UKGI00041682

Post Office Board Agenda

Date:	03 June 2021	Time	10:05 – 11:50 hrs & 14:15 – 17:15 hrs	Location	Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ 1.19 Wakefield (via Microsoft Teams)

Present		Other Attendees	
• Tim Parker (Chairman)	• Ken McCall (SID)	• Veronica Branton (Company Secretary)	• Martin Kearsley (Product Portfolio Director – Banking, Payments & Transactional Products) (Item 6.)
• Nick Read (CEO)	• Carla Stent (NED)	• Max Jacobi (Strategic Financial Planning and Analysis Director) (Items 5.)	• Zdravko Mladenov (Head of Business Transformation Unit) (Item 7.)
• Zarin Patel (NED)	• Alisdair Cameron (CFO)	• Tim McInnes (Transformation & Strategy Director) (Item 5.)	• Declan Salter (Historical Matters Director) (Item 8.)
• Tom Cooper (NED)	• Lisa Harrington (NED)	• Dan Zinner (Chief Operating Officer) (Items 4. & 5.)	• Ben Foat (Group General Counsel) (Items 4.)
• Saf Ismail (NED)	• Elliot Jacobs (NED)	• Owen Woodley (Group Chief Commercial Officer) (Items 5. & 6.)	• Laurence O'Neill (Senior Legal Counsel - HR & IR) (Items 4.)
		• Andrew Taggart (External Solicitor – HSF) (Items 4.)	• Chris Jeans (Barrister) (Items 4.)

Apologies: N/A

Agenda Item		Action Needed	Lead	Timings
Performance and current issues				
1.	**Welcome and Conflicts of Interest**	Noting	Chairman	10:05 hrs
2.	**Minutes and Matters Arising**[1] 30th March 2021	Approval	Chairman/ Veronica Branton	
3.	**Appointment of Elliot Jacobs and Saf Ismail as Non-Executive Directors of Post Office Limited & Re-appointment of Carla Stent as Non-Executive Director and Chair of the Audit, Risk and Compliance Committee**	Approval	Chairman	
4.	**CEO Report (including discussion on Starling)**	Noting & Input	Nick Read Dan Zinner/ legal team for Starling	10:05 hrs
Strategy				
5.	**Strategic Plan**	Discussion	Al Cameron/ Dan Zinner/ Tim McInnes/ Max Jacobi	11:00 hrs
2.5 hr Meeting break				11:50 hrs
6.	**Banking Framework 3 pricing framework**	Approval	Owen Woodley/ Martin Kearsley	14:15 hrs
7.	**Strategic Platform Modernisation (SPM)**	Approval for recommendation to Shareholder	Zdravko Mladenov	15:15 hrs
8.	**Financial Performance Report**	Noting & Input	Al Cameron	16:.15 hrs

[1] The minutes of the Board meetings to discuss the CCRC cases are approved at those meetings.

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9.	**Historical Matters Report**	Discussion	Declan Salter	16:35 hrs
10.	**Approvals** • External Auditor Fees & Scope of Engagement (2020/21) • Post Office Operating Model (Organisational Changes) funding approval • Matters Reserved and Terms of Reference changes • PUDO update	Approval		16:55 hrs
Noting and Governance Items				
11.	• Health & Safety Report • Improvement Development Group Report • Sealings • Future Meeting Dates • Forward Agenda	Noting		
12.	**Any Other Business**			
13.	**Date of next scheduled meeting:** 27th July 2021.	Noting	Chairman	

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2.1

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 30 MARCH 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ BY CONFERENCE CALL AT 11:45 AM[1]

Present:	Tim Parker	Chairman **(TP)**
	Nick Read	Group Chief Executive Officer **(NR)**
	Tom Cooper	Non-Executive Director **(TC)**
	Carla Stent	Non-Executive Director **(CS)**
	Lisa Harrington	Non-Executive Director **(LH)**
	Zarin Patel	Non-Executive Director **(ZP)**
	Alisdair Cameron	Group Chief Finance Officer **(AC)**
In attendance:	Veronica Branton	Company Secretary **(VB)**
	Max Jacobi	Strategic Financial Planning and Analysis Director **(MJ)** (Item 5.)
	Dan Zinner	Group Chief Operating Officer **(DZ)** (Items 5. & 6.)
	Owen Woodley	Group Chief Commercial Officer **(OW)** (Items 5. & 6.)
	Martin Kearsley	Product Portfolio Director – Banking, Payments & Transactional Products **(MK)** (Item 6.1)
	Tom Wasilewski	Head of Commercial Development (Item 6.2)
	Mark Siviter	Product Portfolio Director - Mails, PUDO, Retail & Gov Services **(MS)** (Item 6.2)
	Zdravko Mladenov	Head of Business Transformation Unit **(ZM)** (Item 6.3)
	Catherine Stalker	Independent Audit **(CST)** (Item 7.)
	Richard Sheath	Independent Audit **(RS)** (Item 7.)
	Jeff Smyth	Chief Information Officer **(JS)** (items 8.4 – 8.6)
Apologies:	Ken McCall	Senior Independent Director **(KM)**

Action

1. Welcome and Conflicts of Interest

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

2. Minutes and Matters Arising

The Board **APPROVED** the minutes of the Board meetings held on 26th January and 26th February 2021.

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

3. Appointment of Tom Cooper as a member of the Nominations Committee

The Board **APPROVED** the appointment of Tom Cooper as a member of the Nominations Committee.

4. CEO Report

Nick Read reported that overall performance had been good and provided an update on the trends, noting that there had been no major changes from a trading or branch network perspective, as well as in the financial services or insurance businesses during the period. The core deliverables of the Telco sale, the Amazon trial progressing, the publication of the Annual Report and Accounts for 2019/20 and the approval of the security documents had

[1] Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chairman's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.

been completed. The coverage of the Annual Report and Accounts 2019/20 had been balanced but with questions raised about POL's ability to fund the litigation costs. Activity was focussed on the Improvement Development Group work, including the key and urgent priorities identified in the Deloitte report. The work from the KPMG team had been disappointing initially but NR was having weekly conversations with the senior partner, and the work and resources provided were much improved.

The Board had asked questions about the work we were doing on culture, this included: "Adopt an area" for senior leaders; a "Week in the life of a Postmaster" training sessions for all colleagues; "Stronger together" events to better define our ways of working, all of which were leading to an all colleague conference at the end of April 2021. Our expectations of colleagues at different levels of the organisation would be set out with a framework to drive better performance. The work we were doing with Postmasters and to support Postmasters had been outlined to the Board by Amanda Jones, including the engagement with the senior team and how we were addressing issues raised, with a focus on fixing the issues that were within our control.

The key priorities from the Postmaster consultation were outlined. We needed to improve our communications cascade. NR noted that he had held conversations with a number of public figures about the Public Inquiry and they all agreed that we needed to make a clear distinction between the past and the present but that we could not "keep our heads down" and had to communicate actively. Tim Parker noted that most of the problems had occurred when Post Office was still part of Royal Mail Group.

NR reported that the interaction with the Inquiry Secretariat continued to be positive but the requests and timelines for the provision of information were not consistently structured. We were working through how colleagues could participate in the Public Inquiry's work most effectively and were supported in this regard by Lexington. We needed to keep reminding people that the Post Office colleagues today were working to make improvements. The reporting of the CACD judgments was likely to be uncomfortable and we needed to be proactive in our communications, making clear the distinction between the POL of the past and the POL of today. NR would be engaging in communication activities over the next few weeks to be transparent about what we were doing to manage today and tomorrow effectively. TP noted that it might be helpful to refer to historical Post Office to draw the distinction clearly.

NR noted the people challenge in the organisation as individuals were being asked to do more and to work quickly. We recognised this pressure but saw it as tied to the Public Inquiry timeline. However, while we could "run" as an organisation we did not have the capability to produce the changes needed in the longer-term.

A number of points were raised and addressed:

- Tim Parker asked about BEIS's thinking on the Judicial Review application of which they had been notified. Tom Cooper reported that BEIS had received a letter from Alan Bates and his lawyers stating that the Public Inquiry should be a statutory inquiry and setting out the reasons for that.
- Tim Parker was interested in the Postmasters' views on the Horizon system specifically. NR reported that criticisms were largely about the processes that wrapped around the platform which made operating Horizon complicated, rather than the system per se. TP noted that the gap between perception and reality vis-à-vis the Horizon system was critical. Al Cameron noted that he had been preparing for the Public Inquiry and the team had referred to a paper about the IT system which had described it as "not fit for purpose" but tracking back this had been do with the cost and sustainability of the system rather than its current operation. NR agreed that it was an expensive system to

run, that it was "clunky" but that it worked. TP noted that we also needed to distinguish clearly between the different versions of Horizon.

- Lisa Harrington asked about the return to office work. She noted that the organisation she was working for was trying to encourage people back into the office where this was important for creativity and collaboration. NR thought it was important to talk to colleagues about the approach and get their views, which we were doing. We would start more face-to-face working on an ad-hoc basis after 21st June 2021; however, our focus was on the Public Inquiry, and July and August should also be a time to give the senior team some scope to take holiday and come back refreshed for September. Carla Stent noted that in planning for the Public Inquiry some face-to-face discussions could be helpful.
- Carla Sent raised the controls around the Amazon trial and for engaging with further partners as the devices used were outside the Horizon system. NR reported that he had asked Mark Siviter and Zdravko Mladenov to address these concerns in their sessions later today. Lisa Harrington added that it was the integration rather than the device per se that was the issue.
- Carla Stent asked whether participation of 1,700 Postmasters in the consultation was a low number. NR thought not, given the historical levels of engagement but we needed to keep building our engagement levels. TP added that typical surveys drew in those with polarised views but it would be beneficial to increase Postmaster engagement levels overall.
- Zarin Patel raised a number of points:
  - with reference to the organisation "running hot" it seemed as though Dan Zinner was addressing the requirements to improve the Postmaster experience but she wondered who on the GE was able to step back and consider the overall risk and controls impact of the changes we were making. NR thought that for risk management there was an open question on whether we should bring audit and risks together in a GE level role. ZP noted that she had been thinking more about who the lateral thinkers on these issues would be on the GE. Carla Stent added that we should be bringing Internal Audit into more of the conversations about change, while a lot of the role sat with Al Cameron and Ben Foat. Al Cameron noted that outstanding audit and risk professionals were rare and if we wanted a strategic role for audit and risk we would need to approach this differently. Over the last year risk and audit had been affected partly by bandwidth and partly by a lack of confidence in being able to change the future. Tim Parker noted that first and foremost you needed good people in roles and one of the key challenges for POL was getting the right people in place responsible for taking the key decisions.
  - ZP wanted to understand our digital strategy on Mails following our current focus on the Public Inquiry as she was concerned that we were late to market. NR reported that he had asked to understand the BAU change management requirements in more detail. We had been slow to market and were working on PUDO and customer journeys at the same time. POL investments over the past few years had been focussed on the platform services.
  - ZP would like to have a discussion at the Board on the Postmaster consultation and the sense coming out of this that some Postmasters would prefer to be employees
  - ZP agreed that it was right to be proactive in our communications but wondered whether we would truly resolve the historical matters without an approach akin to a truth and reconciliation commission. Al Cameron noted that some of the Postmasters involved in the historical debate were seeking to obtain compensation from BEIS. POL should be agnostic about the type of Inquiry run but be clear that we would support whatever type of inquiry was run. NR added that we should be clear that we thought Postmasters should be compensated where there had been

Action: VB to flag with Amanda Jones and add to forward agenda

an injustice. TP noted that all parties had an interest in resolving the position of the past.

The Board **APPROVED** an additional £2.8 m for project Starling (as part of the £11.4m forecast previously outlined in 2020). This was to allow our external legal team to continue providing support in the (pending) mediation discussions with the CWU/ Claimants' solicitors and progress the next steps needed for the Tribunal hearing. A potential settlement range with a ceiling of £2.9m had been estimated with delegated authority to the Chief Operating Officer to seek to settle. In the event of mediation not succeeding, the trial date was set for 7th June 2021.

5. Finance

5.1 Financial Performance Report

Al Cameron provided an overview of trading performance and network numbers. We were struggling to increase opening hours because of lockdown restrictions. We had started to recognise some provisions for HNGA at an operating cost level. HNGA was not a historical matter. Trading profit stood at £37m to date for 2020/21.

A number of points were raised and addressed:

- Tom Cooper asked about the £5m included for provisions. Al Cameron explained that £1.5m of this related to holiday pay and this figure might have to increase in the 2021/22 financial year. £2.9m related to the provision for HNGA
- Lisa Harrington noted that her firm had offered to buy out holiday pay but contingent on people booking a number of days' leave each quarter to smooth absences. Al Cameron noted that it could be an approach to consider, however, we knew there were going to be work pressures over the summer
- Lisa Harrington asked what was included in non-staff costs and Max Jacobi would send her a summary but explained that it was mostly provisions. **To do:** MJ

5.2 Budget Plan for 2021/22

Al Cameron introduced the budget plan for 2021/21. The team had reviewed this in detail with UKGI/ BEIS. We were not projecting a very positive trajectory for the reasons set out in the paper on trading uncertainties and the limited scope for cost reductions as it was not the right time to take significant costs out of the business nor would we want to reduce Postmaster remuneration. We had deliberately stopped further work on considering outsourcing options for Supply Chain. DMB franchising was linked to the affordability of change spend. While we could remove c400 roles from functions it would take a year to deliver on automation requirements and resources were focussed on the Public Inquiry work. The trading profit assumption was £4m better than it had been in January 2021.

Overperformance had been declining over time. NR noted that he had spoken with directors about this individually. Costs would be incurred addressing the Public Inquiry recommendations and the work also needed to take place in advance of the Public Inquiry. Tranches 3 and 4 of the Organisation Design (OD) would not happen this year. The revenue numbers were subject to variability and we were facing some significant headwinds. TP noted that this uncertainty in travel was true for Samsonite as well.

A number of points were raised and addressed:

- Tom Cooper thought the trading profit figure should be higher notwithstanding that we would not be able to remove significant costs this year and the trading uncertainty because of travel market and so forth. He did not want to set an unrealistic target but did want it to be challenging as a reward incentive. Al Cameron agreed that what was or not within our control should be recognised by the Remuneration Committee so if

we received an additional sum from FRES that had not been assumed that should not increase the figures from a bonus perspective

- Zarin Patel asked about the Mails and Banking figures set out in appendix 11 of the paper and why the Mails market outlook was not as positive as it had been when agreeing the 4-year plan and whether were we being too prudent in our assumptions. Lisa Harrington noted that she had the same question but wondered whether it was primarily a timing issue. Al Cameron agreed that it could be a timing issue; volumes would increase after the trial period with Amazon but would not deliver significant profits immediately and the margins in Mails were low. Owen Woodley noted that the figures were better in the outer years of the plan. Max Jacobi added that Mails was one of the few areas better off from a trading perspective during the past year; however, the material upside in Mails had been offset by the impact of lockdown on the other businesses. OW added that it was difficult to anticipate the impact of lockdown on Mails in the future, for example, the benefits of home shopping appeared to be tailing off. Lisa Harrington noted that there would still be a material change in buying patterns into the future. Tim Parker noted that it would be important to track the changes under MDA2. Nick Read reported that we wanted to drive a different sales behaviour in Postmasters supported by Area Manager briefings but we were being prudent in our assumptions. Al Cameron added that there had been limited active sales among Postmasters historically so it would not be prudent to assume a radical shift in this pattern. TP explained that his point was more about RMG seeking to take business away from POL. NR noted that this was the biggest threat felt by Postmasters. ZP suggested that the Board look at delta on Mails at the end of Q1 trading to test whether our assumptions were too conservative. **Action:** AC/ MJ
- Carla Stent asked about the investment spend and prioritisation set out in appendix 8. Dan Zinner reported that we had taken out £36m of change spend this month. This linked to the deferral of OD changes and the slowing down of the DMB franchising programme. We would be prioritising any improvements linked to conforming with the judgments and £13-14m of spend linked to HNGA. DZ explained that some project names had changed and elements of work had moved around. Carla Stent noted that it would be helpful to show changes such as this.
- Dan Zinner explained that the £34m coming out of CIO costs related to headcount in response to a question from Carla Stent.
- Carla Stent asked whether we were still focussing on the strategic measures we had discussed in July 2020. NR confirmed that we were still focussing on Mails, Cash and Banking but we had less investment money available to us. We had changed our outlook on headcount for the reasons discussed already. Our assumptions had been more optimistic in July 2020 when we had not absorbed the implications of the Public Inquiry fully and had not assumed lockdown 2 and 3. Some of the changes were where we had targeted for self-serve arrangements for Postmasters, headcount reductions and greater speed of DMB franchising which would not be prudent now though the position could change in the future.
- Al Cameron noted that UKGI and Tom Cooper had challenged the HMBU budget and he agreed that the legal costs needed to be controlled. Some of the contractors in HMBU were paid above market rates. The trajectory was higher than the budget and this would be worked through. This might be a zero-sum game but should result in better controls.
- Tim Parker noted that there had been four or five meetings with UKGI/ BEIS about the budget but asked whether we were still in a position where it would be difficult for Tom Cooper to recommend the budget to the Minister with the trading profit assumption currently shown. Tom Cooper reported that he had shared the views that he had raised with the Board on the revenue line with UKGI/ BEIS. In aggregate the

revenue lines seemed conservative; he had no particular issue with the cost line but thought the budget should be set in the region of £50-60m. We needed the Team to focus on a stretching target. Legal costs remained an issue of concern and UKGI/ BEIS had been flagging this since the summer. It was important that we avoid conflating the budget with an open and honest discussion on pay. TP asked what the next steps would be if the Board approved a budget which the Minister thought too low. TC explained that UKGI/ BEIS would have to provide advice to the Minister on whether or not to approve the budget. TP referred to the recent letter from UKGI which had raised historical outperformance, an apparent incremental £26m of benefits and the underlying performance of the budget being worse. He asked what we would do if we accepted a higher budget and then the team were significantly behind at end of Q1 as we wanted a budget that would be motivating for the Team while representing a challenging target. POL had a reasonably fixed cost structure outside of its legal costs. The real unknown issue was revenue. We could accept, for example, a higher assumption for Travel, if we took a view that that market would pick up significantly but a £60m budget was significantly higher than the £38m proposed. AC noted that the legal costs were an important issue but did not change the position on trading profit. There was a question of what levers we had to improve performance but AC did not think these existed to increase trading profit by an additional £10-20m and was not clear what we could do differently as an executive team. Tom Cooper suggested there should be a range to reflect a range of possible outcomes with outperformance not achieved until the top of that range had been reached; he felt it was a mistake not to set out the legal costs in this document and have a full discussion about this now. AC noted that we also had to reflect that we had a number of declining business lines and Max Jacobi reported that he had taken the UKGI team through the benefits, which were not entirely driven by project benefits. We had tried to be clear on how project benefits flowed through the business. TP noted that we needed to understand the declining elements clearly.

