase 7 of the Inquiry. It will not therefore be prioritised until Phase 7 of the Inquiry has completed, which also allows time for the new structures and leadership roles announced to 'bed in'. Any business priorities that come out of the Strategic Review (SR) are also likely to inform the evolution in this area The extent to which these changes are made will depend on the resource allocated to support the CoS (whether budget, CoSec or other support). 1c) H&S and Pensions removed as subcoms, as has been ID G 2.0; ongoing action as business priorities evolve. 1d) POL will not be taking forward further reductions at this stage. Interim COO appointed from 1 st July; Interim CFO effective 1 st Aug	From October 2024 to March 2025 (and ongoing thereafter – Inquiry might also make recommendations in this space)	Chief of Staff
2	Division of Responsibilities	Embed new Leadership Team with performance based job descriptions.	In Progress . To be taken forward as part of the 'Reward and Role Review, scheduled to take place by end September 2024	End September 2024	CPO & People Director - Services
3	Division of Responsibilities	Implement clear RACI system and focus on performance management	In progress . At NomCo on 12 th June 2024, KM advised ... and that she was working on an organisational chart and RACI." RACI [or equivalent] to build on accountabilities and to be determined Performance management – TBD by People Team	End December 2024	CPO and Talent & Capability Director
4	Division of Responsibilities	Review DoA spend approvals to drive relevant decisions being taken at the appropriate levels, thereby managing and reducing the frequency of simple matters being escalated to Board. Increase delegation thresholds to enable more decision making at lower levels and more formalization of the decision making processes.	Agreed . Sits within Action 1, though requires Board and potentially Shareholder / UKGI approvals	From October 2024 to March 2025	Chief of Staff & CoSec (as requires approvals beyond exec)
5	Division of Responsibilities	Design ToR and DoA for committees reporting into SEG, with single points of accountability.	Agreed . Sits within Action 1	From October 2024 to March 2025	Chief of Staff

¹ Years refer to financial year, ending March.



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6	Division of Responsibilities	Secretariat to provide interim reviews of the revised structures or consider internal audit reviews to identify root causes of delay with Sub Committees as they develop.	Agreed. Dependency is discharging Action 1	From October 2024	Deputy Company Secretary
7	Strategic Focus	Agree strategic design principle with the Board and establish a cadence for progress updates –	Agreed. Dependency is outcome of the Strategic Review. Once a strategy is signed off, key outcomes, KPIs / balance scorecard can be determined and periodically reported on	H2 2024	Interim CFO and Strategy & Transformation Director
8	Strategic Focus	Agree cultural / leadership principles, hold each other to account and role model them.	Agreed. Forms part of refreshed behaviours, soft launched in Q1, and to be rolled out from July 2024. CPO to confirm how progress against them will be measured.	H2 2024 (progress reporting might be further out)	CPO
9	Strategic Focus	Ensure strategic design is supported by a culture framework with performance management as a key pillar.	In progress. CPO to confirm culture framework and performance management form part of the People Plan along with timeframes	H1 2024	CPO
10	Strategic Focus	Consider a refresh of values and aligning with the culture framework and Project Ethos work.	In progress Already in train, and links to #8 above	H2 2024	CPO
11	Strategic Focus	Develop and implement a culture dashboard which is reported to SEG and Board regularly.	In progress. Draft dashboard is being presented to SEG and Board in July 2024. This will continue to iterate	July 2024	People Director - Services
12	Strategic Focus	Create a high level communication plan with key milestones. Consider 3 themes around: Reset (governance and leadership) Renew (strategic framework) Reboot (culture and behaviours) Highlight expectations and metrics under each.	Agreed. Should be done as part of communicating the findings from the Strategic Review	H2 2024	Interim Corporate Affairs Director
13	Strategic Focus	Prioritise fully developed idea for submission to DBT/the shareholder with a timeline, during annual strategy days.	Agreed. Outcome of the Strategic Review is required first.	H2 2024	Strategy & Transformation Director
14	Strategic Focus	There is a need for better prioritisation of forums, work and projects based upon strategic importance and risk.	Agreed. Forms part of action 1 and requires the outcome from the Strategic Review first.	From October 2024	Chief of Staff
15	Leadership Capacity & Succession Planning	Urgently address Executive succession planning, including ED&I principles, with input from NomCo and SEG.	In progress Interim COO appointed. Interim CFO and Interim GC (Inquiry) appointed, starting July 2024.	Complete in terms of Deputy CEO departure; ongoing review required	NomCo
16	Leadership Capacity & Succession Planning	Consider potential strategic skill gaps (e.g. transformation management) and succession, potentially introducing a COO role. Deputy CEO departure to be urgently addressed; Consider COO recruitment focus	Agreed. We consider this action should be focused on strategic skills gap review, to be led by CPO. Interim COO has already been introduced. Post St, more permanent roles might become more apparent	End March 2025 and ongoing	CPO



