

Cover Letter

Dear Shareholder,

In advance of the Quarterly Shareholder Meeting (QSM) due to take place on 11th July 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 historic failures i.e. 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.

Yours Sincerely,

GRO

Nick Read





Shareholder Quarterly Briefing

11 July 2024

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Agenda for the meeting

Item	Time	Presented By	Page Reference
Introduction <ul style="list-style-type: none"> Approval of minutes from Previous meeting 	11.00am – 11.15am	Carl Creswell	Page 3
Update against DBT's 4 strategic priorities	11.15am – 11.25am	Nick Read	Page 5
Strategic Risks and Mitigations	11.25am – 11.40am	Owen Woodley	Page 7
Strategic Review Update	11.40am – 11.45am	Owen Woodley/ Tim McInnes	Page 9 -10
Financial Performance Update	11.45pm – 12.00pm	Asha Patel	Pages 12 - 16
Strategic Platform Modernisation Programme (SPMP)	12.00pm – 12.25pm	Chris Brocklesby	Page 18 - 22
Remediation Unit Update	12.25pm – 12.40pm	Simon Recaldin	Pages 24 - 28
Issues of Note /AOB as required	12.40pm – 12:55pm	n/a	n/a

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 April Quarterly Shareholder Meeting, 11 April 2024	Karen McEwan & Tim Perkins	Completed
2	Provide update on all CIJ and HIJ actions	Progress Update on HIJ and CIJ to be provided in the April Quarterly Shareholder Meeting, 11 April 2024	Martin Roberts, Simon Oldhall & Tracy Marshall	Completed



Update against DBT's 4 strategic priorities

Update against Shareholder strategic priorities

EFFECTIVE FINANCIAL MANAGEMENT AND PERFORMANCE

We have commenced execution against the FY24/25 plan which identifies [IRRELEVANT] of incremental opex savings to be achieved against the previous year. At the end of P2 we expect to be on track to deliver these. The FY24/25 plan included a [IRRELEVANT] pot for investment and change spend, to include prioritisation of transformation activity with a higher prospect of financial return/cost reduction. The Board have been sighted on the allocation methodology of this [IRRELEVANT] and to date, [IRRELEVANT] has been approved for further DMB exits.

The principles established by the Opex Committee around in-year prioritisation of spend and optimisation of return are being applied to the change portfolio, via the IADG. The Chair-led Strategic Review (Teneo) is now looking at organisation design framework alongside phase two of the review, which is intended to identify transformational cost-out opportunities.

ADDRESSING OF REMEDATION MATTERS

There has been good progress made by Remediation Unit as Post Office works hard to compensate impacted Postmasters. This includes a number of areas covering Overturned Convictions, Horizon Shortfall Scheme, and Suspension Renumeration Review. We are close to commencing the Payment Process Review, in line with Mr Justice Frasers judgements and learnings from the Horizon IT Inquiry.

Post office continues to prioritise engagement with the Post Office Horizon IT Inquiry, and we expect to be impacted shortly by any work required for Phase 7 of the Inquiry (Compensation), which may impact our operations during July and August 24.

MAINTAINING AND IMPROVING CAPACITY, CAPABILITY & RESILIENCE

We have welcomed three new members of the Executive team – Preetha McCann as Interim CFO, Neil Brocklehurst as Interim COO and John Dillon as Interim General Counsel (Inquiry and Remediation). These appointments are interim whilst the Strategic Review is ongoing, and they provide improved capacity and resilience in the Executive team prior to Phase 7 of the Public Inquiry. SEG have agreed a new set of organisation design objectives and principles, which will support further organisation change activity prior to the completion of the Strategic Review.

The 2024 colleague engagement survey results have been shared with Board and with colleagues across the business. They show an overall fall in engagement driven by a significant fall in colleagues' pride in working for Post Office. Action planning is now complete across the business with each of the four business-wide actions falling under one of the three strategic priorities in the People Plan (Colleague Experience, Capability and Inclusion). Individual action plans have also been developed at a functional level and, for the first time, focusing on discreet populations within the business whose experience is markedly different to the experience of other colleagues – strain for senior leaders, career progression for ethnic minority colleagues and inclusion for disabled colleagues.