Action: AC/ MJ

- TP noted that POL had consistently taken people out of the business over the last few years and struggled to understand any inefficiencies creeping into the business. NR reported that POL had around 3,500 employees, 1,000 plus worked in DMBs and circa 800 worked in Supply Chain but, at previously discussed, there were reasons for not progressing with options for outsourcing now. Ultimately, we wanted to reach a figure of c 1,600 – 1,700 employees. NR agreed that we needed to manage the legal costs differently and we would be addressing the issue.
- Carla Stent noted that there was material uncertainty around a number of factors and this made it difficult to produce a budget. We should work with the knowledge that we have, focus on investment spend, set a trading profit target that was stretching but achievable but look at this after the first quarter and second quarter and review the remuneration position following this. Tim Parker noted that we either accepted the fixed costs or we did not. We may not have the right answers on Mails and Banking but the team had provided their view on this. The one element we could take a view on was Travel and adjust the budgets if our assumptions on this were wrong. We had to back the Team and TP did not think there should be a range of figures. Al Cameron noted that the profit drop from FRES last year was circa £30m and the Travel market would not revive in Q1 this year but we could be clear on the profit assumptions for FRES and this was a binary output. TP noted that it was clear that there was disquiet at BEIS about an outcome that was lower this year than last but he was not comfortable with increasing the assumptions as much as proposed by BEIS. Al Cameron added that we were not assuming that we would make less money on a like-for-like basis this year than last year. We had sold the Telco business and had included £9m for declining business areas. Our starting point was £29m down. Dan Zinner added that we had an

existential threat posed by the litigation and we had to fix all the issues we were uncovering. The cost structure would come under more pressure rather than less. Tim Parker noted that he would like to reach a position that the BEIS Team was likely to support.

The Board **AGREED** that a range of scenarios/ outcomes should be included for FRES and this would be worked through over the next few days. Otherwise, the draft budget for 2021/22 was **APPROVED** for submission to BEIS. The assumptions for Mails, in particular, would be reviewed at the end of Q1. The legal costs for HMBU would be addressed.

Action: AC/ MJ

6. Strategy Updates

6.1 Banking Framework 3

Owen Woodley introduced paper. Today's focus was on agreeing a general approach to the next stage of the discussions with the banks and developments of the pricing framework. There was a "sweet spot" between the provision of counter services and maximising the value of the services provided, as well as addressing the reaction of the banks to BF2 and developments of alternatives to Post Office for deposits and withdrawals. Banking services were critical to POL revenue flows.

Martin Kearsley reported that the income for Postmasters from the provision of banking services had increased over the past few years. BF2 generated circa £190m a year. A range of £715-745m was included over three years for BF3 and the thinking behind the range was explained. It was proposed that we move from a stepped approach for numbers of transactions to a curve which was designed to encourage volume and moving withdrawals closer to a market rate to increase our competitiveness and discourage any banks from leaving the Banking Framework. Santander was likely to take up the option to stay on BF2 rates. We wanted to avoid providing the banks with an ultimatum and to improve levels of trust. The final deal would be brought back to the Board for approval in June 2021.

Nadia Farr explained the approach to the work Accenture had undertaken. Phase 1 had been focussed on external findings and we now had a good overarching view of the market trends. There had been a deep dive into the views of the banks on the counter service role POL provided and Accenture had looked at the alternatives for service provision the banks had in place or could develop. Postmasters generally thought remuneration was fair but thought the framework could be more consistent across the banks. Services and what the fee covered was a more significant issue for the banks generally than the fee itself. There were some counter cash alternatives in place which were more established for withdrawals with ATMs and cashback, which was experiencing a revival. The threats came where solutions could compete with the branch network and where variable unit pricing was available.

Phase 2 of the work was the design phase with the objective of developing a more flexible service.

Martin Kearsley noted that some retailers, such as Hendersons and Morrisons, were having their cash delivered directly. In addition, Government was moving rapidly to allow cashback with purchases through the Paypoint trial. The top five banks in the Framework were looking for a net neutral or better position reflecting the "lock-in" pricing option available for those in BF2 when moving to BF3. There had been a series of external engagements to guide us through the development of the model.

A number of points were raised and addressed:

- Tom Cooper thought the proposed approach made sense in aggregate, including reducing withdrawal pricing. However, he thought that the changes proposed to the framework fee were problematic because as our volumes declined in the future we

would have no mechanism to reduce our fixed costs which still needed to be covered. We should also address the AML issue and provide an incentive for the banks to support full compliance and be able to provide a positive message on supporting a reduction in financial crime. Martin Kearsley reported that changing from a step system to a curve was to incentivise volumes by removing cliff edges. Our cost base was between £65–70m and we would be recouping more than this. The proposal was to put a cap at £90m and above this sum a fee on a per transaction basis that was favourable to the banks. Our assumptions were that the trade received could generate up to £109m. We still had the option of not including a cap. Tom Cooper noted that he was not convinced of our cost base estimate because of our Supply Chain and IT costs. This amounted to effectively providing 11,500 branches for free and he could not see why we should cap our income. We were providing a service and in doing so should not place ourselves with fixed costs we could not cover. Al Cameron thought that maintaining a position that we had a cost reflective base would be difficult unless we could be clear how this was comprised and how we were going to drive efficiencies. If we stopped providing banking services we would still have a network and the costs associated with running this. We needed to give the banks some incentives to participate in BF3.

- Tim Parker noted that the view had been that Barclays was the bank most likely to pursue alternatives to Post Office services and asked whether this was still the case. Al Cameron explained that the banks' position entering BF2 was that they were keeping Post Office profitable. How satisfied or otherwise the banks were with our proposals would affect their approach in the discussions on BF3.
- Carla Stent remarked that when we had increased pricing for BF2 the banks had asked whether this was the "thin end of the wedge"; she asked whether our views on the banks' perception of this had changed because that could affect the structure we proposed. In addition, customer service had been raised as one of the "pain points" for the banks so it would be helpful to understand how these concerns had been investigated and addressed in the next report to the Board.

Action: MK for the June report to the Board

6.2 PUDO

Owen Woodley noted that the paper set out the position with the Amazon trial, the next steps in expanding this service and our work to secure DPD as a further partner. It had been announced that the CEO of DPD was leaving so we would need to see if this had any implications for our discussions. The team continued to develop the proposition and look at integration with Horizon.

Mark Siviter noted that PUDO was at the core of the strategy to make up market share as we entered MDA2. There was a roadmap for digitisation and we were working through the required mitigations as we entered MDA2 with variable pricing and the removal of the exclusive relationship with Royal Mail Group (RMG). RMG had reacted as was expected. There had been promotions for their Click and Drop service which was targeted more at social senders than small businesses; the latter was where the opportunities lay for Post Office primarily. The team were starting to see the numbers for more of the market as they had conversations with other potential partners. Hermes was promoting its service through free collection from people's doors and had already increased its market share. Post Office's job was to work through our strategy and de-risk any steps RMG might take that reduced Post Office's fees. The team were focussing in on: 1) what we needed to do to support the new network model with frictionless customer journeys and switching out of the Horizon system that made more services available 2) expanding the digital platform, including Drop and Go but with some additional elements such as E-Bay integration and taking more control of the digital capacity; 3) giving consideration to building an online sales channel. The plan was to come back to the Board in July 2021. It was true that we

were late in joining the market but the principal reason for this had been our previous exclusivity deal with RMG. Our Mails work still represented c70% of the market. 87% of Postmasters were better off under MDA2 agreement on a like- for-like basis.

A number of points were raised and addressed:

- Lisa Harrington asked about financial integration, operational robustness and feedback on the developments from Postmasters. Tom Wasilewski reported that those branches participating in the Amazon trial were averaging 3-4 items a branch per day. We were still at an embryonic stage and were seeking to extend this capacity in two areas: 1) inbound parcels with customer collection and, 2) customer drop off. Other services were harder to run and less predictable. The team were running a co-creation group with Postmasters to consider solutions for managing capacity constraints and how to address problems that arose. Integration with the backend systems was being worked on over the next month. LH asked how we would obtain assurance that the system was working, particularly if it involved Postmaster remuneration. TW noted that the Amazon trial was a separate stream of work running on separate devices but we wanted to integrate our PUDO services with Horizon. Al Cameron noted that this would be a major piece of work. Remuneration integrity was a significant element of the SPM work and the SPM team had been having conversations with the PUDO team but a lot of new requirements had emerged from these conversations and we needed to come back to the Board with a view on this. Carla Stent noted that we would need to weigh up the risks and returns. AC would bring back a paper to the 3 June 2021 Board meeting covering PUDO integration with Horizon, cashless branches and SPM integration. Tom Cooper noted that Payzone outlets already operated without cash and asked whether we could leverage this opportunity. AC agreed that we needed greater integration with Payzone but needed to consider legal and competition issues carefully. The options for greater integration with Payzone were going to be discussed by the GE in April 2021. **Action:** AC
- Tim Parker noted that there seemed to be significant activity in the PUDO market, including Hermes increasing their market share significantly. Mark Siviter thought that an optimal position for Post Office would be to continue providing RMG Universal Service Obligation (USO) products, expanding our service with Amazon and introducing another partner, such as Hermes, but via a longer-term framework agreement.

The Board **NOTED:**
i. The launch of the Amazon Click and Collect trial
ii. The roadmap and releases for the PUDO project.

6.3 SPM

Zdravko Mladenov provided a progress update. There had been a significant amount of activity across the business and we were due to launch 400 non-Horizon locations on the 1st of September 2021. The SPM Team was being developed by pairing internal and external expertise. A governance model had been agreed with UKGI/ BEIS. Approval of the multi-year business case would be sought from the Board on 3rd June 2021 which would then be sent to BEIS for review over the summer. Programmatic and technical assurance work would be undertaken on the SPM work, including on remuneration calculations. The focus over the next three months would be putting in place the 400 non-Horizon locations and developing the business case.

A number of points were raised and addressed:

- Lisa Harrington asked how the SPM work fitted with the Belfast Exit plan. Zdravko Mladenov reported that we needed to rebuild some of the elements that we had

originally thought could be "lifted and shifted" from the Belfast data centre as a black box. Jeff Smyth and Zdravko Mladenov had been in regular discussion and agreed that the migration of elements could only happen once but did not yet have all the solutions in place. This issue did not relate to the database which was being taken out of Horizon.

- Zarin Patel noted that the Board would want to have a deep dive into the business case before approving it as this was going to be one of the biggest decisions it would be making. Lisa Harrington added that we should bring the board together to show the work taking place with live demos. **Action:** ZM
- Carla Stent asked about when the Board would have sight of the assurances on the programmatic and technical aspects of the Programme as this that would help the Board to sign off the business case. It was confirmed that the assurance work would be paid for by POL but both POL and UKGI/ BEIS would receive the advice. It was proposed to "piggyback" this work on existing controls using existing providers. Carla Stent advised that care needed to be taken to get this right as the approach described had not always been successful in the past.
- Lisa Harrington asked whether the team had sufficient resources, noting that there had not been significant simplification of the product sets. Zdravko Mladenov reported that we were proceeding well with the resource requirements for the technical team but more resource was still be needed in other areas.

The Board **NOTED** the progress update on the Strategic Platform Modernisation (SPM) programme and **APPROVED** a drawdown of £4.68M to deliver a range of concrete outcomes and deliverables until June 2021 including (a) continuing the technical development to launch the 400 new 'Horizon-free' Express propositions; (b) completing the multi-year business case for UKGI/ BEIS; (c) completing the future Device and Peripherals Strategy; (d) scoping the legal changes required to commercial agreements affected by Horizon; and, (e) identifying the options to deliver better Branch MI to Postmasters in the next 12 months.

7. Independently facilitated Board review

Catherine Stalker introduced the Board review for 2020, noting that the objective was for the Board to be able to ask questions about the report and discuss what it wanted to do next in light of the recommendations. The headlines were that the Board had good foundations on which to build notwithstanding the pressures of recent times, with a focus on resolving past issues. A clear strategic direction had been set. All directors were aligned on the goals for Post Office. There was a good range of strengths and expertise on the Board with a strong Chair, good working relationships and a good company secretariat.

Five areas of focus were recommended:

1) determining where the Board wanted to spend its time with a clear forward agenda.
2) dealing with succession challenges, including making time to discuss the executive team who were critical to the future of POL. This should include the Board spending time with Nick Read so he could use the Board as a sounding board and so the Board had insight into the pressures on individuals.
3) Putting in place a timely plan to manage the succession of some long-standing board members and to integrate new members, including the two new postmaster NEDs.
4) time needed to be spent on culture. One means of acquiring information on this could be a culture dashboard. The NEDs also needed to get out and about more once they were able to. This had happened less than on some other boards Independent Audit had reviewed.

5) there had been good development of the Risk Management framework but the Board needed to stand back from the risk processes and structures to look at the impact and the value. Risk management needed to add value to how things were running in the business and a learning culture needed to be developed.

A number of points were raised and addressed:

- Carla Stent noted that we had devoted a lot of time to risk so it was sobering to consider how much more needed to be done; she had had conversations with Al Cameron and Nick Read about this and the approach that might be taken to drive a more operational approach to risk management.
- Zarin Patel noted that "grounded trust" was a good phrase and we had been more risk averse that we might otherwise have been because of the changes taking place and the Public Inquiry, but we needed to take a shift in the direction as proposed in the Report.
- Lisa Harrington noted that she agreed with the points made in the report, including needing to get out and about more. The relationship with our key stakeholder had not been commented upon much and that had surprised her. Catherine Stalker explained that Independent Audit had reviewed many organisations that were overseen by UKGI. There was an inherent conflict in being a shareholder director but the POL Board was managing it in the best way possible. Tom Cooper's participation was valued by the Board and, like a private equity director, he had greater involvement and access to more information than other directors, but there was no suggestion that changes should be made.
- Tom Cooper noted that he understood the points raised on culture but there were some limitations to this. It was hard to "get your arms around" culture. One could state your ambition and what you wanted to achieve but it was difficult to check and assess whether the organisation was actually doing this. Tim Parker thought that the authenticity of management was critical to culture. People had to see that what you were saying was what you were actually doing. We needed to talk much more about Postmasters as a Board. We were only beginning this shift in focus but over time we would capture people's hearts and minds. Changes in culture were never instantaneous but all of us wanted the culture to change. Catherine Stalker agreed that culture was driven by the management team and that it was hard for a board to stay in touch with this but nevertheless there had not been evidence in the papers and discussions on culture coming through to the Board as a significant topic. A focus on culture would be both data driven and through the individuals reporting to the Board (e.g. the Group People Officer and the Head of Internal Audit) and there was also the "sniff test" of seeing how things operated on the ground. Richard Sneath added that useful discussions could be sparked by the Board asking the executive how they drove the right behaviours which also brought alive what was happening on the ground.
- Al Cameron noted that he had been reflecting on how we had spent our time as a board, the agenda we were driving, and the time spent responding to requests. Some of the legal issues were very important but we also needed to recognise that BAU and strategy were key for the longer-term success of the business. Tom Cooper noted that the Board would nevertheless need to spend time overseeing the management of the compensation schemes. Tim Parker noted that while much time had been spent on reviewing individual cases referred to the Court of Appeal this had helped us set parameters for the approach to future cases and to reach the conclusion that the appeals should not be opposed in the overwhelming majority of cases which had been vital. Boards only had a finite amount of time and the theme of the Report was that our aspiration must be to focus more on BAU and strategy in future. Colleagues were keen to revert to a more strategic view. TP also agreed with the points raised around succession planning and talent in the Report.