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17	Leadership Capacity & Succession Planning	Seek clarity from the shareholder on the CFO role and its impact on board resolutions and interim candidates.	In progress. Interim CFO joins POL on 1 August 2024. Role as Board Director TBC	1 July 2024	CEO
18	Leadership Capacity & Succession Planning	Develop a skills matrix for the LT and job descriptions with performance metrics aligned to the DoA and governance structure review being undertaken below SEG.	Agreed. Extension of Action 3	TBC pending Action 3	TBC pending Action 3
19	Leadership Capacity & Succession Planning	<p>Implement wider SEG and leadership training / communication plan regarding this refresh covering purpose, meeting discipline, MI formats and accountability.</p> <p>SEG to communicate its collective purpose and individual roles in addition to working more effectively as a cohesive leadership unit. Focus on building a culture of trust, transparency and open communication, whilst ensuring that leadership is aligned with the organisation's goals and values.</p> <p>Rebuild trust and confidence in the SEG – leadership cohesion / line of one; Group agenda; decision-making; open communication; collaboration and shared learning; and showcasing the new Behaviours</p>	<p>Agreed. Forms part of Actions 1 & 12, post completion of the Strategic Review</p> <p>Metrics of success TBC</p> <p>Metrics of success TBC</p>	<p>From October 2024</p> <p>Now and ongoing</p> <p>Now and ongoing</p>	<p>Chief of Staff, Talent & Capability Director, & Interim Corporate Affairs Director SEG</p>
20	Leadership Capacity & Succession Planning	<p>Review the recruitment process, addressing concerns and enhancing consistency around ED&I.</p> <p>Ensure there is a structured approach to promotions and that skills or competency frameworks are used with levels set for each cadre, set requirements for interview panels and mandatory ED&I training.</p>	In progress. Forms part of the People Plan and EDI strategy	H2 2024	CPO
21	Leadership Capacity & Succession Planning	<p>Establish clear policies and processes for people management, including job description accountabilities and performance management procedures.</p> <p>Address culture of reluctance to make decisions due to fear of scrutiny / getting it wrong, lack of clear accountability, micro-management and poor management of underperformance</p>	Agreed. Forms part of Actions 8, 9, 10 & 11	H2 2024	CPO
22	Risk	<p>RCC:</p> <p>Papers which go to RCC should be tailored before they go to ARC. Detailed MI and risk reporting should be elevated for the</p>	In progress with Interim General Counsel (BAU). For the successful candidate for the Group Risk, Compliance, Assurance &	End September2024	GRCA&A Director



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		<p>needs of ARC, with data bespoke for each Committee so as to drive a different type of conversation.</p> <p>Ensure there is appropriate debate regarding specific KRIs, related root causes and risk appetite.</p> <p>Re-consider the list of regular attendees to ensure the right balance between breadth or representation and focus of discussions.</p> <p>Some aggregate reporting from Subsidiaries.</p>	Audit Director to take forward upon their appointment. Subject to capacity		
23	Risk	<p>Risk Culture:</p> <p>There is a lack of importance attributed to risk management across all levels, including the top executive layer. This has led to conservative risk appetite and tolerances, resulting in risks being reported outside of appetite on a continuous basis. Elevate the importance of risk management at all levels and foster a more balanced approach to risk.</p> <p>Substantial risk management training should be undertaken across all levels of POL with a focus of setting a tone from the top. Top executives should give more prominence to risk management in their daily responsibilities and decision making processes, utilizing individual risk reporting to drive informed decision making.</p> <p>The central risk function should be given more prominence across the business with leadership from the CEO to highlight the importance of risk in strategic decision making, identifying opportunities and optimizing the use of capital.</p> <p>Once the overall strategy is agreed upon, the risk strategy should be aligned and reflected in more appropriate risk appetite statements and risk tolerances in line with strategic objectives. A more holistic risk assessment should be undertaken to ensure that all pertinent risks are captured in the risk universe.</p> <p>The risk strategy should play a central role in performance management, the appraisal process and outlining the required behaviours</p> <p>Integrate risk considerations into day-to-day operations and strategic planning</p>	Agreed. For the successful candidate for the Group Risk, Compliance, Assurance & Audit Director to take forward upon their appointment. Also needs to be fed into the SR, and people plan/ training	H2 2024	GRCA&A Director and Talent & Capability Director
24	Risk	Address the risk averse culture at POL. Shift the ownership of risk into the business and way from the 2LoD. The roles and responsibilities of the 2LoD vs the business should be more clearly defined.	Agreed. For the successful candidate for the Group Risk, Compliance, Assurance & Audit Director to take forward upon their appointment.	H2 2024	GRCA&A Director