FACILITATE SHARING OF INFORMATION IN OPEN AND TRANSPARENT MANNER

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

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



Strategic risks and mitigations Update

Post Office Limited - Document Classification: INTERNAL

Key Enterprise Risks

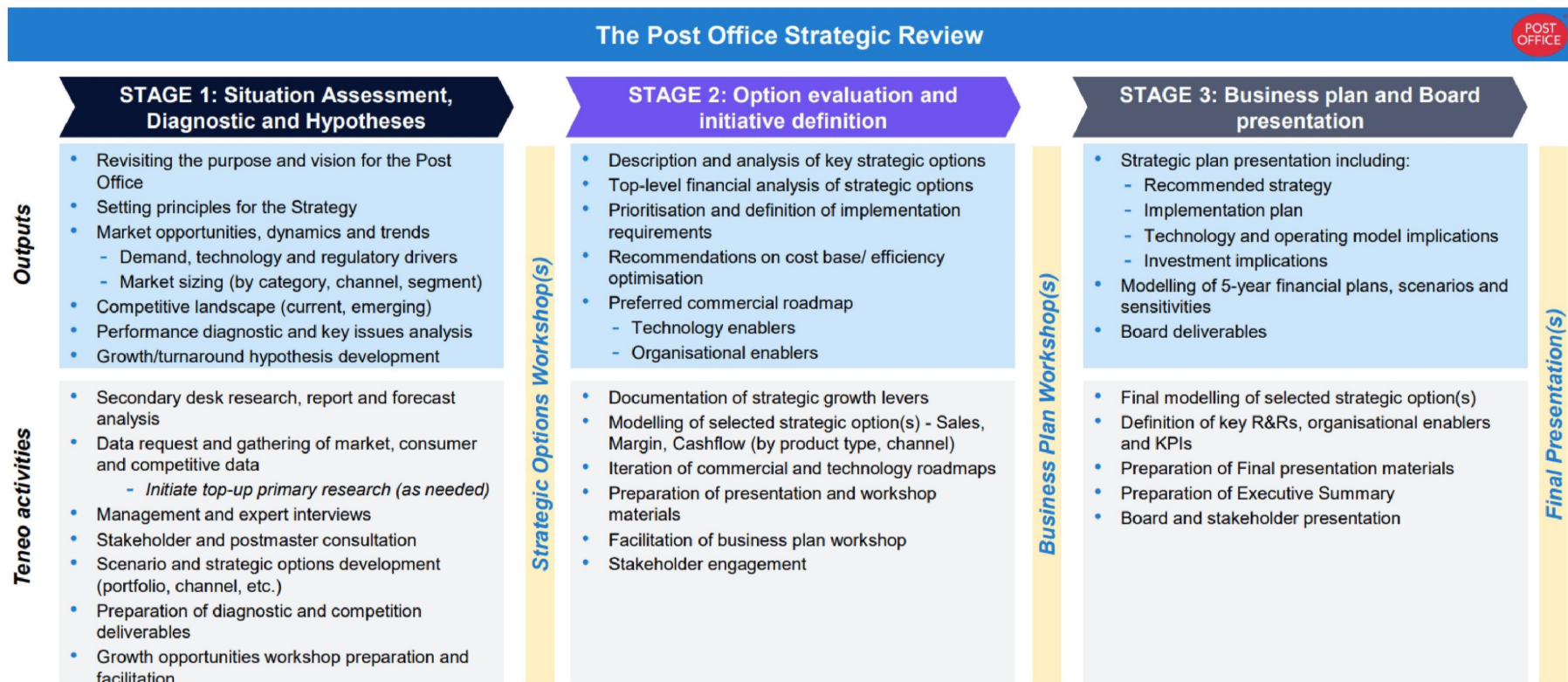
The Strategic Executive Group (SEG) has conducted a review of both Enterprise and Intermediate risks. Our current focus is on the areas of greatest risk, namely Technology, Cyber-Security, Funding, and Operational (retail and franchise). It's important to note that if these risks were to materialise, they could potentially disrupt our Post Office operations. We are actively implementing strategies to mitigate these risks to ensure the continuity of our services

Enterprise Risk	Intermediate risk	Latest Position	Inherent Score	Residual Score	Target to remediate	Other key risks to consider which do not directly impact the ability to operate but could result in further reputational and financial damage :
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.	• End of Horizon support Agreement	• Formal discussions commenced with FJ on extension beyond March 25, terms currently not agreed. Depending on what extension terms are agreed this could further impact the delayed NBIT/SPMP programme.	15	15	October 2024	<ul style="list-style-type: none"> Governance remains a key enterprise risk, with the need for greater clarity around accountabilities and controls around decision making in achieving strategic and operational requirements and avoiding reputational damage or breach of legal requirements.
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"> Cyber Security Maturity programme in progress. Board agreed further funding. Additional work can be incepted with a request to revert to the Board with a plan for additional activities which would get us back into tolerance (i.e. to a minimum of [] on the cyber maturity scale). [] agreed for 24/25 Inflight [] enhancements [] 	IRRELEVANT			<ul style="list-style-type: none"> Data Governance for unstructured data has been frequently highlighted as a failing during the Inquiry; the data governance framework is currently being rolled out with the aim of increasing the overall maturity across the business by Q2 24/25.
Operational (retail & franchise) - Failure to provide transparent and fair treatment to our Postmasters, along with inadequate service and support, resulting in decreased customer satisfaction and hindering POL's ability to rebuild trust	IRRELEVANT	<ul style="list-style-type: none"> Operational excellence programme in flight, focus on [] is expected to reduce January 2025 Operational Excellence [] agreed Auto Stock Rem: [] agreed Losses must be addressed in a fair and transparent manner to support our postmaster, options to remediate this are being presented to the Risk committees in September this year. A signed off loss recovery policy is to be agreed. 				<ul style="list-style-type: none"> Internal Control Framework whilst Post Office has embedded controls within Finance, Technology, Retail, Supply chain and Strategic portfolio office, controls are attested, mapped to risks within our risk tool and provide visibility of the effectiveness of these controls. There are other areas of the business that do not have controls in place which could lead to non- compliance, breach of regulations, ineffective risk management within the wider business. POL approved a Draft Control Framework to be implemented on a 'best endeavours' basis. This decision was made at GE and ratified at the Audit, and Risk Committee (ARC) in September 2022. The business is working on presenting a revised draft for approval to the Sept 24 ARC
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.	IRRELEVANT	<ul style="list-style-type: none"> There continues to be a risk to [] In June, [] has been requested from DBT, relating to April and May spend on Horizon Replacement, and is likely to be received in July. Discussions with DBT are ongoing re: timing of funding receipts Prioritisation of programme spend (consideration of risk position) Potential costs which may be incurred with regards to IR35 are not yet confirmed. 				<ul style="list-style-type: none"> People wellbeing, colleagues are being impacted by external media attention, capacity of workload and the ongoing inquiry . The results of the Employee Engagement survey completed in Feb 24 have now been published for the implementation of action plans to address areas requiring improvement. A new Head of Wellbeing (a new role in the People Structure) has been appointed.