- Carla Stent asked what Independent Audit's advice would be as we brought the new Postmaster NEDs on board. Richard Sneath noted that Independent Audit had experience of pension trustee boards. It would be important to make sure that the Postmaster NEDs were fully involved in the Board's discussions and decisions and their contributions were encouraged and heard. Tim Parker agreed that the Postmaster NEDs must be treated as equal players and would try to get the right balance between encouraging contributions while recognising that it took some time to get up to speed if you were new to a board. Catherine Stalker added that it could be beneficial for existing NEDs to go on some of the induction visits with the Postmaster NEDs to help forge those relationships.

Tim Parker referred to the "quick wins" included in the Report. Some decisions, such as holding the ARC and Board meetings on the same day, had been to try not to impinge too much on people's diaries. However, all of the points were worthy of consideration and we would will be following up on the recommendations positively and review these again in July 2021.

Action: VB to include on July agenda

8. Approvals

8.1 Annual Governance Report

The Board **NOTED** the following to which no changes were proposed:
(a) The Delegated Authorities from the Board, including subsidiary companies and liabilities and indemnities (full document in Reading Room, summary in Appendix 1)
(b) The delegations in place for the authentication of the Company Seal (Appendix 2)
(c) The Board Committee Terms of Reference (ToR) reviews and the Review of Matters Reserved to the Board (full reports in Reading Room, summary in paragraph 4)
(d) The Directors' Register of Interests (Appendix 3).

The Board **APPROVED** the Authorised Signatories to which changes were proposed because of changes in roles and responsibilities (Appendix 2).

8.2 Network Strategy, including DMB Funding

The Board:

- **APPROVED** the exit and replacement of 57 DMB branches in 2021/22 at a cost of £18.9m, generating £4.4m annual recurring benefits.
- **NOTED** the progress in developing new light-touch formats and plans for further piloting and roll-out during 2021/22.

Nick Read reported that next month we would announce the end of the moratorium of franchising DMBs which was the right thing to do strategically to move to a fully franchised organisation.

8.3 Procurement Risk Exceptions

a. PREN29 – Public Affairs Services

The Board **APPROVED** an extension to an existing non-compliant direct award by an additional 3-month term to Lexington Communications Ltd for the provision of specialist parliamentary and government advice. This was required in order to maintain service continuity in relation to the public inquiry.

The existing contract for the provision of advisory services in relation to ongoing and potential inquiries had a value of up to £173,000 (until July 2021 - £101,000 having been spent to date) but now required a further extension for an additional value of £332,889. The total value of the spend for the Services would be £505,952.

b. Delegated Authority Request – Microsoft Enterprise Agreement

The Board:

- **APPROVED** the award of the contract to Microsoft Limited for the supply of Software and Services up to a value of £12.5m with a forecast cost of £8.85m over a 3-year contract.
- **DELEGATED AUTHORITY** to the Chief Information Officer to finalise and approve the final agreement as Contract Owner in accordance with the commercial terms set out in the paper presented to the Board. The contract would be executed by an approved authorised signatory.

c. Delegated Authority Request – Property, Facilities Management Services and Security

The Board:

- **APPROVED** the award of the contracts for: hard Facilities Management Services; soft Facilities Management Services, security Grapevine Services (Planned & Reactive Security Services - Alarm Monitoring & Maintenance, Criminal Intelligence etc) up to a value of £150m*, with a forecast base cost of £74.5m (£14.8m p.a. aggregate excluding project related work) over a 5-year contract (being an initial term of 5 years for lots 1, 2 & 3 with a further 3-year extension option available for lot 3 (at a cost of ~£18.6m excluding project spend, for years 2026-2029)).
- **DELEGATED AUTHORITY** to the Group Chief Finance Officer to finalise and approve the final agreement as Contract Owner, in accordance with the commercial terms set out in the paper presented to the Board and including the permitted three one-year extensions in due course. The contract would be executed by an approved authorised signatory.

**advertised OJEU maximum value.*

It was noted that the business case should come back to the Board if the projected spend was significantly higher than that shown in the paper. Al Cameron noted that we expected the spend to fall as we reduced our property footprint.

d. Delegated Authority Request – Media Planning & Media Buying

The Board:

- **APPROVED** the award of the contract to CARAT Limited for the supply of Media Planning, Buying and Attribution services up to a value of £65m*, with a forecast cost of £48.2m over a 5-year contract (being an initial term of 2 years, plus three permitted one-year extensions).
- **DELEGATED AUTHORITY** to the Chief Commercial Officer to finalise and approve the final agreement as Contract Owner, in accordance with the commercial terms set out in the paper presented to the Board and including the permitted three one-year extensions in due course. The contract would be executed by an approved authorised signatory.

**advertised OJEU maximum value*

The OJEU process to aggregate POL's Media Planning and Buying services had concluded.

Al Cameron reported that spend in this area included all the aggregator spend. Nick Read explained where the responsibilities in this area lay in the business and we would come to the Board to look at this work again in due course.

Action: VB to include on forward agenda

e. Delegated Authority Request – Affiliates & Aggregators

The Board:

- **APPROVED** the award of the contract to AWIN Limited for the supply of Affiliates and Aggregators Network and Management Services up to a value of £50m*, with a

forecast cost of £23.7m over a 5-year contract (being an initial term of 2 years, plus three permitted one-year extensions).

- **DELEGATED AUTHORITY** to the Chief Commercial Officer to finalise and approve the final agreement as Contract Owner, in accordance with the commercial terms set out in the paper presented to the Board and including the permitted three one-year extensions in due course. The contract would be executed by an approved authorised signatory.

**advertised OJEU maximum spend.*

This OJEU process - a separate Lot under the Media OJEU – had concluded delivering POL a compliant and direct contract without agency margin overhead.

f. PREN31 – Digidentity

The Board **APPROVED** an extension to an existing non-compliant contract by an additional 13-month term to Digidentity Ltd, from 31 March 2021 to 22 April 2022 for the provision of "Verify Services" (online identity registration service) to Post Office, required in order to meet Post Office contractual obligations to UK Verify.

It was **AGREED** that our plans for developing our digital identity service would be included on the agenda for the July 2021 strategy sessions.

Action: VB to include on July agenda

8.4 PCI Compliance Programme

The Board **APPROVED:**

- £4.1m additional funding for the PCI Compliance Programme (taking total programme funding to £19.9m).
- up to an additional £3m to be made available if required. These funds would need to be requested, with justification, for approval by the Investment Committee.

Carla Stent noted that the costs of the PCI Compliance Programme continued to increase and asked whether we were seeking to contain the Fujitsu costs. Jeff Smyth reported that our confidence in the completion of the contract was growing and we were now into the banking pilot phase. There were not many "unknowns" left but it was always possible that we would identify further areas that required PCI compliance.

8.5 Fujitsu Horizon Negotiation

The Board:

- **APPROVED** the award of the extension to the term of the Fujitsu Horizon Agreement for the supply of Application Services from 1 April 2023 ("Extension CCN").

  The duration of the extension would be for a further 1+1 year period (one year was contracted from execution of the extension and extended the agreement from 1 April 2023 to 31 March 2024, the optional extra year could be committed to no later than 31 March 2023 and extended the agreement from 1st April 2024 to 31 March 2025 (together the "Proposed Extension")). The forecast spend was estimated at £21.3m p/a (£42.5m estimated total), some spend was variable and demand based, and there was no minimum commitment.
- **DELEGATED AUTHORITY** to the Chief Information Officer to approve the extension as Contract Owner in accordance with the commercial terms set out in the paper presented to the Board and including the permitted 1+1-year extensions in due course. The extension(s) would be executed by an authorised signatory.

It was reported that we would be publishing a Voluntary Ex-Ante Transparency Notice (VEAT) notice, following which there could be challenge but we would be publishing a s72 notice setting out the legal justification for the approach taken.

8.6 Belfast Exit

The Board:

- **APPROVED** a drawdown of £9.03m to fund project activity until the end of October 2021.

  This would deliver migration of the Horizon database to AWS and the Branch cutover, whereby all branches would be connected to AWS rather than Belfast. The programme would return to Board in September 2021 to confirm delivery progress and propose next steps.

  Action: VB to include on Board forward agenda

- **NOTED** the revised approach to the migration which split the remaining delivery cost (c£19m spend to complete) into two priority sets; *Priority One* being mandatory to avoid the cost/risk associated with running Horizon on out of date, unsupported software during the 2021 peak trading period and *Priority Two* completing Belfast datacentre exit (and for which options to replace rather than migrate would be investigated as a way to avoid cost duplication with SPM)
- **NOTED** the engagement of an external consultancy to validate the division of scope into two priority sets and to support POL efforts to optimise *Priority Two* scope delivery with an update/recommendation to the Board in June 2021.

  Action: VB to include on Board forward agenda

- **NOTED** the updated project milestone dates.

It was noted the Jeff Smyth and Zdravko Mladenov were discussing the Belfast Exit Programme and the SPM Programme and the interfaces between the two regularly.

Noting and governance items

9.1 Health & Safety Report

The Health & Safety Report was **NOTED.**

9.2 Mails Regulation paper

The Mails Regulation paper was **NOTED.**

9.3 Telco sale and completion update

The Telco sale and completion update was **NOTED.**

9.4 Historical Matters Business Unit Report

The Historical Matters Business Unit Report was **NOTED.**

9.5 Postmaster NED appointments

The Postmaster NED appointments paper was **NOTED.**

9.6 Sealings

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items number 2031 to 2056 inclusive in the seal register.

9.7 Future Meeting Dates

The future meeting dates were **NOTED.**

9.8 Forward Agenda

The draft agenda for 3rd June 2021 was **NOTED.**

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POST OFFICE LIMITED BOARD MEETING
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10. Any Other Business

Independent Director with a legal background

Tim Parker referred to Tom Cooper's note regarding appointing an independent director to the Board with a legal background to help provide further oversight of the work on historical matters, including the administration of the compensation schemes; TP asked for the directors' perspectives. Tom Cooper explained that the new director might be a General Counsel of a large company who understood governance and could provide a legal challenge, including on cost issues to the HMBU team which was not led by a lawyer. This experience and oversight were needed, not just in relation to the Historical Shortfalls Scheme but also for the criminal cases which could continue over a number of years while needing to free up Board time for the BAU and strategic matters. BEIS would not remove responsibility from POL for oversight of historical matters.

A number of points were raised, including:

- Al Cameron agreed that the work and costs of the external legal teams needed to be managed carefully but did not understand why that should be a Board position. It also needed to be recognised that there was an independent panel dealing with the HSS offers. Tom Cooper noted that the HMBU controlled most of the activities and BEIS did not want to have day-to-day responsibility for these issues.
- Zarin Patel thought it made sense to have a legally qualified director on the Board as the position for the Board could become more complicated with the civil claims; however, with the Postmaster NEDs there would be a large Board and we needed to make sure that we appointed the right person. We did not want to create a shadow General Counsel and so needed to work through the practicalities of how this role would work.
- Carla Stent noted that she was reassured that this individual would be an independent director. Our structure as a Board would need to be considered if we were going to split ourselves into sub-committees to allow the Board to focus more on strategy. Tom Cooper noted that the Board should not need to spend nearly as much time on individual litigation cases in the future. A Board sub-committee on historical matters could allow Board meetings to focus on BAU and strategy. NR agreed that the day-to-day management for historical matters was not right yet. It would need to be determined how we would expect the new NED to operate and what their accountabilities would be as well as needing to resolve the underlying executive structure. NR saw the overall benefit of having a lawyer on the Board because of the contractual issues that needed to be resolved.
- Tim Parker noted that the large amount of public money at stake meant that BEIS needed to have confidence in the approach we were taking. We wanted someone with relevant expertise akin to Lisa Harrington's in IT and transformation which enabled her to have input into the IT and SPM teams' work which the other NEDs could not. Tom Cooper confirmed that this would be a non-executive role and he envisaged the time commitment being somewhere between that of the Remuneration Committee and ARC Committee Chairs. Nick Read would need to decide the best construct for the executive deliverables. Tom Cooper would discuss the proposed approach with Lisa Harrington in more detail outside the Board meeting. The appointment request to BEIS would need to be made before the next Board Meeting. A Panel from the Board would have to interview the shortlisted candidates following the advertising and shifting processes.

Internal Audit fees

The Board **APPROVED** an increase of £150k in internal audit fees for the 2019/20 financial year.

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There being no other business the Chairman declared the meeting closed at 16.15 hrs.

11. Date of next scheduled meeting

3rd June 2021.

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Chairman Date

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Post Office Limited Board Actions as at 07.05.2021

REFERENCE	ACTION	ACTION OWNER	DUE DATE	STATUS	OPEN/CLOSED
Board Meeting 28 January 2020					
10.2 Payzone Bill Payments Limited - Capital Equity Injection Request	The Board asked that assurance was provided that the capital equity injection proposed was a tax efficient arrangement before consenting to approve.	Veronica Branton to relay to Payzone		The proposal is on hold. We have completed a significant reappraisal and investment reduction exercise and are awaiting a final decision on 2020/21 change spend approval. Upon receipt of this, we will return to the Board with a recommendation for the funding arrangement between POL and PZBP.	**Open**
Board Meeting 24 November 2020					
7. Historical Matters Business Unit report b)	[redacted]	eclan Salter to relay to en Foat		[redacted]	**To close**
Additional Board Meeting 07 December 2020					
Funding / Historical Shortfalls Claims Scheme a)	Al Cameron reported that there were not any pension related considerations; he did not think that there were specific regulatory reporting requirements, but that position would be checked.	Al Cameron		Discussions have taken place with Linklaters and the Compliance team. We have obtained confirmation that the pension regulator does not need to be informed and in reviewing POL's regulatory obligations we have not identified any requirements for POL to inform its regulators of its financial position, but it was suggested that a thorough exercise is conducted so certain key contracts are being collated and reviewed to ensure certain obligations haven't been missed. We'll then go through the relevant documents with Linklaters.	**Open and ongoing**
Board Meeting 26 January 2021					
5.1 Strategic Platform Modernisation (SPM)	Dan Zinner and Zdravko Mladenov were asked to provide more detail to the Board as to why exiting Horizon was the right thing to do, allowing the Board	Dan Zinner/ Zdravko Mladenov		This action is in progress and will be presented to Board on 03rd June as part of the larger review of the SPM business case and plans.	**To close**

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Post Office Limited Board Actions as at 07.05.2021

	to properly consider this and make a decision.				
5.3 Pick Up Drop Off Services (PUDO)	Ken McCall requested that hard to place branches were considered in carrier and network discussions, noting it would be helpful if the carrier approach could offer something to these branches. Dan Zinner was asked to look into this.	Dan Zinner		To be factored into the carrier and network discussions. The aim of the PUDO strategy is to make as many branches, including hard to place, as possible available to clients. While we will use pricing and the commercial agreements to incentivise maximum use of the network this will need to be balanced against the reality of customer demand, branch suitability (capacity and capability) and carrier operational coverage and economics.	**To close**
Board Meeting 30 March 2021					
4. CEO Report	To schedule a discussion at the Board on the Postmaster consultation and the sense coming out of this that some Postmasters would prefer to be employees.	Veronica to flag with Amanda Jones and add to forward agenda		The agenda for 3rd June has a number of decision items so we didn't have enough time to include a discussion on the consultation. The proposal is to schedule this discussion separately and Amanda is providing some dates for a session that would include the CEO of Quadrangle who supported the consultation process.	**Open**
5.2 Budget Plan for 2021/22					
a)	To look at delta on Mails at the end of Q1 trading to test whether our assumptions were too conservative	Al Cameron/ Mac Jacobi		The budget was revised to include stretch profit assumptions for labels by £8m and FRES by £6m. We will include an analysis of the position on Mails and FRES trading in the July financial performance report to the Board, where an adjustment to the stretch will also be reviewed.	**To close**
b)	To provide an overview of the declining elements in the budget.	Al Cameron/ Mac Jacobi			
6.1 Banking Framework 3	To explain how customer service concerns raised by the banks had been investigated and addressed.	Martin Kearsley		Covered in the BF3 paper included on the 3rd June Board agenda.	**To close**
6.2 PUDO	To produce a Board paper on covering PUDO integration with Horizon, cashless branches and SPM integration.	Al Cameron to take forward		Paper to be included on the Board agenda for 27th July 2021	**Open**

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Post Office Limited Board Actions as at 07.05.2021

6.3 SPM	To have a deep dive on the SPM business case in advance of a decision being sought.	Zdravko Mladenov		Paper included on Board agenda for 03rd June and discussions held in advance with a number of NEDs.	**To close**
7. Independently facilitated Board review	To include an item on the recommendations from the Board review on the July Board agenda 2021.	Veronica to include on July agenda		Item included on the forward agenda for the Board meeting on 27th July 2021.	**To close**
8.3 Procurement Risk Exceptions:					
a) Media planning and buying services	Media planning and buying services. To provide an overview or have a presentation to the Board on where the responsibilities for media planning and buying services lay in the business.			A noting paper will be submitted to the Board meeting on 27th July 2021.	**Open**
b) PREN31 - Digidentity	To include an item on the development of our digital identity service in the July 2021 strategy sessions.	Veronica to include on July agenda		Included as a strategy session for 27th/ 28th July 2021.	**To close**
8.6 Belfast Exit					
a)	To include an item on the progress of the Belfast Exit Plan and recommended next steps on the September Board agenda.	Veronica to include on September agenda		Included on the forward agenda for the Board meeting on 28th September 2021.	**To close**
b)	To include an item on the engagement of an external consultancy to validate the division of scope into two priority sets and to support POL efforts to optimise *Priority Two* scope delivery for the Belfast Exit Plan.	Veronica to include on forward agenda		We will revert with findings at July Board. Included on forward plan.	**To close**

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POST OFFICE LIMITED
BOARD REPORT

3

Title:	Non-Executive Director Appointments	**Meeting Date:**	03rd June 2021
Author:	Veronica Branton, Company Secretary	**Sponsor:**	Tim Parker, Chairman

Input Sought: Decision

The Shareholder has given consent to the following appointments which the Nominations Committee recommends to the Board.