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25	Risk	Elevate the risk function to provide a more prominent role across the business to emphasize the importance of risk in strategic decision making. Revisit the newly introduced changes in reporting lines regarding the risk function. Consider whether the Head of Risk or a new CRO role should be created which reports directly into the CEO.	Agreed. For the successful candidate for the Group Risk, Compliance, Assurance & Audit Director to take forward upon their appointment. At this stage, this role will report into the Interim CFO, not CEO	H2 2024	GRCA&A Director
26	Risk	The remit of postmasters' responsibilities should include managing risks as with the rest of the 1LoD. This should be made clear in the relevant risk documentation and through training. Invest time in L&D programmes to ensure employees in subsidiaries and Postmasters, as well as the rest of POL are aware of risk management training.	To be considered further by the business . For the successful candidate for the Group Risk, Compliance, Assurance & Audit Director to take forward upon their appointment.	H2 2024	GRCA&A Director and Retail Operations Director
27	Risk	Give more prominence to risk management in executing daily responsibilities. Individual risk reporting should be used as a driver for decision making – subsidiaries and Postmasters should be included.	Agreed. Key in this action is how do we demonstrate/ how do we know when the position has improved?	H2 2024	GRCA&A Director
28	Risk	Formalise Risk Appetite and Thresholds. Undertake a holistic review to introduce a more structured, formal approach to setting risk appetite, tolerances, and thresholds. Update the risk register to clearly stipulate existing / updated risk thresholds. When setting the risk tolerances, risk thresholds which refer to the specific levels of risk that will trigger a response or action should be established.	Agreed. For the successful candidate for the Group Risk, Compliance, Assurance & Audit Director to take forward upon their appointment.	H2 2024	GRCA&A Director
29	Risk	Encourage a balanced approach to risk taking and decision making, where employees feel empowered to propose innovative and commercially courageous options without fear of immediate rejection.	Agreed. Dependent upon the review of Risk Appetite Statements noted within Action 28. SEG to give steers on how we turn this into an action.	H2 2024	TBC
30	Risk	Review and clarify policies. Ensure that the policies are clearly understood and enforced, addressing any ambiguity and perceived behaviours that hinder effective performance management. The risk management documentation should clearly feature the role of the central risk team as providing independent challenge to the business. Both the risk management policy and risk management guidelines should be updated to reflect this aspect.	Agreed. For the successful candidate for the Group Risk, Compliance, Assurance & Audit Director to take forward upon their appointment.	H2 2024	GRCA&A Director
31	Risk	Clarify Postmasters' role in risk management. Postmasters should be explicitly defined as having a critical role in ensuring that risks are managed, similar to the 1LoD. This should be made clear within the remit of their responsibilities and all relevant risk documentation.	[duplicate of #26, see above]	H2 2024	GRCA&A Director
32	Risk	The frequency of reporting should vary according to the needs of stakeholders. Reporting to the ARC should align with its' meeting cadence, reporting to executive forums should be monthly, and reporting to individual members of SEG should occur on a weekly basis or as often as needed.	Agreed. For the successful candidate for the Group Risk, Compliance, Assurance & Audit Director to take forward upon their appointment.	H2 2024	GRCA&A Director



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33	Risk	The Risk Management guidelines should correctly refer to the Risk glossary as “Risk taxonomy”. The term “risk taxonomy” typically refers o a system of categorizing and organizing risks that an organisation faces, as opposed to definitions of the risk terms used within documentation.	Agreed. For the successful candidate for the Group Risk, Compliance, Assurance & Audit Director to take forward upon their appointment.	H2 2024	GRCA&A Director
34	Risk	<p>Internal Audit and Control environment:</p> <p>Ensure regular updates to the ARC on Audit Plan progress and changes to reflect evolving risk priorities.</p> <p>Conduct a thorough review of the effectiveness and practical adherence to the Internal Controls Framework</p> <p>Provide relevant training to ensure that all stakeholders understand and adhere to the controls in practice.</p> <p>Accelerate efforts to ensure the controls framework is effectively embedded across the organisation.</p> <p>Improve the alignment of risk and internal audit arrangements at POL and its subsidiaries and Postmasters:</p> <p>Establish a consistent and effective approach to risk management and internal audit across all entities within POL to cover in particular, Subsidiaries and Postmasters</p> <p>Implement a more formal approach to aggregate reporting on risk management and internal audit activities across all entities to ensure a comprehensive oversight by the RCC and ARC.</p> <p>Develop a strategy to include the subsidiaries and Postmasters in the Internal Audit plan, tailoring audit activities to the specific needs and risk of each entity.</p> <p>Establish a formal governance structure that oversees risk management and internal audit arrangements across all subsidiaries and Postmasters, with clear reporting lines and escalation procedures to ensure consistent oversight.</p> <p>Invest in training and development programmes to ensure that employees in the subsidiaries and Postmasters (as well as the rest of POL) are aware of the policies and procedures related to risk management and internal audit, equipping them with the necessary skills and knowledge to effectively manage risks.</p>	Agreed. For the successful candidate for the Group Risk, Compliance, Assurance & Audit Director to take forward upon their appointment, and determine deadlines for each of the sub-set actions listed	H2 2024	GRCA&A Director
35	General	Consider the proposal for an Implementation Committee or re-purposing the IDG to spearhead the reform effort.	Needs to be included as part of #1 (and following SR)		