Strategic Review update

Teneo Strategic Review (1/2)



Teneo Strategic Review (2/2)

Key issues



Reputation, Trust & Brand

- The Horizon scandal and subsequent public enquiry have resulted in a significant amount of negative attention and caused unprecedented damage to the brand
- Restoration of public trust in the brand is of the highest priority for the Post Office



Operating Model & Culture

- Organizational accountability is pivotal to driving cultural change; this requires the right governance, reporting, and incentive structures
- The Post Office's scale means that inefficiencies exist; there is a need to right size for the future



Product & Service Portfolio

- The Post Office operates in many markets¹, each with distinct challenges around competitive differentiation
- The Post Office needs to clearly understand which markets it should be competing in to determine the future of the portfolio



Fit-for Purpose Technology

- Replacement of the core IT platform and the development of a strong omnichannel offering are key objectives
- The Post Office must determine what is the right balance of retail vs. digital presence – both now and in the future



Stakeholder Management

- The Post Office operates in a complex ecosystem of stakeholders; it plays an important role in UK Public life, is a key partner to critical suppliers (e.g. British Gas), operates a network of sub postmasters and has a duty to its UK Government owners



POL Operational & Financial Performance Update

P2 CFO Report: Executive Summary

P2 TRADING AND CHANGE POSITION

P2 revenues of [IRRELEVANT] above budget, and 1% growth on prior year) were driven by a continuation of stronger banking deposits volumes, a higher annual Home Insurance profit share from Aegeas received in May and higher credit card volumes driven by a loosening of Capital One credit policy. This has translated to Variable Rem of [IRRELEVANT] (50% of variable revenue -in line with budget and prior year). Opex overheads were [IRRELEVANT] under budget in month as a combination of timing differences and savings – translating to a P2 trading profit of nil, [IRRELEVANT] above budget and in line with prior year. YTD we are at [IRRELEVANT] trading profit ([IRRELEVANT] above budget), however indicative views of the 2+10 forecast suggest that this position will be eroded with significant unbudgeted costs and opex risks expected to crystallise. Actions have been communicated with the Leadership Team to strengthen collective mindset and build deeper awareness of the position and implications of the forecast view and these will be closely monitored every month.

LOAN UTILISATION

At the end of May, the WCF and NRF were both maxed at [IRRELEVANT] and [IRRELEVANT] respectively [IRRELEVANT] higher than forecast largely due to higher gross network cash arising from the bank holiday weekend, peak trading levels of FX holdings (c. [IRRELEVANT]), a surplus of £2 coins ([IRRELEVANT]). To help ease this liquidity pressure, the Board are requested to ratify an increase in the WCF utilisation from [IRRELEVANT] to [IRRELEVANT] on a temporary basis (which will reduce the Board Approved buffer from [IRRELEVANT]) up until the end of August-24. There continues to be a risk to higher loan and NRF utilisation due to the timing of cash funding receipts from DBT. In June [IRRELEVANT] has been requested from DBT, relating to April and May spend on Horizon Replacement, and is likely to be received in July. Discussions with DBT are ongoing re: timing of funding receipts.

WRONGFUL TRADING – FINANCIAL CONSIDERATIONS

Since the Wrongful Trading update provided to the Board in January-24, financial considerations have been assessed with regards to monthly financial information, funding and support from DBT and utilisation of other facilities. In terms of substantive updates, the timing of receipts from DBT alongside other additional pressures in the business (Inquiry, [IRRELEVANT] redress payments, past roles, SPMP business case etc) is adding pressure on the utilisation and purpose of the WCF and thereby increasing the risk of wrongful trading. The current financial plan for spending on operational costs of RU and Inquiry to the end of March 2025, shows an additional [IRRELEVANT] of committed funding will be required above the [IRRELEVANT] already committed. It is now clear that DBT cannot commit funding for uncommitted items until after the general election. There is also a potential risk of delay to part of current funding arising out of POL drawing down the funding in arrears or if DBT asserts that POL are not complying with the funding conditions.

EXTERNAL AUDIT CONTRACT VALUE

Board are asked to approve a 6 year contract value of [IRRELEVANT] - the estimated fee for first year of contract is [IRRELEVANT]. To ensure overruns, scope changes and unexpected events are catered for we are allowing for [IRRELEVANT] per year for the 6 years of the contract, giving a figure of [IRRELEVANT] buffer. This buffer should cater for the economic and other uncertainties that can affect the costs associated with long term contracts such as this. There is no spend commitment and every effort will be made to drive down the costs of the annual audit.