The Board is asked to **APPROVE** the appointment of Elliot Jacobs as a Non-Executive Director of Post Office Limited for a period of three years from 6th June 2021 to the nearest Board meeting three years from that date.

The Board is asked to **APPROVE** the appointment of Saf Ismail as a Non-Executive Director of Post Office Limited for a period of three years from 6th June 2021 to the nearest Board meeting three years from that date.

The Board is asked to **APPROVE** the re-appointment of Carla Stent as a Non-Executive Director of Post Office Limited for a period of two years from 28th January 2022 to the nearest Board meeting two years from that date. The Board is also asked to **APPROVE** that Carla Stent continues to serve as the Chair of the Audit, Risk and Compliance Committee during her re-appointment period.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Chief Executive's Report	Meeting Date:	3rd June 2021
Author:	Nick Read, Group CEO	Sponsor:	N/A

4.1

Input Sought: Noting

Items enclosed in this report are for the Board to note and advise if any further discussion/information is required.

Executive Summary

It is unlikely that in its long history the Post Office has ever endured a period of such intense scrutiny, as it has over the last six weeks. The fallout from the Court of Appeal judgment on the 23rd April, the scale of the criticism and the conclusions of the Appeal judges will stay with the organisation for years to come. Post Office was variously described in the summary as egregious, oppressive, obstinate, complacent and self-interested. It is not difficult to see how the conclusion of Limb 2 was determined, once this judgment is digested. As the judgment described "the same failures occurred week after week, case after case – systemic failures which were never challenged in any paperwork seen by the court…the longer it went on the more self-serving Post Office Limited became".

It is probably too early to really assess the impact upon the brand. Not least because there is still plenty more mileage in this desperate story. The movement of the Inquiry to a Statutory footing will prolong closure by at least 18 months and most commentators think it highly unlikely that Sir Wyn will conclude his report in the Autumn of 2022. The overturning of criminal conviction cases will last even longer. How our stakeholders – postmasters, colleagues and potential recruits, as well as customers, commercial partners and the shareholder react – is difficult to gauge. What is clear is that no potential rebuilding can really begin until blame and compensation are addressed. Arguably blame will in part be covered by the widening of the scope, remit and powers that Sir Wyn has demanded. Stakeholders appear to believe so. My appearance at the APPG (and the questions I received) certainly supports this theory. Compensation needs to be seen through three lenses – the GLO 555, HSS payments, and the overturned convictions. The speed, transparency and simplicity with which we can execute this will go a long way to addressing trust. However, it is here that I have least confidence. The determination of the Government to distance itself from discharging its duties – the Minister has repeatedly said that "compensation packages are a matter for the Post Office" – is concerning, given we have no funding. The drag on the business of stumbling through this phase should not be underestimated. A repeat of the HSS experience, which paralysed the business, would be unforgivable.

You will see in our initial strategy paper that I believe the business will need to change direction if it is to survive. We must resolve and fix the past. This is more than just operational and IT fixes but deep cultural change. This will be deeper, take longer and be more expensive than we at first envisaged. We will need to invest in the brand to re-establish our one key USP – consumer brand trust. We were much loved, albeit customers could not quite articulate why, and we need to rediscover it. We need to be clear on our purpose and

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the shareholder's principle objective; A network of 11,500 branches adding to the social fabric of the country. A social obligation and an infrastructure that underpins communities across the country. We need to win back the trust of postmasters. We have made good progress over the last 18 months but the experience of the last 6 weeks and the mistimed consultation of MDA2 have revealed the fragility of this relationship. Postmasters feel brow beaten and we are battling against 10 years of "does our partner have our best interests at heart" as one Postmaster remarked to me. We have much to do to regain their hearts and minds. It will be critical to find a model that aligns the needs of the shareholder, POL and Postmasters. Remuneration will be central to this.

Yet despite this backdrop the business has remained resilient. The field team in particular have faced into an extremely difficult environment with great stoicism. The commercial teams have made genuine progress in developing the business; The Amazon trials are going well, we have made commercial and operational progress with DPD and are on track for PUDO trials in July. BF3 and the longer-term strategy to be the solution for cash are particularly exciting, as we will discuss later in the meeting. Our strategy to win over the banks, treasury and the regulators has been well received. The Yoti deal is delivering and our plans around relaunching our travel business have come together comprehensively and we are ready. We have also made good progress with SPM and will be ready for trials later in the summer and will have 400 Express branches up and running by April 2022.

Visible leadership and communication have never been more important. The organisation needs belief. It needs confidence in a credible vision and in a route out of this crisis. It needs a balanced perspective on the issues we are encountering, and it needs calm decision making. My focus is to try and provide this – through our colleague and postmaster conferences, by articulating our intent to 2025, our new ways of working and our six core priorities, through regular 10@10's, SLG meetings and getting out to meet postmasters and commercial partners. As a Board we need to shift our focus from assessing the past to supporting and driving organisational health and effectiveness in the present and for the future. This is very much the emphasis of the content of this board meeting.

Performance outlook

1. Although P1 saw the end of formal lockdown in England, the UK was still under strict restrictions during the first half of the period. IMRG reported huge declines in online retail growth as customers returned to high street retailers. Springboard also reported a significant increase in retail footfall after the first week post-lockdown ending. The levels reached were only achieved two months after the first lockdown ended last year, meaning physical retail has returned far quicker than expected.

2. As a result, Mails performance was below budget, with trading revenue down £4.4m (13%) to budget and £3m in Trading Profit; led by Labels and Special Delivery. Performance was strong in week 1 whilst lockdown was still in place however, there was a reduction in growth thereafter across the product portfolio.

3. In P1, Banking, Payments and Travel have met budget. In Banking, deposits have grown strongly as lockdown begins to ease. Withdrawals are slower, but this is to be expected

with highly cash dependent areas such as Northern Ireland and Scotland still in full lockdown. Further recovery is expected as the hospitality industry and further regions fully reopen.

4. Overall we achieved profit expectations for the month through upside on cost lines (mainly timing or one-off related). This included lower levels of postmaster remuneration flow through, and we will therefore be monitoring Mails trends carefully from both a postmaster and profit perspective.

5. The trends in P2 continues on a similar theme. Footfall numbers remain on average at 9.5m, 5% lower than planned and income is similarly depressed on the back of Mails under-performance. We have failed in the Network to meet target consistently over the last 6 weeks and this will see Postmaster remuneration also fall backwards.

6. We are on course to open discussions with the Board on the 3rd June around our Strategic Plan submission and related funding bid later this year.

7. We are still working to a draft 21/22 budget whilst further material is finalised for UKGI on the Historical Matters element of the budget.

Business Updates

Cash and Banking

8. P1 has seen all three business areas (Banking, Payments and Travel) meet budget.

9. Banking Services performance in P1 was £0.2m favourable to budget. The strong recovery seen in 2020/21 continues into P1, with further growth in withdrawals and deposits. Business deposit volumes and values are slightly adverse to budget, but this is offset by a reduction in the Santander credit for corporate deposits (which we charge at a lower rate), showing £0.2m favourable overall for deposits.
10. Banking Framework 3 discussions continue to track to the previously presented plan, and further updates will be provided at a separate session later in the Board meeting.

11. The Community Access to Cash Pilots have all launched successfully, including two new 'BankHUBs' which opened in Rochford and Cambuslang. Both received favourable media coverage as well as positive footfall.

12. In Payments, key top-ups and seasonal growth has driven consistent performance in Period 1 and the introduction of new payment terminals, offering faster processing for Postmasters, has been well received.

13. The Travel business continues to face into the effects of Covid-19, although strong performance in Moneygram and Postal orders shows money transfer is still much needed. Preparations are underway to ensure a fast start to the travel business once Government guidance becomes clearer. We have incentives and distribution plans in place alongside the re-registering of branches with HMRC ahead of the launch.

Mails and Parcels

14. Mails performance in P1 was behind budget by £3m in trading profit. The stretch against the Labels product created an adverse variance of c£1m in trading profit (£2m in revenue terms) and this gap will likely recur throughout the year (c.10% of Labels annual revenue target). In addition, the budget hypothesis was a gradual ease out of lockdown rather than the more dramatic reduction in sales as seen during P1. The Q1 budget has an additional £5m revenue (£2m in P1) gap with the biggest declines coming from higher basket sizes as business returned to physical channels.

15. Following Investment Committee approval, the PUDO business case will go to Board on 3rd June 2021 to authorise a further £2.41m (in addition to current approved spend of £2.86m) for FY21/22 to deliver PUDO (Total project spend: £5.27m).

16. Post Office is submitting a response to Ofcom's Call For Inputs regarding the review of the regulatory framework of Postal Services on Thursday 20th May. Ofcom will consider and publish the responses over the summer, and the formal consultation process will begin in the autumn, with the date yet to be confirmed.

Platform Products – Financial Services, Insurance and Identity

17. Trading has been positive in P1 across the platform products, with all lines of business on or ahead of budget for revenue and trading profit.

18. In Insurance, the new business market for General Insurance (Motor and Home) is subdued, but retention is performing better, and we are focussing on maximising value whilst maintaining policy count. We continue to focus heavily on the FCA changes to pricing rules being implemented in January 2022, which could have a wide range of commercial outcomes. Modelling suggests outcomes are likely positive for Post Office Insurance in the first year or two, but we are focussing on agility and flexibility to cope with what will be a very dynamic market.

19. There was a very small upside ahead of budget in Travel Insurance sales in the early weeks of May, but no sign of any significant market recovery. We continue to monitor the RAG status of individual countries, but our intelligence suggests there remains some consumer reluctance to travel overseas.

20. Credit Card volumes are significantly ahead of budget, with a new commercial arrangement (Capital One responsible for all marketing activity and costs) working well and channels such as Facebook performing strongly. A branch trial of mobile lead generation via text or QR code (with Postmaster Remuneration via embedded FAD codes) is live and results will emerge through May.

21. Bank of Ireland's outlook has improved, and the partnership has been reinvigorated. This is due to an agreed plan to maximise joint-venture profit with a focus on value over volume. Our savings balances are getting smaller, but higher joint-venture incentive payments look likely, and we are protected by a minimum income guarantee.

22. We have built and launched the EasyID app within the Yoti partnership in digital identity. The in-branch tablet capability is in development and on track. We have made progress with GDS to enable our Verify service (extended earlier this year) to be provided by the Yoti partnership rather than Digidentity. The partnership is working well, and in addition

to completing technology builds, there is a necessary focus on converting capability into utility and revenue.

Network

Postmaster Engagement

23. We held a virtual Postmaster Conference on the evening of 27th April attended by 500 Postmasters where I set out my strategic intent to 2025 including the aspiration to create a profit sharing model. A Q&A session followed where we addressed over 50 questions. It was clear the big questions for Postmasters are MDA2, how to remunerate fairly, preventing cannibalisation of existing Post Offices whilst growing the network and, the uncertainty of how trading will play out this year.
24. Consulting with Postmasters on the proposed new remuneration rates for MDA2 has been a priority for the field team since mid-April. As of 21st May, 7,333 visits/calls have been completed with the intention that all of the network will have been engaged at least once, by end of w/c 24th May. These 1-1 engagements with Postmasters have been supplemented by 2 NFSP hosted events, w/c 10th May and 4 regional events w/c 17th May, to provide an opportunity for Postmasters to ask questions about the impact of the new MDA and also to give context to the competitiveness of the Mails market and the challenges and opportunities for Post Office. Whilst we expected there would be a negative reaction from c14% of Postmasters who are modelled to be potentially adversely affected by the proposed new rates, we have experienced a strong reaction from Postmasters across the board in 3 areas, specifically; 1. Proposed Special Delivery rates 2. Proposed Parcel Force rates and 3. questions about the time period used for modelling. This reaction is borne out of an underlying mistrust of POL about our real intentions for remuneration, founded on years of remuneration erosion and reductions. On 21st May we communicated a decision that we will delay the implementation date of MDA2 by a further 3 months until 1 April 2022. This will allow for better engagement, explanation…and listening. The current consultation process will conclude on the 6th June, after which there will be several months of detailed quantitative and qualitative analysis to form recommendations, prior to sharing with Postmasters in September.

25. As part of the formal Postmaster consultation exercise that took place earlier this year, Postmasters told us that there were six top priorities for improvement: Remuneration, IT systems and processes, Communication, Training, Access to senior management and finally, greater innovation and the establishment of Postmaster working groups. Co-creation sessions, facilitated by Quadrangle and led by senior leaders and Postmasters, have now taken place across all six priority areas, allowing us to seek further specific feedback on improvements and test potential solutions and new ways of working. These sessions have provided us with useful insights which will feed into our improvement plans over coming months and we will continue to engage and 'co-create'.

26. The consultation survey itself revealed that around a third of postmasters feel unsupported by Post Office and do not feel valued. We'll be monitoring Postmaster sentiment regularly throughout the year, using Quadrangle to conduct short surveys to measure changes in sentiment and overall Postmaster experience as a result of improvements and tangible actions implemented.

27. To further strengthen our engagement with Postmasters, a new Postmaster Director role has been created. This role will champion the importance of the Postmaster at all levels

within Post Office and lead activity that drives Postmaster and trade body engagement, interactions, improvements and cultural change. It is our intention to actively seek a current serving Postmaster to fulfil this role and a recruitment campaign will be launch in early June. We will also be looking at specific secondment opportunities – 3, 6, 9, months in duration – to get postmasters into the centre to support on projects and help shape future solutions.

Postmaster Service and Support

28. In line with the Government easing of lockdown restrictions, field teams returned to face to face visits in mid-April. Their primary focus has been on MDA2 whilst supporting Postmasters to maximise growth in business banking, with the reopening of non-essential retail and hospitality. Additionally, alongside the impact of localised bank closures, we have been preparing to kick start Travel Money and Travel Insurance in our largest branches, to coincide with the traffic light system for overseas leisure travel.

29. Good progress has been made in finalising Postmaster Support policies. We now have a suite of policies that define our relationship with Postmasters on key issues. These have been underpinned by a series of process improvements, for example; making changes to the settle centrally functionality on Horizon - allowing Postmasters to settle any balance centrally where there was previously a minimum limit of £150. We have fixed the issue in Horizon that was not allowing low value transaction corrections to be issued to branches. This has enabled credit transaction corrections, being processed by the branch reconciliation team since 28th January 2021, to flow through to Postmaster accounts.

30. We have launched Postmaster satisfaction surveys for the Branch Support Centre and IT Digital Service Desk. These surveys are sent by email and replace the telephone surveys that have been in place since November 2020. The response rate is significantly higher and early satisfaction measures from the Branch Support Centre (the first area to launch) are encouraging with 88.5% of Postmasters satisfied or very satisfied with the service received in Period 1 (from 209 responses).

Strategy & Transformation

31. Ahead of discussions commencing with Government later in the year on our future funding, which we expect to be part of a 3-year Spending Review in the autumn, we have prepared a paper for the Board which sets out our recommended strategic narrative, three year financial forecast and outline funding request. This paper covers a lot of ground and it represents the start of our engagement process with you, which we expect to continue over the summer in the run up to a targeted approval in late August / early September. Following the Board meeting, we will pull together an engagement plan to allow for more detailed discussion on areas of particular interest to make sure we are able to respond to your input fully in our final recommended plans. We also plan to cover a number of these topics at our July Board Away Day.

32. I set out the core strands of my vision for POL in colleague and postmaster events in recent weeks and this has provided us with a framework to look at our priorities and direction. This is covered in detail in the paper but, in summary, our principal focus is to provide redress to postmasters for POL's past mistakes. We aim to work with Government on how we approach and pay for this, but it is clear that we are unable to

fund these costs, and the uncertainty we face is still causing distraction and disruption to our running of the business. Second, we must establish a sustainable platform that allows us to move forward. In particular, instead of pursuing profit as our primary goal, I believe it is right that we double down on our commitment to protect service provision and grow the network, and for us to invest so that we can maximise policy outcomes for our shareholder. I look forward to our discussion at the Board on what I consider to be an ambitious plan, but one that hits at the very core of what, after the past twenty years, we absolutely must be doing.

33. In more near-term transformation activities, our P1 Change spend was £12.3m, £2.9m below plan, mainly from proactive management decisions to delay DMB strategy announcements and delays in CIO and SPM programme spend. HMBU programme spend was higher due to the timing of spend on legal fees and consultancy fees. Full year requested Change spend is under constant review with Investment Committee as P2 forecast indicates a 16% increase above the £169m budget. This is actively being managed and a common occurrence. P1 Change Benefits were £6.8m, £0.7 below budget mostly due to incorrect phasing for closed projects within Financial Services, this will be corrected in P2. Full year forecast is still on budget.