RISKS

The Corporation Tax risk arising as a result of HMRC's stance on the funding, expenditure and payouts for Remediation Matters, is still being concluded with HMRC, with POL awaiting DBT confirmation it will fund future liabilities as well as historical ones. The historical impact is estimated to be c. [IRRELEVANT] - £xxm and this may impact the FRES joint venture. FRES have been made aware that some historical tax treatment decisions across the group may need reversing as a result of HMRC's proposal, albeit this is not yet confirmed. FRES have been made aware ahead of signing their FY23/24 financial statements.

Summary Report - P2 Financial Performance (1/2)

1

Mails Revenue

- P2 Mails revenue of [IRRELEVANT] was [IRRELEVANT] behind budget due to [IRRELEVANT] underperformance in Royal Mail driven by the delay in Tracked roll-out (**now expected to be fully deployed by 10th July**), and [IRRELEVANT] underperformance from non-RM carriers (slower than budgeted growth from Sales in Branch).
- Total Mails revenue was 1% down year on year, with growth in non-RM carriers being more than offset by the decline in RM revenues – the full deployment of Tracked products in July is expected to stem this decline

2

Banking Revenue

- P2 Banking services revenue of [IRRELEVANT] was [IRRELEVANT] ahead of budget (12% growth on prior year) due to a continued trend in higher deposit volumes [IRRELEVANT] and a positive adjustment on the Banking Framework Fee [IRRELEVANT]. This is offset by a [IRRELEVANT] Banking Hubs accounting adjustment from opex to revenue (net nil impact to Trading Profit).
- Average Transaction Values, whilst 5% under budget in the scorecard (the phasing of which is being investigated) are more than offset by volumes – such that overall deposit values are still above budget.

3

Other Revenue

- PO Insurance revenue of [IRRELEVANT] was [IRRELEVANT] ahead of budget of which [IRRELEVANT] relates to a higher annual Home Insurance profit share from Ageas (received in May), which is offsetting a decline in volumes.
- Credit cards revenue of [IRRELEVANT] was [IRRELEVANT] ahead of budget, with continued higher volumes driven by a loosening of Capital One credit policy – **an indicative 2+10 forecast suggests this could generate [IRRELEVANT] of budget upside in the year.**

4

Postmaster Remuneration (PM Rem)

- P2 Variable PM Rem of [IRRELEVANT] higher than budget, largely from stronger Banking performance.
- P2 Variable Rem as a percentage of Variable Revenue was 50.2%, 0.4% up on budget and 0.3% up on prior year.
- Fixed PM Rem of [IRRELEVANT] lower than budget in month – driven by less branches receiving assigned office and exceptional payments.

5

Open Branch network

- The network decreased by 28 branches in May to finish at **11,744 branches**, largely due to the flow closure of some Traditional and Outreach branches.
- 615 Drop & Collect branches were trading by the end of April, which is broadly in line with prior month.

Summary Report - P2 Financial Performance (2/2)

6 Opex Overheads – Staff & Non-Staff Costs

- P2 Staff Costs of [IRRELEVANT] were [IRRELEVANT] over budget, with the RMSEPP pension refund of [IRRELEVANT] transferred to the pension asset in line with technical accounting guidance.
- P2 Non-Staff Costs of [IRRELEVANT] were [IRRELEVANT] under budget with; [IRRELEVANT] year to date adjustment on Banking Hubs (offset with revenue adjustment); [IRRELEVANT] lower branch stationery volumes, which were 30% less than prior year, with higher volumes expected to come through in later periods, [IRRELEVANT] lower marketing and digital spend of which [IRRELEVANT] is a saving from switching vendor and remainder timing of spend; [IRRELEVANT] lower Commercial spend, from Mails, Passport postage and Lottery exit costs not required; [IRRELEVANT] timing of spend within CFO and Property.
- YTD Non-Staff costs are [IRRELEVANT] under budget, however based on the 2+10 forecast, this is expected to reverse by P4 with [IRRELEVANT] higher than budget costs expected over the next 2 months. This forecast will be reviewed by the Opex Committee on 24th June and SEG update to follow.

7 Performance against agreed cost savings

- The FY24/25 budget identified £[IRRELEVANT] of incremental cost savings to be delivered across POL. This forms one of the STIP metrics in FY24/25.
- The 2+10 forecast indicates that we will exceed these cost savings on a net basis by [IRRELEVANT] with [IRRELEVANT] of exceeded savings, partially offset by [IRRELEVANT] of unmet savings. We will continue to monitor these each month.

8 Investment and Change Spend

- P2 YTD Change Spend of [IRRELEVANT] is [IRRELEVANT] below Budget driven by [IRRELEVANT] net underspend in “Other Change” (self funded by POL), [IRRELEVANT] underspend on Remediation and Inquiry programmes and [IRRELEVANT] underspend in Replacement of Horizon programmes.
- Of the [IRRELEVANT] variance, [IRRELEVANT] relates to potential savings from Project Darwin and Lottery Transition, [IRRELEVANT] relates to unutilised spend related to Optimism Bias and Indexation contingency for CIO and SPM programmes, and the remaining difference is largely driven by timing/delays/rephasing or reclassification of spend.
- The 2+10 full year forecast of [IRRELEVANT] is overall [IRRELEVANT] over budget driven by a [IRRELEVANT] reduction in Replacement of Horizon programmes (of which [IRRELEVANT] is a reduction in contingency). This is offset by anticipated [IRRELEVANT] overspends in Remediation & Inquiry, and [IRRELEVANT] overspends in POL funded “Other Change spend”.