34. In P2 we have 121 actively tracked "projects" (any CapEx is tracked as a "project"), 8 of which are on-hold. In P1 and P2 we've seen 5 new projects commence, and 16 projects close (including SuccessFactors 1&2, Panther and FJ Exit.) Our Change Group resource requirements have continued to increase, mostly in HMU, SPM and the recently created Postmaster Service Improvement Programme. We have a total of 187 Change Group contractors in P2 compared to 75 in March 2020 (pre-covid levels of activity); our total P2 Change Group resource pool is 12% employee (FTE/FTC) and 88% contractors, whereas 12 months earlier this was 35% employee/65% contractors.

Network Strategy & Delivery

35. The major focus of our Network Delivery team during Q1 is on re-building the network to over 11,500 branches, given that our current waiver expires at the end of June. The open network stood at 11,441 at the end of April following a net increase of 26 in the month. Plans are in place for opening or re-opening over 100 branches by July to close the remaining gap and offset expected closures.

36. Preparations are continuing for the piloting of our new Express proposition in up to 50 locations over the next 3 months, with the first tranche scheduled to go live in the w/c 21st June. The pilots will test small footprint technology and a simplified product set (PUDO and bill payments) designed to operate alongside the main retail counter. In the first instance they will be hosted in a combination of existing Payzone locations and new branches with Strategic Partners such as Co-op and WH Smith.

37. We have paused announcements on DMB exits until at least mid-June to allow time for meaningful dialogue with the CWU on their alternative proposals (due to be submitted by 24 May) and to enable us to manage the interdependencies with wider stakeholder risks, including Starling. While this will delay benefits delivery, this will be partly offset by our plans to commence a voluntary redundancy exercise across the DMB network to adjust staffing models in light of changing customer demand (a cost of £1.2m with £700k recurring benefit).

38. Following the recent process of engagement with all remaining 'Hard to Place' branches, 94 have opted to stay on their existing contracts (effectively moving to a similar status as Community branches and removing a liability of £8.5m) leaving 277 still to find replacements to enable them to exit with compensation. Based on the current pipeline of prospects we expect to deliver 18 replacements during Q1 and up to 97 by March 2022.

39. Beyond the current consultation of MDA2 remuneration, the next phase of work on network strategy is reviewing our wider commercial and contractual framework with postmasters, with initial conclusions to be discussed at the July Board awayday.

Strategic Partners

40. The management of financial stability and risk profile within our top Strategic Partners has been implemented and shared with ARC. This profiling process, which includes financial (facts), trading (trends) and a wider commercial (overall) lens, has highlighted an 'amber' risk for WH Smith, McColls and Mid-counties Co-Op. This was expected and is being monitored monthly both internally and with the partner themselves.

41. Our Strategic Partnership team, recently re-organised and under the new leadership of Katie Secretan (ex Costa), is developing a roadmap to deliver professional partnership management. In practice this means greater routine and rigour, building engagement and enhancing commercialisation (i.e. focus on data and insights to drive trading) to enable joint business planning. This includes the increase and realignment of resource, the upweighting of capability and a clear definition of roles and accountabilities to deliver a tiered approach of support to our partners based on their size, scale, brand/purpose alignment and strategic potential. There are early successes in the joint plans developed to trial new formats and propositions with WH Smiths, Co-op, Rymans, Henderson (Spar NI). Additionally, this new focus has enabled network growth conversations for places where our blueprint gaps can be filled. For example, we will place 5 Express trial locations with Timpson in blueprint locations across central London. At the same time the Strategic Partnership team is working to build changes to our internal processes to manage our Partners on a corporate basis, given their needs are different from individual postmasters and they have a greater capability to add value to our Network. This is an area of particular interest and opportunity for me (given my Nisa experience) which is underdeveloped at present. There are 1400 branches in the Strategic Partnership group. We should have an ambition to grow this by 30%.

IDG

42. Improvement Delivery Group (IDG) and the wider Post Office team continue to make good progress against the planned improvements. A total of 48 Oxblood red items (those with highest priority due to detriment) have been delivered since the judgments, with 41 having been internally audited as complete. We are on track to deliver the vast majority of planned improvements due for end May 21. Two Oxblood improvements are held pending a decision on the scope of the HSS (a specific Board paper is being prepared on this), and another is only a couple of weeks behind following the need to reconsider the Post Office approach to appeals panels. For these remaining improvements, good underlying progress has been made and whilst not on track for end

May, we do expect to complete them shortly, having taken a little more time to ensure we get the right outcome.

43. Looking forward, we have 14 Red items (those with potential to cause detriment) which are due for delivery by August 21 and we will of course be progressing the resolution of historic detriment alongside. More details are contained in the IDG paper in this pack.

IT activity

Service issue - Lottery

44. We had a major lottery incident that impacted branches at the start of April. The incident was caused by the closure of a project impacting master data. The resolution to the incident was slow and Postmasters were impacted by errors made in attempts to correct the issue in their accounts. To finally resolve the issue 15,768 transaction corrections were issued (taking transaction corrections to 27,660 in Period 1 – normally c12,000 per period).

PCI-DSS

45. Partner Testing and UAT has completed and there are no open software defects that prevent the deployment of the solution into Model Office. The solution is being deployed into Finsbury Dials Model Office for 2 weeks before the solution enters the branch live piloting phase. Both the Model Office and live-pilot are tracking 2 weeks later than forecasted with Model Office testing now scheduled to start on the 1st June 2021. The delay was due to Fujitsu testing taking an additional week and an issue with the exchange of encryption keys between Ingenico and VocaLink. Assuming the live pilot progresses to plan with no major issues, our critical path to starting full branch estate migration is dependent on Santander completing the migration of their interface to POL onto the VocaLink network, which is due to complete early July 2021. Santander are still reporting green on this task but there is a (new) potential risk given their recent nationwide outage issue affecting their entire retail banking state which could have change management knock on effects. We have requested an urgent session with their Retail CIO to gain delivery date assurance and ratification.

Belfast Data Centre Cloud Migration

46. Our delivery plan continues and involves the migration of the Branch Database, BRDB, in 3 phases with the first stage scheduled to complete 25th May 2021. At this point, the data from the primary BRDB database in Belfast will be continuously and synchronously copied to a new AWS cloud hosted BRDB instance. This enablement will be followed by a period of extensive testing to validate the integrity of the data before moving to phase 2. The second phase involves the further data migrations to use the AWS BRDB as the live production source & destination for 3rd party client files which are processed via the Post Office Data Gateway (PODG) and this is scheduled to complete by 30th June 2021.

47. Aside from the BRDB there are 2 other key workstreams. Firstly the migration of the Branch Access Layer (BAL), which is the main system that 'orchestrates' customer journeys by either directing transactions for persistence in the BRDB or in some cases routing requests to 3rd party clients for real time transactions. The migration of the BAL is a fundamental enablement task to commence counter migrations to cloud, however progress is slow due to:

1. A limited pool of Fujitsu SME resources with the deep knowledge of the BAL. This is further constrained by resource contention conflict to support other priorities (like HIJ/Inquiry)
2. Limited amounts of suitable existing test artefacts resulting in the need to create new test material from scratch.
3. Contention over the use of limited test environments with other POL projects and programmes

48. The request of FJ was to complete the migration of the BAL by mid-July 2021 to allow the migration of branches to complete before the POL estate wide change freeze starts. This will now not complete in time and the current estimate for the completion of this work is early September 2021. The other key workstream is the migration of the applications that deal with 3rd party integrations. Following analysis work conducted by AWS and POL Cloud Office, we are pursuing a route to migrate this functionality out of Horizon. A proof of concept is underway where this approach is being trialled for 3 clients; Mails Track & Trace, DVLA, and an internal Horizon supporting interface. This revised approach has the clear advantage of allowing the interfaces to be re-used by SPM and will further reduce the scope of services that POL relies upon from Fujitsu i.e. Horizon scope reduction. External assurance work has also started to validate the approach taken by the team to execute the migration. The primary focus is to validate the approach Fujitsu are taking with the BAL, to provide independent assurance on the database migration approach, and to further validate the client integration proof of concept approach/outcomes.

49. Jeff Smyth and I are planning to visit to the data centre in Belfast in June and will be meeting with key Fujitsu executives during the visit to discuss our ongoing workstreams.

Branch & Digital Engineering

50. B&DE continue to build the capability required to deliver SPM along with other business programs. The team has grown to 44 and where roles are enduring we are building out long term capabilities through permanent resourcing. In parallel, we have launched a "Scaled Development Partner" procurement using our Digital Services Framework to ensure we have appropriate technical support and scale for delivery.

51. For SPM, our most immediate focus is the September Express Proposition Go-Live. Enablement encompasses many workstreams: Retailer settlement, Payzone & Finance integration, Agent Remuneration, Master Data Management integration, Royal Mail Track and Trace integration (in conjunction with Belfast Cloud Centre of Excellence) and Product Journey Engine (PJE). Device selection has been delayed due to the Device team focus on Amazon PuDo device selection and testing. Market re-engagements is imminent with parallel planning for procurement activity.

52. Other projects progress: *Multi-Carrier PuDo* has made excellent progress. A cross-functional team has worked with DPD and is currently in e2e testing and is gearing up for an early June go-live. Amazon scaling-up is continuing in parallel. In sourced *ATM* solution design is complete for Back Office integration and management with build activity underway. In *Identity,* DVLA integration testing is completed, SIA work has started and Passport journeys will be re-enabled in early June (HMPO controlled pause). We are also exploring opportunities with the Department of Health to support vaccine passports.

Business Transformation Unit

53. Good progress continues within the Business Transformation Unit (BTU). The SPM programme is progressing towards a late September launch of the first Express branch with non-Horizon technology. The next big milestone is having 400 Express locations live by April 2022. In parallel, the business transformation part of BTU is kicking into gear with the focus being on "Project BAFTA" – a targeted, cross-functional effort to modernise our branch accounting and cash management processes in tandem with the 'build' of the Horizon-replacement software.

54. On Branch Hub, our online portal for engagement with Postmasters, the team launched this month the first MVP release of its "Branch Performance and MI" module with encouraging trial results. The module is aimed at providing Postmasters with direct access to sales, transaction and benchmarking data, which will allow them to more profitably operate their businesses.

People Activity

Post Office Culture and Ways of Working

55. We launched our new Ways of Working on 27th April at the 'We are Post Office' Colleague conference. Our 3 new Ways of Working are:-
    - **We work in partnership**
    - **We are one team**
    - **We deliver**

56. These each have 6 supporting statements to provide guidance on the expectations of each pillar – these will be used to build out a behavioural framework that will define the behaviours for colleagues, managers and leaders in Post Office that will be used to supplement performance, development, recruitment processes. Our Ways of Working are wrapped around with our 'We are Post Office' colleague commitments where we celebrate Diversity and Inclusion, encourage Learning and Growth and champion care and support.

57. The embedding planned, linked to Postmaster engagement, is currently being developed.

58. Our "We are Post Office" campaign continues to embed and bring to life our new Ways of Working. Activities include People Manager workshops to establish the new Ways of Working, video campaigns from GE sharing the commitments they have made to each Way of Working along with regular stories to celebrate and reinforce the new Ways of Working. Our internal intranet has been updated to create a Culture Hub providing colleagues and managers with the tools and information to support the Cultural transformation.

59. The 'Week in the life of a Postmaster' workshops have been attended by all support function colleagues. 90.7% of colleagues rated their session either good or excellent. Before watching the films and having the discussions, on average, colleagues rated their Postmaster knowledge at 6.51 out of 10, which increased to 8.56 out of 10 after seeing them – a 20.5% improvement. Follow up material is being provided to GE direct reports to continue the conversations in their team meetings.

Future of the Workplace

60. As we emerge from the pandemic and await further guidance in June on how social distancing will affect us, we are looking at the Future of the Workplace and how this will look and feel. We have asked all colleagues to complete a survey to provide insight into the how they are feeling about remote working, the new ways of working we have implemented during lockdown, such as Empower hour and shorter meetings times, as well as their thoughts on the purpose of our office spaces.

61. Early results indicate a large majority are supportive of continued remote working, however that needs to be balanced with managing team and human interaction. Plans are to use the summer months to test and learn scenarios, with a full return to the office with the new ways of working planned for September.

Annual bonus (short & long term incentive plans)

62. Once again, we have failed to start the new financial year with a bonus scheme. This is particularly disappointing given there were no schemes last year. However, we continue to work with the Shareholder to set and agree the appropriate measures for the bonus and long-term incentive for 2021 that is suitably stretching and aligned to our strategic intent and priorities. This will be discussed at the next Remuneration Committee meeting in July.

Directors Remuneration Report

63. Work is ongoing to finalise the Directors Remuneration Report which will include disclosing the CEO Pay Ratio for the first time this year. Approximately 70% of companies have published their CEO-to-worker pay ratio, with the median ratio at 37:1. The highest CEO pay ratio is 723:1 and the lowest is 11:1. We anticipate Post Office to be at the lower end between 12-14:1.

Ongoing focus and concerns

Industrial Relations

64. **CWU Pay award 21/22** - CWU have issued their pay claim for 21/22 financial year. They are asking for 3% increase to basic pay, a 1 hour reduction of the full time working week, 2% improvement to employer pension contributions, improvements to MtSF (I.e. collectively agreed) redundancy terms, improvements to contractual annual leave and a commitment to introducing a collective defined contribution pension scheme (as in Royal Mail). We have delayed negotiations until June to allow us to focus solely on Project Starling. With such demands, we can anticipate a dispute later in the year.

65. **Pensions - Project Assurance** – We met with the Unions on 18th May and agreed that we would issue a high-level communication to indicate to members that errors (still to be fully quantified) have been made by POL that we are keen to correct and ensure the correct benefits will be paid to those affected. This is slightly earlier than we would have preferred but by communicating now this will mitigate the impact of Union communication that they are insisting are issued and allows POL and the Trustees to take the lead with messaging to members.

66. Separate communications will be sent by POL, RMPP and the Unions on 1 June albeit with prior viewing. The relationship with the Trustee has improved in recent weeks, with engagement with the Chair directly at a meeting in early May, which has led to a more collaborative way of working. The Pension Administrators expect to be able to start the corrections to member benefits in September hence there can be no individual communication on impact until the Autumn. We continue to explore how to meet the buyout date of 31 March 2022.

Project Starling

67. We will have a live update during the Board meeting as negotiations are still ongoing. The current situation (24 May) is that despite intense discussions and negotiations with the CWU, we could not agree terms to allow for a joint application to postpone the Employment Tribunal. Although we applied in our own capacity for a postponement, the Judge is going ahead with the ET on 7 June. We are clearly now working on our trial strategy, in parallel with further engagement with the CWU. We will share our proposed approach at the Board meeting.

Public Inquiry

68. With the agreement of the Prime Minster, Minister Scully has converted the Independent Inquiry to a statutory Inquiry, which will officially take effect from 1st June 2021. Sir Wyn will remain as Chair and given the substantive change to the Terms of Reference will be allocated more time to undertake his work, and we expect the inquiry to publish their main report in Autumn 2022, rather than summer 2021. BEIS believe even this date is ambitious.

69. The inquiry will complete its planned engagements throughout May, but public hearings that had been expected to take place in June will be delayed. They will not occur before October and are most likely to be delayed until the New Year.

70. Sir Wyn will publish a progress report in September. This is unlikely to have any 'findings' but will have more detail on his approach and plans given the statutory footing his Inquiry now has.

71. As a response to this development, we will be reviewing the construct of the HMBU. Firstly to detach the operational and IT fix workstreams and get them embedded back in BAU. The IDG will manage these processes along with GLO conformance.

72. We will then upweight the Inquiry team to reflect the greater legal footing, formality and information gathering expectations that will be put upon it. This team needs to be more proactive in its dealings with the Secretariat.

73. Finally, we will reshape the prosecution assessment and compensation workstreams to ensure we make the governance, reporting and oversight more effective.

74. Declan will roll off in July and we will bring in different skills which have more emphasis on legal expertise, government experience, compensation scheme management and stakeholder building.

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Communications overview and Political & Regulatory environment

75. As mentioned earlier, along with Amanda Jones, I have spoken in the last month at two NFSP events which formed part of their Annual AGM and annual conference. There was no shortage of topics to address, but the main areas of interest centred on our strategy and understanding the Future of the Post Office, as well as discussing MDA2 and the new deal with Royal Mail. I have the next working group session with Minister Scully and the NFSP on 26th May, where we will cover both of these areas as well as how Post Office will emerge from lockdown and the restrictions of Covid-19.

76. I spoke at the All-party parliamentary group (APPG) on 18th May, chaired by Marion Fellows MP. It was a wide-ranging meeting and broadly positive. Interestingly the spirit was more collegiate than usual, with a desire to help. Questions included; How can we, as parliamentarians, help you get cut through with Government on compensation and on addressing Fujitsu. A new approach.

77. I wrote to Secretary of State Matt Hancock to bring to the Government's attention our new identity services partnership with Yoti and our potential to make a substantial and effective contribution to a safe return to international travel, for both business and leisure purposes. As a result of this, I had a useful initial meeting with Lord Bethell of Romford, the Parliamentary Under Secretary whose portfolio covers test and trace technology. The meeting was an opportunity for Post Office to (i) introduce the Company's wider identity service offer as a pillar of our future business model; (ii) further explore and demonstrate how the EasyID App can be integrated into the NHS App for the purposes of identity verification and configured to enable users to verify their specific Covid-19 vaccination and test credentials to third parties; and (iii) discuss further areas of strategic alignment with identity services. Further dialogue is expected as we explore mutual possibilities.

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POST OFFICE LIMITED
BOARD REPORT (Legally Privileged)

Title:	Project Starling	Meeting Date:	03rd June 2021
Authors:	Laurence O'Neil, Senior Legal Counsel - HR & IR / Rod Campbell, Project Starling	Sponsors:	Dan Zinner, Group Chief Operating Officer

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Input Sought: Decision on Trial Strategy

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Next Steps & Timelines

01 Jun 2021 Supplemental Witness Statement Exchange

07 Jun 2021 **Employment Tribunal Hearing commencement.**

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APPENDIX A

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POST OFFICE LIMITED
BOARD REPORT

Title:	Strategic Plan - Discussion	Meeting Date:	03rd June 2021
Authors:	Max Jacobi (SFP&A Director) Tim McInnes (Strategy and Transformation Director)	Sponsors:	Al Cameron (Group Chief Finance Officer) Dan Zinner (Group Chief Operating Officer)

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Context & Summary

We believe that the Government is most likely to run a 3-year Spending Review this year, probably during the Autumn. In preparation for this process, we agreed with the Board in March that we would share our views on Post Office Ltd.'s (POL's) priorities for this period, alongside and associated financial plan (inclusive of funding requirements) at this Board. This is informed by our last plan, approved by the Board in August 2020, as well as our learnings over the past 18 months which have taught us a considerable amount about what we need to do to rebuild trust across the postmaster community, and not just those affected by the GLO. This paper is therefore designed to start a conversation with the Board and our shareholder that we expect will conclude at the end of August with an agreed Strategic Plan for POL and an accompanying funding request to UKGI. That will allow sufficient time for the plan to be due diligenced by UKGI's advisers and for approvals, prior to the Spending Review itself.

The final paper will have three components to it:

- Our vision and narrative, laying out where we have come from and most importantly what we want to concentrate on over the coming period (including where this is different from one year ago).
- The key components of the financial plan that we believe flows from these priorities.
- Additional detail and clarity where needed to answer questions from the various parties.

Being the initial step in this process, the focus for 03 June should be:

- Our vision and narrative.
- The key components of the financial plan.

We recognise that this plan will evolve over the coming months as we work to form a consensus with the Board and UKGI. We will also work through an external assurance process with UKGI and add further detail as required in support of the final bid document to UKGI.

Some elements of our plan will necessarily deviate from those discussed in last year's SR Bid (before it was rephased and reduced in scope to one year, and Telco proceeds were reprioritised to support the cost of the HSS). We have learned a lot from the pandemic, about what should matter most and what we are capable of, and this has informed our thinking. Alongside this we have clarified our priorities and how to deliver against them. We also have more information to base a post Covid trading outlook on (although there is still uncertainty). We expect there to be debate about our proposals and we welcome the dialogue and scrutiny.

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POST OFFICE

What is Our Vision and What Do We Want to Achieve?

A Sustainable Post Office Network

1. In recent postmaster and colleague communications we have been clear that addressing the past is our #1 priority and that, over the next four years, our forward-looking strategy will be concentrated in seven principal areas.

Our Strategic Focus		Our Goal by 2024/25
1. Prioritise strong, trusting and rewarding relationships with our postmasters	→	**A New and Respectful Partnership with Our Postmasters**
2. Grow our network, making sure we have the right services in the right locations nationwide	→	**A Network Meeting the Needs of Consumers, Small Businesses, Postmasters and Communities**
3. Innovate in mails, working with more carriers and delivering more of what consumers and SMEs want	→	**A Clear Leader in the UK Retail Mails and Parcels Market**
4. Secure free, convenient and reliable access to cash in every community	→	**A Critical Role in the Future of the UK Cash and Banking Industry**
5. Build commercial partnerships to launch new products and services in our branches and online	→	**A Focused Portfolio of Services Supporting Income and Footfall Growth**
6. Invest in new branch technology for postmasters' and online for their customers	→	**A New IT Platform That Supports Our Network and Postmasters' Work**
7. Create value for our shareholder with a successful, sustainable and efficient business	→	**A Sustainable Post Office Network, for the Shareholder and Postmasters.**

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2. First and foremost we will prioritise building the right relationships with our postmasters, establishing a partnership where we not only listen and communicate better but also where we give postmasters what they need to run their branches, the right support and commercial partnership that their hard work deserves. We will also comply fully with the GLO and put in place the controls framework we need to make sure something like this can never happen again. Where we encounter trade-offs – such as in relation to availability of funding, organisational and senior management capacity, or where elements of our plans are not perfectly aligned – our relationship with our postmasters will take precedence. This is because we firmly believe that resetting and investing in our relationship with postmasters is **the** critical component in us having a trusting partnership, creating a sustainable post office network and achieving, successfully, our shareholder's desired policy outcomes for our business.

3. We admit that we fell far short of where we need to be with our postmasters in recent years, and that is why we need to act. Mr Justice Fraser's findings in the GLO and the work we have undertaken subsequently to this paint a stark picture, where a focus on profit, gaps in capability, weaknesses in systems and controls and an unsupportive culture

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have led to postmasters not feeling respected, remuneration that is constantly under pressure and liabilities that we are having to rely on the shareholder to fund. This must be fixed.

4. Linked to this, we must also shift how we talk about profit. Through recent discussions with the shareholder, as well as our postmasters, we know that delivering a profit at the end of the year is not our principal goal. As a business that has continued to rely on external funding as profits have increased, and also given the vulnerabilities that have now been exposed, this focus does not present an accurate picture of our strength, sustainability or performance. Our network matters most and we must do what it takes to make it sustainable. While profit is not and should not be inconsistent with this, our past has shown that a focus on profit does not serve POL, our postmasters or the shareholder well in the long run.

5. To achieve this, we need to invest in our people, capability and culture as well as the technology, the support, the systems and the processes required for branches and for POL itself. As part of this postmasters must also be rewarded better, receiving an equitable share of the network economics. We should be held to account on how we spend our funds and invest in the business while clearly articulating this to postmasters. With two new postmaster NEDs on the Board, we will be more transparent in this area.

6. We must of course also have a business that can support itself and, subject to the priorities we set out in this paper, the demands placed on us by our shareholder and other constraints we face, we should also minimise our need to call on the public-purse for external funding. We will therefore do what we can to generate funds that can be used to invest in sustaining and developing our business, and generate surpluses that would allow us to reduce our need for subsidy, though in the near-term this will not be our primary ambition. We are, however, proposing to self-fund around 70% of investment activities as the plan stands.

7. In this plan we are proposing: (i) a subsidy of £50m a year, which is flat on prior years and means we are absorbing the expected cost of responding to Project Starling (this is still materially lower than the estimated £70m annual cost of us discharging our network obligations, excl. other costs associated with public ownership); and (ii) a total change spend programme excl. funding of historical matters of £474 million, of which we are seeking support of £140m from the shareholder.

8. Our targeted outcome in 24/25 will be a sustainable network run by an appropriately rewarded and well-supported population of postmasters, delivering critical services in every corner of the UK. The social and economic value we deliver will have increased and we will also be supporting government's stated goal of delivering a national recovery from the pandemic, supporting jobs, businesses and economic growth.

Changing Market Context and Learnings from the Pandemic

9. Since we were separated from Royal Mail in 2012 our shareholder has invested more than £1.3bn in our modernisation, principally to remodel the network through Network Transformation, and to position our business for success in Government Services and Financial Services, but also to reduce and make our cost base more flexible. While Network

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Transformation delivered what it set out to achieve, investing in more than 7,000 Main and Local post offices and demonstrably pulling the network into the 21st Century, the commercial outcomes that were expected did not materialise. A coordinated strategy to win government business failed, as Departments across Whitehall sought to digitise and cut costs, pulling business away from the network. Our plans to build a competitive in-branch Financial Services proposition also struggled against the tide of the wider financial services market which was more competitive than planned and which shifted increasingly away from physical interactions, and due to our partnership with Bank of Ireland not delivering what we needed from it.

10. As a newly independent business in 2012 we also lacked the foundations to succeed, in terms of relationships, culture, technology, business intelligence and process maturity and we did not invest enough in these areas. Our recent history has exposed these weaknesses very publicly.

11. Over this period our other businesses, particularly mails, cash and banking, bill payments and travel did perform far better than we thought though. Our relationship with Royal Mail remains strong and we have grown together as the UK market for parcels has expanded, and the risk of Royal Mail disintermediating in-branch business has also been slow to emerge. Through the banking frameworks we have grown footfall, income and profit significantly and we now have the opportunity to position ourselves at the centre of the UK cash market in a way which was unthinkable only a few years ago. Bill payments has also proven to be more resilient than expected and, supported by our acquisition of Payzone, we have built market share in this footfall and cash generative market. And in travel, despite disruption and innovations from new entrants and our established competitors, we remain the market leader in foreign exchange and we also now control more of the travel insurance value-chain allowing us to create value in ways not possible before.

12. Therefore, while we do have a modernised network and can point to a number of commercial successes, we do not necessarily have a network or a business that is oriented to deliver for postmasters, or to meet the needs of communities, consumers and small businesses. In addition, postmasters have not benefitted from the promised footfall or income from higher-value services that they were expecting when Network Transformation began, and particularly when the then government committed to the post office network being the 'Front Office of Government', and instead they have seen a number of long-established services withdrawn and income from running their branch come under pressure. This has also damaged trust.
13. This background context was a key ingredient in our network and wider strategic work in 2020 which remains valid today, and as such the commitment to building a sustainable network that we are making is consistent with the priorities, outcomes and strategic objectives set out in our August 2020 funding submission (see Appendix 2). Our experiences over the past 18 months have however also influenced our plans, showing us where we have strengths, and can have more confidence in our ability to deliver, but also where we are weaker and therefore need to have discipline in our planning.

14. During the pandemic our newly reorganised executive team showed that with focus and the right structure we can work across teams effectively to deliver ambitious goals; in

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March 2020 we pivoted quickly in response to the first lockdown getting PP&E into the network fast and ramping up support to postmasters, including for remuneration, and this has won us considerable goodwill. During the past year, with considerable senior management engagement, we also delivered a new 10-year contract with Royal Mail, we launched the PUDO trials and the CACP pilots, and we completed the long-planned sale of our Telco business. These successes have all also shown us that, as a business, we have finite capacity to deliver and that we must be disciplined in our approach to change if we want to succeed. With HMU we also learned that where things matter, we cannot delegate. Progress with the HSS has not been as fast as we would have liked and the scale and complexity of this unit, as well as the impact it has elsewhere in our business, means we must keep its activities close. We have learned from this experience and are addressing these challenges now.

15. Our work over the past year, and particularly our recent experience with the MDA2 changes, has also shown us that the relationship we have with our postmasters is far weaker than we first thought and that it will take more than compliance with the GLO, better support and communication and higher remuneration to rebuild trust. We need to rebuild our relationship with our postmasters from the ground up and earn back trust over time. The GLO and the recent Court of Appeal ruling also shows that our brand as retailer, franchisor, supplier and employer of choice has been severely damaged and if we want to re-establish our former position, we again need to invest time and resources. Finally, we have also identified a need to drive a change in our culture, to engage more openly and collaboratively with our colleagues and to build capability in a number of key areas if our plans are to succeed. This includes not only our ability to drive change but also how we work once that change has taken place, with POL taking more ownership of our operations in-house.

16. Finally, looking forward, we must accept that a large part of senior management's time this financial year will be focused on supporting the delivery of the statutory Post Office Horizon IT Inquiry as well as planning and implementing its recommendations and that this will have repercussions on our capacity to deliver elsewhere. As outlined above, the past 18 months have shown that if we try to do too much or we delegate where it is not appropriate we risk failure; for the inquiry to succeed, and in the best interests of our network, postmasters, colleagues and shareholders, this is not a gamble we believe we should take.

Our Plan to Deliver a Sustainable Post Office Network

17. Given what we have learned over the past 18 months, the starting point for our strategic plan is different today compared to what we expected it to be last year when we submitted our funding request, and while there is clear continuity in our plans we are now proposing to go further in some areas while pulling back in others. Our commitment to a sustainable network cuts across all parts of our vision, and to repair our relationships with our postmasters and rebuild trust, positioning POL as a modern sought-after franchise, a lot needs to happen.

Prioritising Postmasters	We will embed new ways of working within POL and, through the Postmaster Service Improvement Programme, overhaul how we support our postmasters on a day-to-day basis, improving communication and listening, training and on/offboarding, continuous improvement, dispute management and supply chain and stock processes.

Network Growth	We will continue to exit from our DMBs, find solutions for our hard-to-place branches and respond quickly to the outcome of Project Starling, while at the same time selectively deploying new propositions and automation. This will drive efficiency and top line growth, but also, by solving a number of long-established challenges, deliver a more sustainable network, more franchisable formats and easier-to-manage churn.
Mails Innovation	We will consolidate our #1 position in the retail parcels market by building on our third-party parcel pilots to extend this service more widely across the network, work with more carriers and offer more services. We will also explore investing in digitising the mails journey to simplify the postmaster and customer experience, to retain more volumes in branches, as well as options to sell mails products online.
Securing Cash	We will complete the migration of BOI's ATM estate and launch BF3, strengthening our role as the leading provider of cash and basic banking in the UK, with a focus on underserved communities. As banks continue to close branches in the period the importance of our role will rise and coupled with investment in automation, we will make sure we are optimally positioned for opportunities presented by BF4.
Building Partnerships	We will remain committed to our core bill payment and travel businesses but also explore the development of other commercial opportunities, in existing as well as new markets, using a platform model. This will bring together our retail brand and network with partners' investment and product capability, to create new profitable growth opportunities for postmasters and POL.
Investing in Technology	We will give postmasters the technology they need, replacing Horizon, launching Branch Hub 2.0 and investing in new data capabilities. This will deliver a more intuitive and easier to train POS system, simpler branch operation and administration, clearer comms channels and better business intelligence and management information.
Creating Value	We will bring our transformation journey to an end, creating long-term social, economic and financial value by embedding the right culture and behaviours, building out our capabilities and putting in place the right systems, controls and processes – in branches and in POL itself – to operate, sustain and develop our network.

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18. Since much of this change will take time to deliver, in the immediate term, we also plan to put in place a new profit-sharing arrangement that will allow postmasters to participate in our recovery from the pandemic and our commercial growth. We are also conscious that without us delivering tangible benefits to postmasters in the near-term – for instance in the form of higher remuneration, new technology, improved service levels or process improvements – our ambitions to rebuild trust will lack credibility and likely falter. A profit-sharing arrangement is therefore an important step to take. The details of these arrangements will need to be agreed with the Board and our shareholder however we envisage it could deliver a minimum level of growth in remuneration at a group-level year on year, and also be a mechanism that rewards all postmasters regardless of tenure, format or location.

19. We also know today that not all of these activities will benefit postmasters directly, and some may even disadvantage selected branches, however they are all steps we believe we must take to secure the delivery of a sustainable network.

    - **Network Growth:** the plan seeks to grow the network to around 12,000 branches (c.4.7% net growth), strengthening coverage in key urban markets where we have fallen behind the competition in terms of convenience and accessibility for customers. This should improve our ability to secure new carrier relationships, capture growth in

the expanding PUDO market and win new customers, growing footfall and postmaster remuneration network-wide. It should also enable us to manage network churn more effectively, reducing the dependency on high cost Outreach to meet network numbers targets. While the strategic imperative is clear, we are acutely aware that at the local level the opening of new branches will cause significant concern for existing nearby postmasters. We are seeking to address these concerns through three steps: (i) careful selection of new locations driven by data on customer demand and competition to pinpoint those areas where a new site should help grow our market share; (ii) using our new, lighter-touch formats rather than full-service solutions to drive the majority of the network growth, thereby limiting the scope for cannibalisation (the parcels volumes expected in our new Express format accounts for just 1.6% of the remuneration of a typical Mains branch and 5.5% of a typical Locals – so even in the unlikely worst case scenario that all of this volume came from nearby branches the impact would be small); and (iii) re-establishing an appeals panel with the NFSP to review any cases where a postmaster does believe a new branch has had a material impact on their business, to enable us to identify suitable mitigating actions.

- **Building Partnerships:** Although we aim to prioritise our commercial investments in areas that will drive footfall into the network, some growth opportunities open to us will be direct to consumer, bypassing branches and delivering no direct benefit to postmasters. These areas do however remain part of our strategy since they typically require low levels of investment and management bandwidth, are cash generative and they help to diversify our revenue. Postmasters will still gain, from the profit share as well as from the investments the income we generate allow us to make in our infrastructure, but we are also committed to working with our clients, such as Yoti, and postmasters to explore ways in which branches can play a more active role. This could be as a sales channel, through innovations that unlock opportunities to deliver services in-store or simply by supporting the brand that these revenue streams are leveraging.

20. In the immediate term our current plans do not offer up any large-scale cost transformation, in relation to staff or non-staff costs, and we have also dialled back our ambitions around our network strategy, as we have only limited organisational capacity and, likely lack access to necessary funding. Since 2012 we have made significant progress in reducing and restructuring our cost base and in transforming our network but to do more, particularly at scale, will now be costly, complex and, in many instances, also controversial with our colleagues and postmasters. We have already rescoped and delayed a number of initiatives set out in the plans we put to our shareholder in August 2020, including some headcount reductions and the start date for when we will begin the next phase of exiting our DMBs, principally in response to funding pressures caused by the HSS, handling concerns with our Unions and limits on senior management capacity. These challenges remain and given the important work we have identified to rebuild relationships with our postmasters we have decided to reprioritise and place less emphasis on certain programmes. This revised emphasis is therefore reflected in our plans.