9 Security Headroom

- At the end of P2, Security Headroom of [IRRELEVANT] was [IRRELEVANT] lower than forecast of which [IRRELEVANT] was due to PZ integration [IRRELEVANT] loan receivable write off + [IRRELEVANT] assets gained) and [IRRELEVANT] of RMU and compensation funding in P2 that was forecast to be accrued in P2 .
- Indicative SH forecasts based on 2+10 show a low point of [IRRELEVANT] in December (below the Board approved [IRRELEVANT] buffer) driven by changing assumptions in payables and working capital movements. We continue to monitor these impacts on SH as part of the monthly forecasting processes.

Profit Before Tax

	Period 2					YTD				
	Actual	Budget	Variance to budget	YoY	YoY %	Actual	Budget	Variance	YoY	YoY %
Mails - RM										
Mails - Non RM										
Banking Services										
ATMs										
Voucher Encashment										
PO Insurance										
Mortgages, Savings & Loans										
International Money Transfer										
Travel Money										
Payment Services & Payzone										
Credit Cards										
Retail & Gift Cards										
Government Services										
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

As reviewed and discussed with UKGI on 03.07.24

Loan and NRF Utilisation

Utilisation of the DBT WCF at the end of P2 was [RELEVANT] with NRF at [RELEVANT] Total Net funding position at the end of P2 of [RELEVANT] was [RELEVANT] higher than forecast predominantly due to higher gross network cash of c. [RELEVANT]

- Large surplus of cash in the network following the bank holiday weekend
- A surplus of £2 coins in the Birmingham cash centre of [RELEVANT]
- Peak trading levels of FX Holdings across the network at [RELEVANT]

Subject to Board ratification we are utilizing an additional [RELEVANT] of the of WCF from 12th June until the end of August

IRRELEVANT

Available NRF Available WCF Additional NRF Board Approved Buffer Loan and NRF Utilisation Loan and NRF Forecast



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

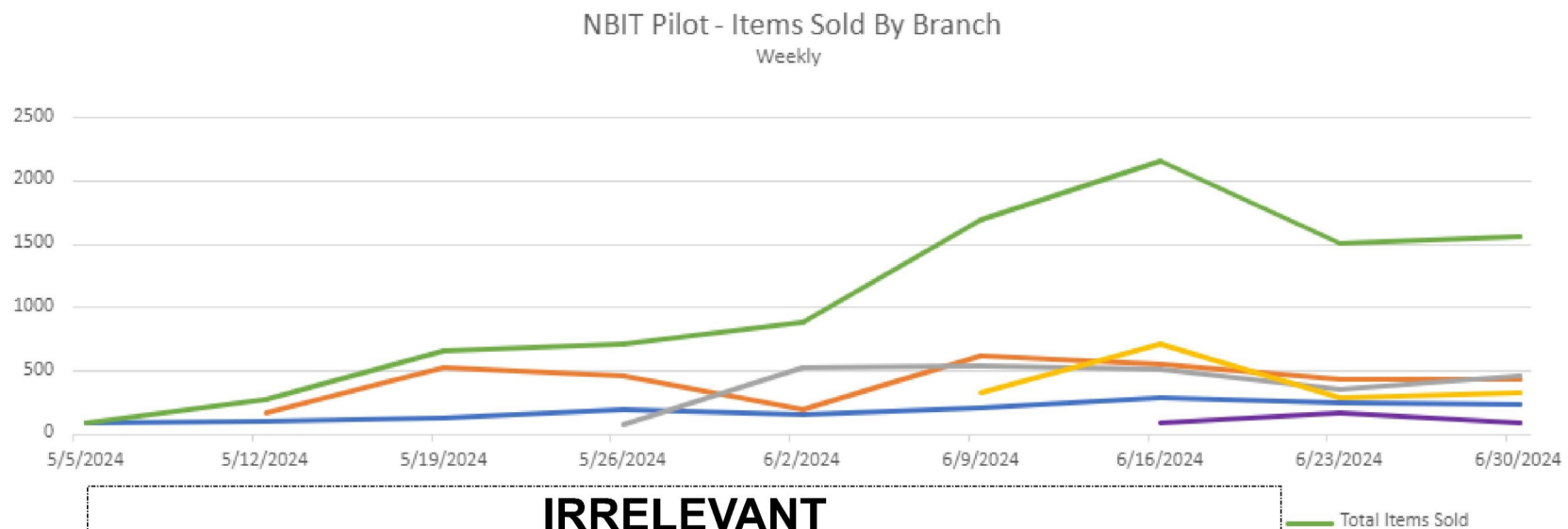
Release Status

*We continue to make good progress with building the NBIT system.
We have split Release 2.2 into two parts to allow earlier deployment to a non DMB.*

	Scope	Status
Release 2.1	Parcelforce mails, Saturday delivery, security fixes and functional defects	Complete
Release 2.2a	Functionality to support independent branch pilot (alongside other dependencies)	Planned for end July. Testing progressing well with only 5 defects outstanding.
Release 2.2b	Addition of on-line Banking functionality	End 2024 but still subject to defining signoff criteria with the banks. Positive discussions with Lloyds to use them as our 1st test partner

Pilot Status & Volumes

*We have now deployed to 5 DMBs.
Our plan continues to be to deploy to our first Postmaster branch by end 2024.*



- Volumes have significantly increased to provide rich feedback from our Branch Managers.
- The branches have been stable with no Severity 1 or 2 incidents raised.
- Lessons learnt are being fed back into the programme teams to update the NBIT software, training etc.
- We are also now planning to rollout the new NBIT kit early to most branches

Financial Performance

Approval Table

A - Per Business Case (incl OB)	23/24	24/25	TOTAL
Horizon Infrastructure	£7.8	£25.2	£33.0
SPMP Hardware Commitments	IRRELEVANT		
SPMP			
SDES			
Horizon Contract Extension			
Optimism Bias/Indexation	£0.0	£1.8	£1.8
Total Spend (incl OB excl Contingency)	IRRELEVANT		
Less funding already received - previous settlement			
Less funding already received - FY23/24			
Revised Funding profile			
POL funded overspend on RDEL			
Treasury Request			

B - Current position (incl OB)	23/24	24/25	TOTAL
Horizon Infrastructure	£7.8	£25.0	£32.8
SPMP Hardware Commitments	IRRELEVANT		
SPMP			
SDES			
Horizon Contract Extension			
Optimism Bias/Indexation	£0.0	£2.0	£2.0
Total Spend (incl OB excl Contingency)	IRRELEVANT		
Less funding already received - previous settlement			
Less funding already received - FY23/24			
Revised Funding profile			
POL funded overspend on RDEL			
Treasury Request			

C - Variance (Current Position - Budget)	23/24	24/25	TOTAL
Horizon Infrastructure	£0.0	£0.2	£0.2
SPMP Hardware Commitments	IRRELEVANT		
SPMP			
SDES			
Horizon Contract Extension			
Optimism Bias/Indexation	£0.0	£0.3	£0.3
Total Spend (incl OB excl Contingency)	IRRELEVANT		
Less funding already received - previous settlement			
Less funding already received - FY23/24			
Revised Funding profile			
POL funded overspend on RDEL			
Treasury Request			

Notes

We have underspent on our current business case by IRRELEVANT in April / May and we are projecting an underspend of IRRELEVANT for the full year.

We have not utilised optimism bias or indexation which will be an additional IRRELEVANT underspend from April to July.

Funding

Original Funding

Additional Funding Agreed in 2023

Total

Includes Optimism Bias

Total Spent by end of Feb 2024

Total Funds Remaining (including OB)

IRRELEVANT

Total funding committed to date is **IRRELEVANT** of which **IRRELEVANT** had not been spent as of the end of February when the business case was submitted in March

Assuming that Optimism Bias isn't needed, current funding will run out in January

Culmulative Forecast/Actuals exc OB
Culmulative Budget
Variance

FY23/24 Apr-24 May-24 Jun-24 Jul-24 Aug-24 Sep-24 Oct-24 Nov-24 Dec-24 Jan-25 Feb-25 Mar-25

IRRELEVANT

Stakeholder Management & Governance

- We have agreed flexibility of our current funding to allow our transformation projects to continue until early December – thank you
- We have been advised to revise our next funding request to fund the Horizon replacement programme until end of FY25 IRRELEVANT. We are working with DBT to understand the route to approval.
- We have now produced action plans to respond to both the IPA and Public Digital reviews.
- On the IPA review; we have re-engaged with the IPA consultant who conducted the original review and have an Assurance of Action Plan (AAP) booked for the 1st week of August. At that meeting we need to present an update on a number of governance actions which reside with DBT and the IPA
- On the PD review; DBT have asked for Board review and approval of our action plan. We have proposed to Board that this is actioned through an ad hoc meeting of the POL Investment Committee
- We have also progressed the action on gaining more organisational and cultural buy-in to the programme through:
 - Regular updates at 10@10, internal communications and newsletters
 - Embedding business reorientates at all levels within our programme governance
 - ‘Open day’ in Wood St to speak to the programme team and see NBIT (Chesterfield and Bolton planned)
 - Leadership training planned on agile transformation on 25th July
 - Business change team being recruited to progress impact analysis across all POL departments by end 2024
 - Review of vision and scope once the Strategic Review to reflect wider agenda outside of pure system replacement.

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.
- The formal letter requesting the extension will not be delivered until the new Government is in place.
- We are also awaiting feedback from Fujitsu's Group Board meeting on 1st July.
- POL Board have signed off the inclusion of a commitment to insource Horizon support if the deployment of NBIT is delayed past March 2030.
- External legal review of the proposed extension has been received by the POL Board along with a number of potential options on how to move forward. Feedback will be provided in the meeting.