21. The Board have in the past discussed significant headcount reductions, at levels materially lower than the circa 3,100 FTE's we have today, as well as challenging management on reducing non-staff costs. Delivering a material impact here is complex, costly and takes

up a significant amount of senior management time that cannot then be deployed on other activities. More importantly these activities are incompatible today with delivering a sustainable network. Investing in capability and culture is difficult when people are fearful for their jobs from staff cuts, and putting in place the technology, the support, the systems and the processes we require, at the same time as we are transforming core operational functions to take out non-staff costs, materially increases execution risk on both sides of the challenge. This does not mean we will not prioritise efficiency and reducing costs where we see opportunities to do so, but it does mean we will not actively take on these projects where we believe they pose a risk to what we are prioritising elsewhere.

22. We welcome input from UKGI's assurance advisers to inform whether we can take a different approach here and whether there might be areas for savings however, in recent years, new opportunities have not been identified as part of this challenge process. In addition, we still believe that there are significant benefits to be realised from changing our appetite to contract, legal or procurement risk, however we understand that there is limited appetite to explore this.

23. In our network strategy, and in response to the concerns raised with us by postmasters around cannibalisation, we have scaled back our plans to add branches where we believe there could be opportunities to do so, and we will also be converting fewer Mains to Locals than originally planned, mitigating saving on investment but also forgoing financial benefits from these changes. The current network structure is a legacy of Network Transformation and while its shape will need to change, if we are to meet the needs of consumers and small businesses today and ultimately also deliver a truly sustainable network, we are proposing to do this more slowly and over a longer period of time. This refocusing also frees up management capacity to deliver other parts of our network plans and reduce execution risk, in particular in relation to our DMB programme and implementing changes that respond to Project Starling (incl. risk reduction activities). Less change in the network also means the team are better able to support other initiatives across the business – in particular our mails and cash and banking strategies, and the delivery of SPM and Branch Hub 2.0 – where successful delivery is critical to us achieving the sustainability we are committing to.

24. Our plans to deliver a sustainable network by 24/25 are ambitious but necessary and, if successfully achieved, will deliver material benefits for postmasters, in the form of a transformed relationship with POL and increased remuneration, and our shareholder, in the form of better policy outcomes and positive financial value. With a sustainable network, subsidy should also be starting to decline and our need for investment funding will also be much lower, at a level serviceable not through grants but by loans from our shareholder. It will also mark the end of POL's transformation, and for the first time since our separation from Royal Mail in 2012 we will have put in place the right foundations, and the flexibility the business needs, to respond to any future challenges.

Funding the Past

25. Over the past year we have had a series of discussions with our shareholder about the funding of historical matters associated with the GLO and we understand that it wants POL to hold the front line of public accountability for past wrongdoings and, where possible, to bear a material share of the costs. In discussions following our funding settlement we

agreed to pay REDACTION of our own funds towards the cost of the HSS (i.e. the original forecast cost of the scheme) as well as REDACTI... more proceeds realised by the sale of Telco than had originally been forecast. We are also funding all project costs, which go far beyond 'legal costs'. Once these funds have been used, the project costs spent, and in the absence of a material outperformance by POL, or a direction from our shareholder to 'strip' out further value, we cannot afford to contribute more to the costs of funding the past if we are also committing to deliver a sustainable network.

26. Moving forward we will therefore be asking our shareholder for a clear financial separation between our past and our future. As a business we expect to bear the costs of establishing strong, trusting and rewarding relationships with our postmasters, as well as the cost of legal advice and any new costs associated with Project Starling (supported by an increase in subsidy where necessary), however in the coming years we still expect to face very significant and unaffordable claims, from: (i) the HSS and any associated litigation if the scheme is unsuccessful; (ii) postmasters who were wrongfully convicted and who seek compensation; (iii) risks related to the treatment of the December 2019 GLO settlement; (iv) other areas that have been identified by our improvement activities and, given the recent change in the statutory nature and scope of the Post Office Horizon IT Inquiry, which we expect to arise in the coming months; and (v) potential settlement and wider costs associated with Project Starling. While we could put ranges on these, uncertainty is high, though we are sure that, in aggregate, they are beyond what POL can afford and so we will need shareholder support to fund them. We will also look to the shareholder to fund future process costs associated with these, in line with established precedent in the public sector for similar schemes. Payments will need to be made fully, fairly and quickly for justice to be seen to be done, and for POL and Government to manage reputational risk, particularly in light of recent changes to the scope and legal standing of the Post Office Horizon IT Inquiry.

27. It is not in the shareholder's interest for POL to continue to face uncertainty regarding the funding of these claims, since not only will the obligation to fund ultimately fall to the shareholder in all scenarios, but continued uncertainty undermines operational decision-making. It is also a distraction for management who need to focus on running the business and remedy past failures, while also delivering a large-scale programme of change.

Profit and Contribution

28. At a headline level we are growing profits beyond pre-Covid levels whilst also supporting the Network and Postmasters:

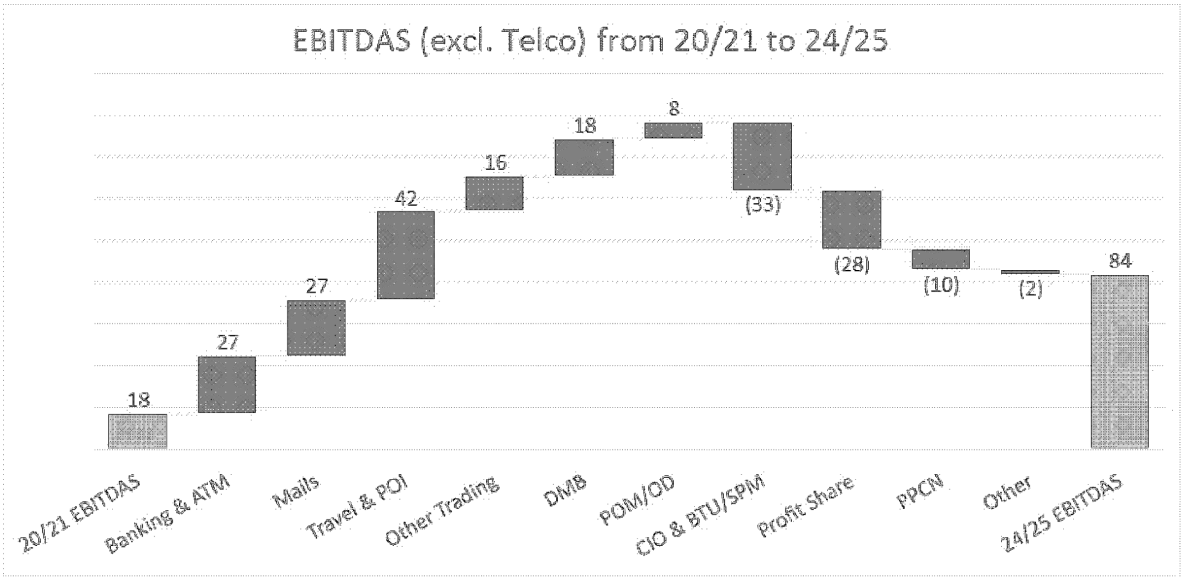
£m (Incl. Telco)	19/20	20/21	21/22	22/23	23/24	24/25
Revenue	955	957	855	870	892	925
Cost Of Sales	(113)	(119)	(42)	(38)	(31)	(33)
PM Rem	(387)	(411)	(407)	(438)	(453)	(476)
FRES	28	(7)	8	9	14	21
Other Income	13	4	0	0	0	0
Staff Costs	(171)	(162)	(160)	(149)	(145)	(140)
Non staff Costs	(242)	(226)	(202)	(208)	(213)	(213)
EBITDAS	82	35	52	45	64	84

£m (Excl. Telco)	19/20	20/21	21/22	22/23	23/24	24/25
Revenue	810	815	855	870	892	925
Cost Of Sales	(29)	(28)	(42)	(38)	(31)	(33)
PM Rem	(386)	(410)	(407)	(438)	(453)	(476)
FRES	28	(7)	8	9	14	21
Other Income	13	4	0	0	0	0
Staff Costs	(170)	(161)	(160)	(149)	(145)	(140)
Non staff Costs	(208)	(195)	(202)	(208)	(213)	(213)
EBITDAS	59	18	52	45	64	84

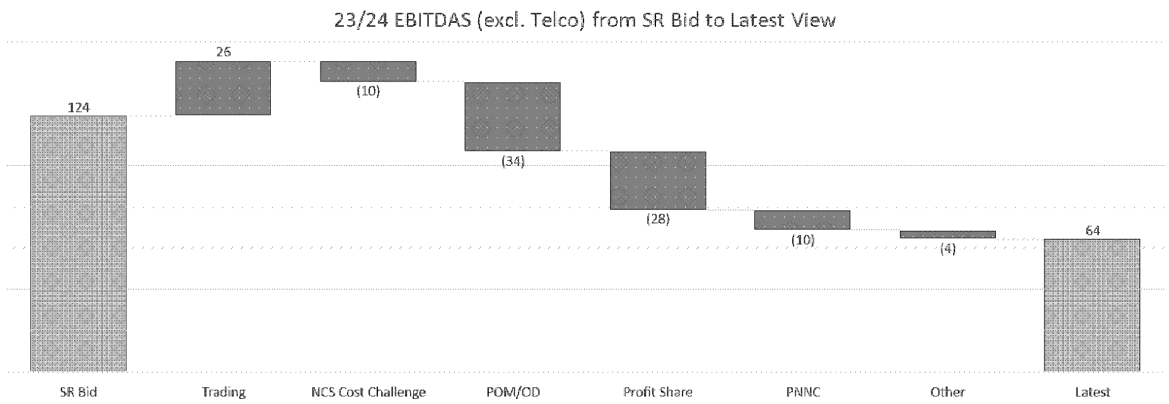
29. The summary walk-throughs in this section will focus on our progress from 20/21 to 24/25 (and will exclude Telephony impacts), however, appendices 3 through 8 provide further business unit level detail on all financial lines across all years. 20/21 numbers are draft as we are still closing out year-end procedures.

30. Against our draft 20/21 performance we expect to grow profitability by £66m. Although there are several moving parts to this story, they have four main components:

- Trading recoveries and growth of £113m;
- Staff related cost savings of £26m;
- Infrastructure cost increases in IT as we build capability and transition to SPM of £33m;
- Increases in postmaster renumeration of £38m as a result of profit sharing and potential new network contracts (PNNC/Starling).



31. We are making less profit in the outer years than previously discussed in last year's draft bid:
    - Our trading expectations are higher, but we are not targeting reductions in Marketing and Network non-staff costs alongside this;
    - As discussed earlier, although we are still making back-office headcount reductions, they are not at the high levels discussed last year;
    - Profit-sharing and PNNC were not in last year's discussions.



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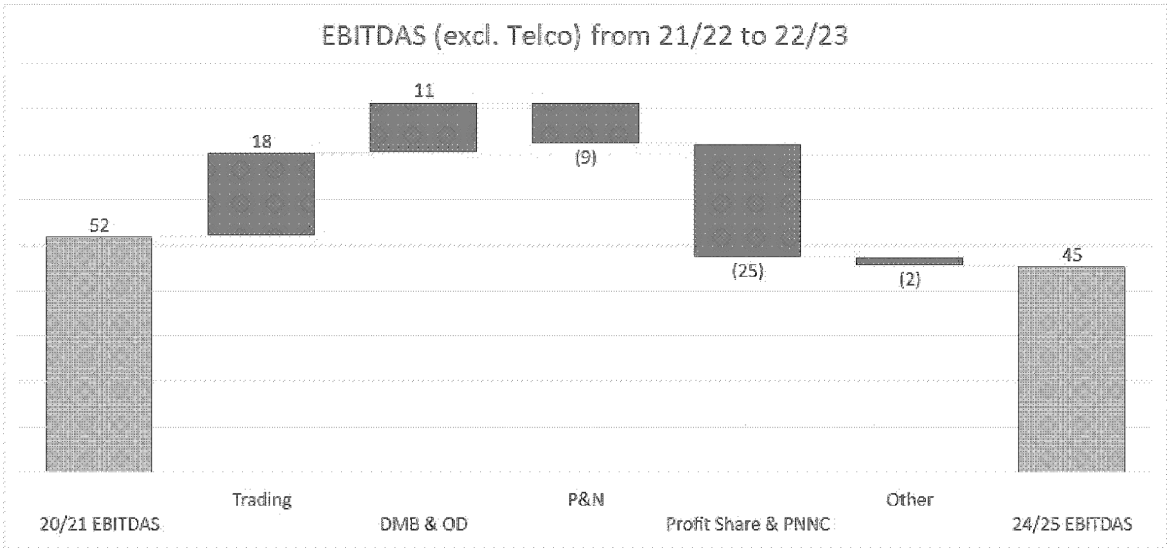
32. We are, however, signposting a similar exit point, albeit a year later than previously discussed (adjusting for the Telephony sale.

£m (SR Bid)	21/22	22/23	23/24
Revenue	819	853	844
Cost Of Sales	(31)	(30)	(23)
PM Rem	(398)	(408)	(401)
FRES	15	19	20
Other Income	2	1	0
Staff Costs	(137)	(107)	(102)
Non staff Costs	(216)	(211)	(214)
EBITDAS	54	117	124

£m (vs SR Bid)	21/22	22/23	23/24
Revenue	36	17	48
Cost Of Sales	(11)	(8)	(8)
PM Rem	(9)	(30)	(52)
FRES	(7)	(10)	(6)
Other Income	(2)	(1)	0
Staff Costs	(23)	(42)	(43)
Non staff Costs	14	3	1
EBITDAS	(2)	(72)	(60)

33. Note that 24/25 was not previously discussed in last year's SR bid.

34. Against our 21/22 stretch budget of £52m, we are signalling a slight decrease in profits for 22/23, to £45m before growth in the outer years. Whilst we are expecting trading growth (and associated P&N costs from opening up the Network fully) and further cost saving benefits, the first year introduction of Profit Share and PCCN costs outweighs this growth (our current budget assumes no impact on 21/22, although MDA2 will likely put pressure on this).



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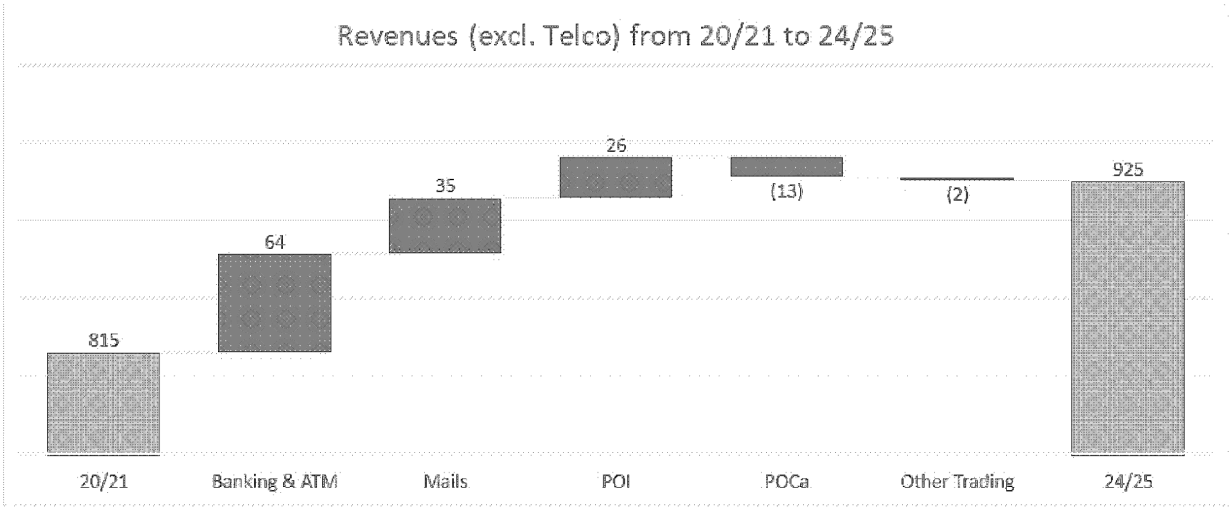
Trading & Revenues

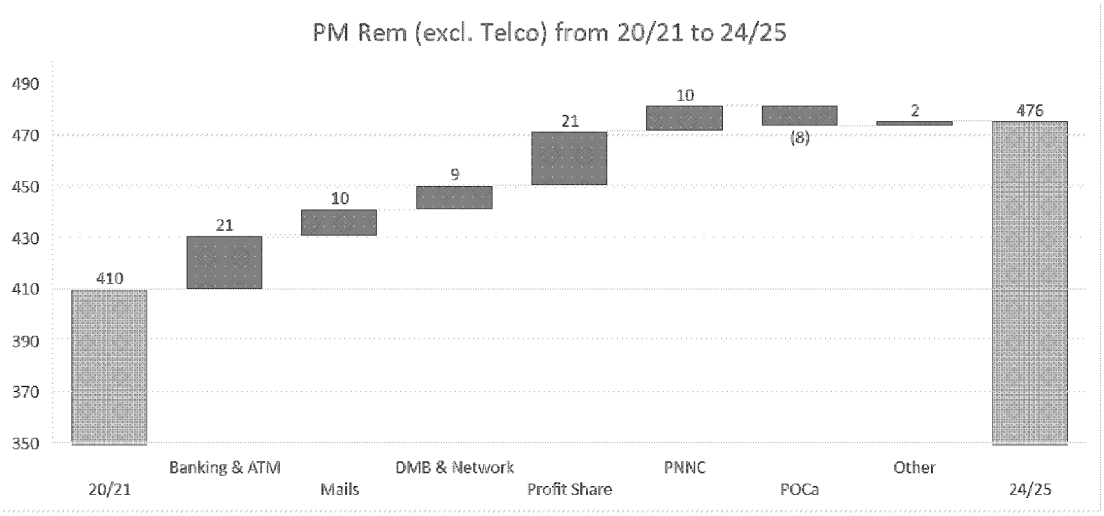
35. Our **revenues** are expected to increase by 14% over the period on a like for like basis. Over half of this growth is expected to come from Banking volumes, with the rest driven by parcels growth in Mails and a recovery in Insurance. The loss of POCA revenues is the only material reduction expected.