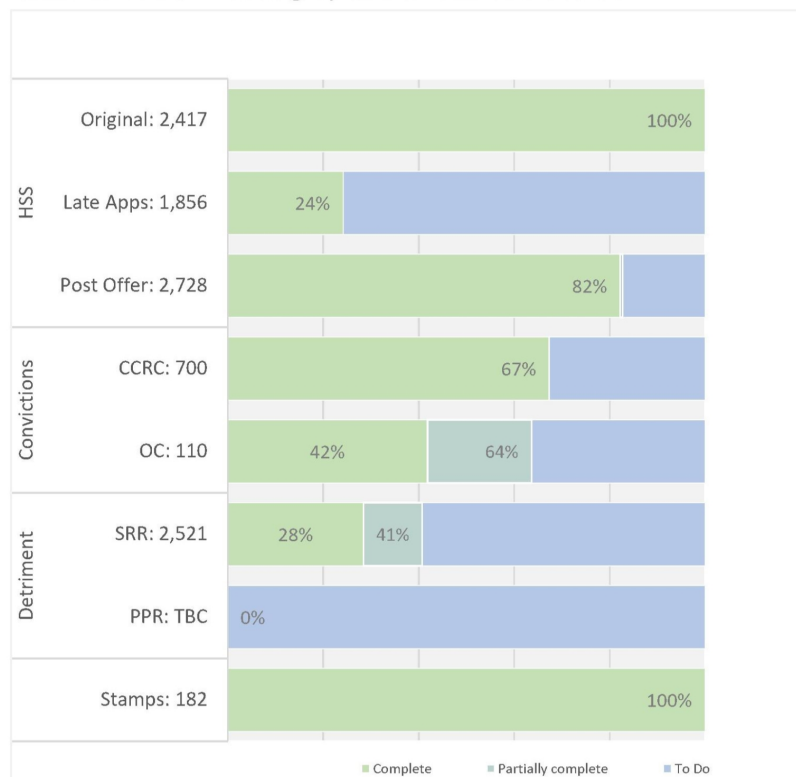


Remediation Unit Update

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

Executive summary

Please see below Trading update across all schemes



MI as at 20/6/24

Notes on Status, Progress, and Issues: MI as at: 20/6/24

Total Paid to Postmasters £180.9m (up from last time: £156.2m).

- **Original HSS Applications** – 2,417 Offers (100%) were issued, worth ~£112.2m, by the end of November 2023.
- **Late HSS Applications** – To date 1,856 late applications (+27 wow) have been received, of which 1,349 have been assessed for eligibility and 1,180 are eligible. Of these, we have issued 311 offers, worth £17.8m.
- **Post Offer** – Of 2,728 offers (~£130m) issued, we have received 2,256 accepts (+5 wow), and made 2,242 payments totalling ~£109.6m after tax. To date, 147 disputes have been resolved to resolution, of which 70 at stage 1 (prior to a Good Faith Meeting). Currently in progress are 17 queries and 376 active disputes (a total WIP of 393, being 14.8% of responses to date).
- **Criminal Case Review Commission** –700 POL convictions, of which 675 Potential Future Appellants have been contacted. Of these, 201 appealed: of which 164 appeals had outcomes: 99 were overturned, and 65 were unsuccessful. Additionally, 10 non-POL convictions were overturned.
- **Overtaken Convictions** – To date, 110 claims (100 POL + 10) have been received. These are being worked through, and to date we have paid out £47.8m, of which £25.2m has been the £600k up-front offers.
- **Suspension Remuneration Review:** So far, of the 2,521 eligible Postmasters we have sent disclosure letters to 2,406 (95%), received 1,749 applications, issued 1,027 Offers, received 749 Accepts, and made 717 payments. 1,042 cases have been closed.
- **Capture** – We are now providing Kroll with information to assist them with their investigation. DBT aim to publish the Kroll report in the Autumn. POL will not be shown any draft report prior to publication.
- **POL Process Review:** We have everything we need to start the pilot mailing next week. There is a live debate around launching this initiative so close to the GLO data breach so the pilot may be delayed.
- **Stamp Scheme:** Offers issued on all 182 eligible claims. 167 payments made totalling £1m. We've received 3 new claims which have been assessed as ineligible.

Remediation Unit (RU) Update

Strategic Priorities

- **Past Roles** – RU continue to work collaboratively with the business on the issue of Past Role. This being the concern about the risk of having previous POL employees that were working in POL during the relevant Horizon Inquiry period, that are now part of RU working on the Redress schemes. There has also been questions raised by the AB in this regard and this matter is currently at POL Board level for resolution.
- **HSS** - As previously advised, we have completed the original applications cohort with all offers having been issued by end November 2023 (a total of 2,417 offers).
- We have acceptances from 2,065 of these claimants and have paid and settled 2,062. 289 of the remaining 352 are in our dispute resolution process and the remainder of the 352 have not yet replied or have raised queries.
- **Late applications** –following the Bates vs PO drama we saw a significant uplift in volumes of late applications received, with the current number sitting at 1,883 (new applications initially being received at a rate of over 100 per week). There has been a gradual reduction in new applications with just 24 received last week, the lowest number so far this year, though absolute volume is far higher than originally expected.
- All budgets were originally built on an estimated 350 late claims received. We then moved this up to 416 and are now forecasting a total of 8,500 late applications if PMs who have not applied are mailed later this year.
- So far, we have issued 313 offers to applicants from this population. 194 have accepted, 180 of which have been paid. 88 are currently in dispute the remaining either have queries or are yet to respond.
- The current pinch points are eligibility checks, insolvency checks and RFIs responses though we're seeing improvements in all three areas.
- **HSS Appeal** –Ahead of Phase 7 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.
 - We expect this will now be post-election that we get clarity.

Remediation Unit (RU) Update

Strategic Priorities Continued

- **£75K Fixed sum offer** – While the £75k Fixed Sum Award for HSS has been announced by the Government, work remains to make this operational including all party sign off of the '£75k Principles' and Offer letter as well as final agreement on how to position the likely government-led appeals process
- Back book top ups is progressing on the data, letters and process – we expect to be able to go live during July 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 applied for this minimum payment value. We expect to save c£42m via this 'in-house' process if the volumes are as expected vs sending these via Panel and assessment route.
- **HSS Closure date** – We have not yet finalised governance around an end date for HSS, discussions having stalled following the announcement of the General Election. DBT have confirmed that an end date won't be decided on until perhaps the Autumn, after a potential new Minister is brought up to speed. At the moment all parties are keen to agree an end date of 31 March 2025, but pressure may come to bear to move this out if the end date announcement is delayed too long.
- **Tax Top Ups** – In relation to the Tax Top-Ups (TTU), 2,252 letters have been issued to date of which 1,916 acceptances have been received and 1,851 payments made totalling c.£13.2m.
- **Overtured Convictions** – HCRS, the DBT scheme to provide redress to the convictions quashed via the Parliamentary bills, is currently scheduled to launch at the end of July-24. POLs principal involvement with the scheme is in providing identification and disclosure to DBT/MoJ for individuals covered under the scope of the bills, enabling the contact and subsequent claims management for the HCRS cohort. POL Phase 1 disclosure has commenced and is on track to be delivered prior to go live date, as planned.
- Prior to HCRS go live, OC continues to manage its current (and assumed final) cohort of 110 claims, 48 of which are now fully settled. The current DBT position is that the residual 62 OC claims will remain with POL to reach full and final settlement although, the establishment of a new Parliament in early July-24, may see a change of policy. Despite the current uncertainty, claims are still being received and processed by OC, with 2 new Pecuniary and 1 non-Pecuniary claims, in addition to 3 upfront offer requests, submitted in June-24.
- We anticipate that the once the Ministerial appointments are in situ and HCRS live, clarity will be provided by HMG on the future strategy for OC, enabling a replanning and restructuring to take place in Aug-24.

Remediation Unit (RU) Update

Strategic Priorities Continued

- **Restorative Justice** - To 27th June, POL has undertaken 57 meetings with claimants across GLO, HSS and OC, (overwhelmingly GLO) for them to meet Senior POL Executives. Further meetings (c.10) are planned for July and August. POL is considering how to proactively engage with the Inquiry and other victim representatives on other enduring RJ initiatives.
- **CCRC / Disclosure issues** The Government's introduction of the Post Office (Horizon System) Offences Act 2024 has meant that all convictions in scope of the legislation have now been overturned. POL has paused disclosure to those previously identified as Potential Future Appellants ("PFA's") whilst the Government completes its exercise of identifying and writing to those exonerated. RU Legal are co-operating with the devolved administrations in respect of their exonerations.
- There remains one appeal in the Court of Appeal (Criminal Division) that POL believe will be outside the scope of the legislation and one live appeal in Scotland in which a determination under the Scottish legislation is awaited. POL continues to comply with its statutory disclosure duties to the CCRC and SCCRC where appropriate, although both Commissions have paused their investigations in respect of cases potentially caught by the respective Acts.

Detriment

- **Suspension Renumeration Review 'SRR'** – we have now sent 2,406 disclosure letters inviting people into this scheme, have had 1,749 applications received. Have made offers to 1027 Postmasters and received 749 acceptances to those offers. With £8.7m (£4.7m) 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 at the beginning of July 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; this is currently progressing and will be complete prior to the launch of the mass mailing in Q4.
- We are working with the wider POL business to consider how claims both pre and post Horizon which are not in the current RU scope should be addressed. A paper will be submitted to SEG for consideration.
- **Capture issues** – this is a legacy computer package 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.
- Following an initial investigation by POL, DBT have appointed Kroll as independent forensic accountants to assess Capture and assist DBT in assessing if there needs to be a compensation scheme. DBT expect to publish the Kroll report in the Autumn.

Remediation Unit (RU) Update

Financials

- The Full Year forecast for FY24/25 increases [IRRELEVANT] to [IRRELEVANT] due to the impact of the £75k Offer.
- The £75k Offer assumes an increase of 7,000 LAPs to 8,500 with an estimated increase in operating costs of [IRRELEVANT] in FY24/25 [IRRELEVANT] in total).
- The impact of the Horizon Conviction Redress Scheme is expected to be cost neutral in FY24/25 with costs being front-loaded to earlier in the year. However, costs for FY25/26 have been removed with the end of the OC1 scheme.
- Note, forecast costs associated with Restorative Justice [IRRELEVANT] have been removed from the DBT-funded element of the Remediation Unit.

	FY22/23	FY23/24	FY 24/25	3YP
By Programme	Actual	Actual	Forecast	Forecast
Horizon Shortfall Scheme	IRRELEVANT			
Overtured Convictions				
CCRC				
POL Process Review				
Central				
Operations				
Programme Total				
Tax Top Up				
Exit Costs				
Remediation Unit Total				