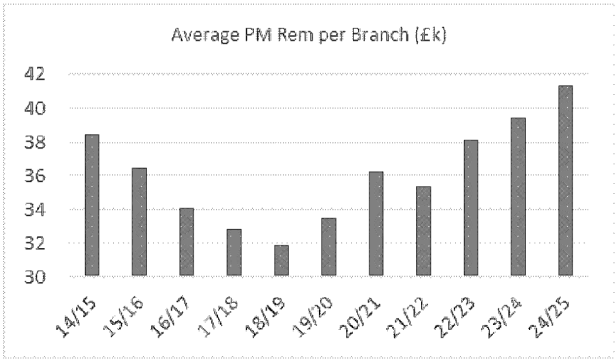
Postmaster Renumeration

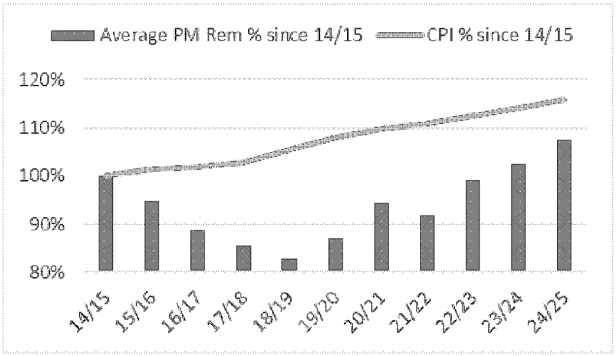
36. Alongside our growth in revenues, we are predicting a corresponding growth in **postmaster remuneration** of around 12% over the same period. We will see Banking and Mails outstrip the lost remuneration from POCA closing out, with overall trading pushing up renumeration £43m (inclusive of shifts from DMB and Network programs).
37. Our planning assumptions include £28m of profit share (25% of EBITDAS) in 24/25, however, this translates to a £21m increase versus 20/21 levels, as it offsets against the £7m of top-up's paid as part of our Covid response last year. We are also signposting

£10m of increased renumeration relating to PNNC, however, this is an estimate and could be higher (up to £30m). These costs have the potential to erode our options on profit-sharing and/or investment self-funding.



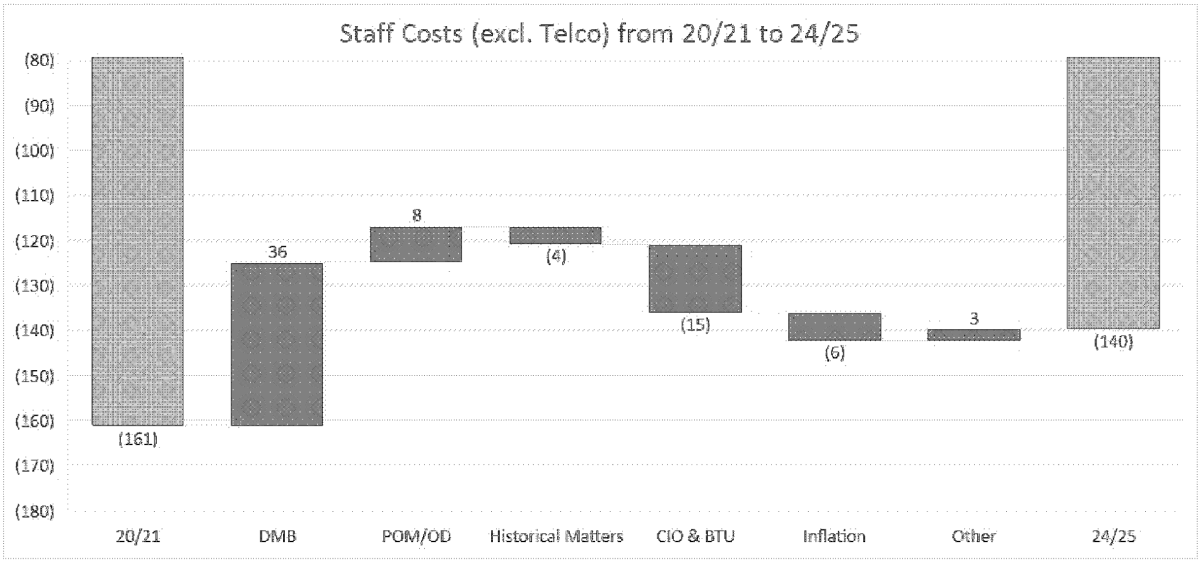
38. Alongside trading growth, the additional profit share element allows average renumeration per franchise to grow each year from 21/22, but only to a level slightly above those of 14/15. While the decline between 14/15 and 19/20 was driven by our transformation of the Network, we should be conscious that Postmaster running costs will continue to increase.



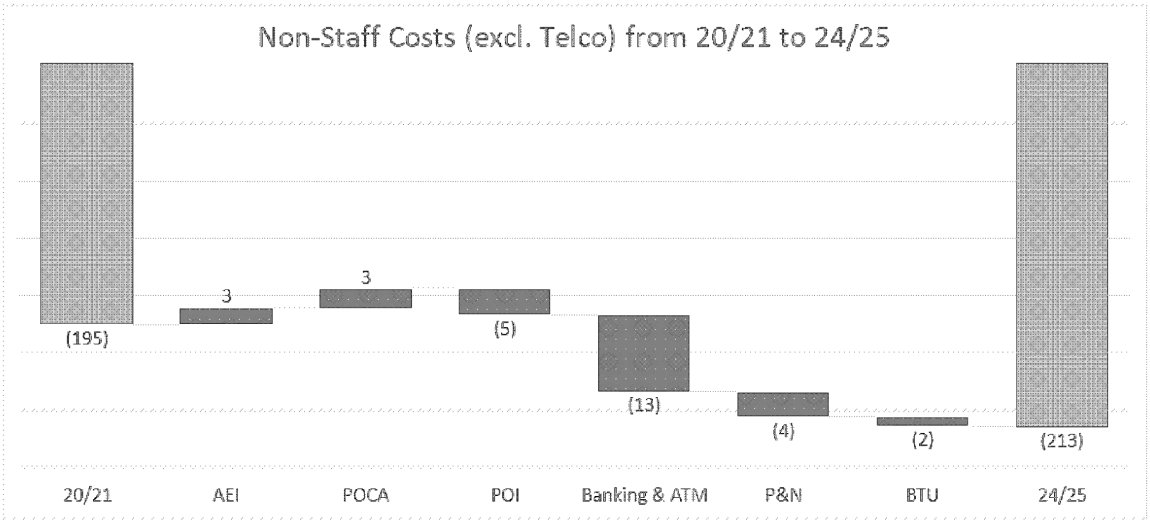


Costs

39. **Staff costs** are currently expected to fall by a net 13% under the current plan – with three main drivers:
    - DMB exits will reduce staff costs in Postmaster & Network.
    - POM/OD work is currently positioned to target a further £8m of savings beyond those already delivered.
    - Increased capability costs from HMBU, BTU/SPM and CIO.



40. Our **non-staff** cost base is expected to grow, by 9% against 20/21 levels. Trading related increases from revenue growth and recovery drive this – accounting for £16m (around 90%) of the increase. This also includes £3m of Government Services savings through moving away from AEI booths and a further £3m benefit from closing out POCA.



Investments

41. We are currently proposing on investing £474m over the next 3 years. Excluding Historical Matters program costs this represents investment of £464m and assumes no further settlement costs are borne by POL beyond the £89m agreed for 21/22 alongside £27m of program costs.

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Strategic Strand	FY21/22	FY22/23	FY23/24	FY24/25	FY21 to FY24 Spend	FY22 to FY24 Spend
1.Relationship with Postmasters	24	16	14	11	66	41
2.Network Locations and growth	34	43	54	14	144	110
3.Innovate in Mails	4	5	13	11	32	28
4.Access to Cash	10	8	5	7	31	20
5.Commercial Partnerships	3	2	2	2	9	7
6.New Branch and Online Technology	59	91	98	53	301	242
7.Shareholder value	5	12	(12)	2	8	2
8.Historical Matters/CCRC	134	5	5	-	144	10
9.Other	12	6	3	3	24	12
10.Past Project	-	-	-	-	-	-
Grand Total	**286**	**188**	**183**	**103**	**759**	**474**

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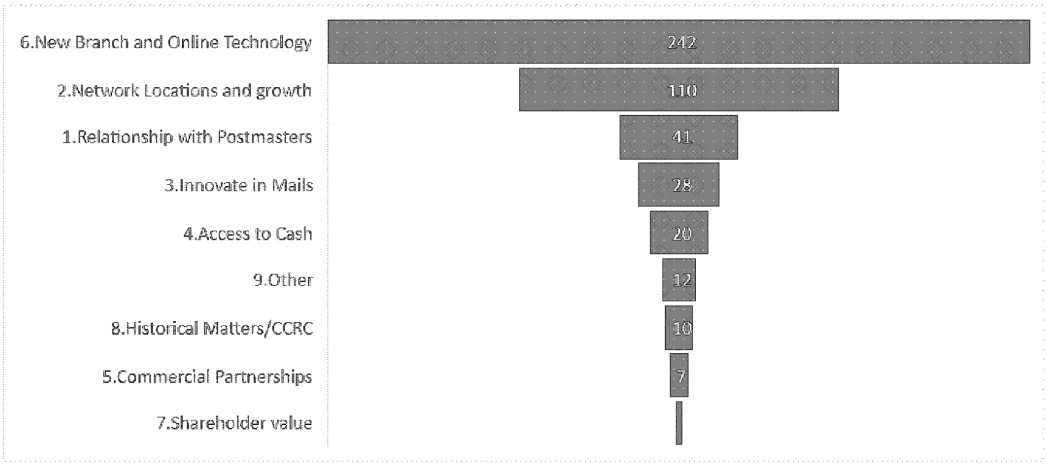
42. Against our Strategic Strands we are concentrating the majority of our resources on New Branch and Online Technology, and Network investment, in line with our priorities discussed earlier:



43. Within this portfolio of investment, 70% is represented by the largest 10 projects:

Project Name	Strategic Strand	FY21/22	FY22/23	FY23/24	FY24/25	Total FY21/22 to FY24/25	Total FY22/23 to FY24/25
Strategic Platform Modernisation	6.New Branch and Online Technology	19	45	64	22	150	131
DMB Strategy	2.Network Locations and growth	17	17	26	-	59	42
Legacy risk branches	2.Network Locations and growth	-	12	11	-	23	23
Copper Stop Sell	6.New Branch and Online Technology	1	5	8	8	21	20
Business Development & Innovation	3.Innovate in Mails	-	-	10	10	20	20
Back Office/Core/Colleague	6.New Branch and Online Technology	-	10	3	5	17	17
Horizon Issues Judgement	8.Historical Matters/CCRC	8	6	6	5	24	17
Counter Cash Automation	4.Access to Cash	1	4	4	7	16	15
POL Data Platform (PDP)	6.New Branch and Online Technology	4	6	6	2	18	14
Network Maintenance	2.Network Locations and growth	3	4	5	4	16	13
Grand Total		**53**	**107**	**142**	**62**	**364**	**311**

Appendices 9 & 11 give further detail on our investments and their associated benefits.

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What Support are we Requesting?

Financial

44. There are two areas of financial support we need to make decisions around: Investment Grant and Network Subsidy Payments (NSP).

45. On **NSP** we are aware the shareholder is keen to see a future decline in support levels; however, our current proposals keep payments at the current annual figure of **£50m per annum**. As mentioned earlier, we are still maintaining a loss-making portion of the Network that costs more than £50m, and are actually predicting the costs to service it to increase as we respond to the IDG and Inquiry recommendations. We are also forecasting costs relating to PNNC from changes in government policy.

46. For **Investment Grant** funding continues to be based upon a request that allows us to maintain our Security Headroom cashflow at a suitable level (historically agreed to be around £100m), while still self-funding as much investment as possible from our profitable operations.

47. We are currently modelling **£140m** of incremental investment grant to fund a wide-reaching programme of change. While this maintains a reasonable level of Security Headroom across the period as a whole, there is are lower points in 23/24 where our investment levels cannot be replenished by profits until the following year. We may therefore need to review the pace and phasing at which we deliver change, however this is something we constantly do already.

Security Headroom Bridge

£m	FY21/22	FY22/23	FY23/24	FY24/25
Security Headroom Brought Forward	**157**	**113**	**126**	**76**
Cash flows from trading	*87*	*90*	*117*	*137*
Cash flows from investment activities	*(19)*	*(88)*	*(150)*	*(110)*
Movements in payables	*(23)*	*11*	*(17)*	*28*
Movements in non-qualifying assets	*(3)*	*0*	*0*	*0*
Net HSS settlements	*(88)*	*0*	*0*	*0*
Security Headroom Carried Forward	**113**	**126**	**76**	**132**

48. Facility Headroom declines over the period, and although it is not expected to breach, it is lower than we would normally like in 24/25. This is driven by increased levels of Network cash (forecasted to spike slightly in 24/25) to facilitate the larger levels of Banking volumes alongside the offsetting effect that our POCA business provides. This is something we will be reviewing further as we work through the coming months.

Facility Headroom Bridge

£m	FY21/22	FY22/23	FY23/24	FY24/25
Facility Headroom Brought Forward	**324**	**235**	**208**	**130**
Cash flows from trading	*87*	*90*	*117*	*137*
Cash flows from investment activities	*(19)*	*(88)*	*(150)*	*(110)*
Movements in payables	*(10)*	*11*	*(17)*	*28*
Movements in current assets	*(60)*	*(39)*	*(28)*	*(111)*
Net HSS settlements	*(88)*	*0*	*0*	*0*
Facility Headroom Carried Forward	**235**	**208**	**130**	**75**

49. Further review of our Facility and Security Headroom positions will therefore need to be done as part of our route to a formal SR bid, as they will need to be improved by rephasing of investment or increased levels of funding.

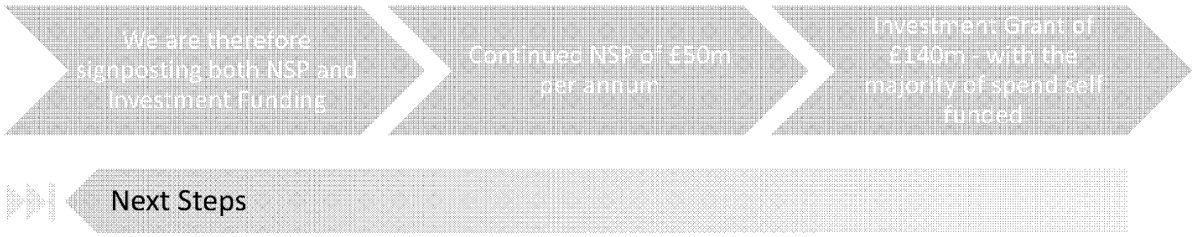
50. Appendix 10 gives fuller detail on our cashflow outlook.

51. Net Assets remain negative over the period (as expected), however, do steadily improve over the period as our profits recover and we unwind our litigation obligations, potentially being close to parity at the end of 24/25. After the recent work conducted earlier this year, we do not currently consider net liabilities to be an issue as long as there is a plan to return to net assets in the long term and work within our various agreed terms.

	20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m
Net assets b/f	**(64.8)**	**(86)**	**(90)**	**(53)**	**(39)**
Operational (inc subsidy and interest)	85.8	95	91	117	144
Depreciation / amortisation / impairment	(128.4)	(102)	(71)	(59)	(60)
Exceptional spend (excl. HSS programmes)	(48.5)	(70)	(72)	(74)	(33)
HSS Programme Spend	(50.9)	(52)	(11)	(11)	(5)
HSS Asset	65.4				
Investment funding		125	100	40	0
Sale of Telco - net proceeds	64.2	0	0	(0)	0
Sale of Telco - net liabilities	(9.1)				
Dividend payment				0	0
Net assets c/f	**(86.4)**	**(90)**	**(53)**	**(39)**	**7**

52. We are proposing to self-fund 70% of our investments, however, this is only feasible if we limit funding related to HSS and CCRC as discussed earlier. If we do not do this, then clearly the quantum of funding required will need to be higher to deliver the same agenda.

In summary then:



Next Steps

53. We will take the Board's questions and feedback on this document and respond or organise further discussions as required through the coming months. We will also work with the assurance team from UKGI over the through June and July. A further update is then due to be discussed with the Board in August.

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Appendix 1: Bridge from Last Year's SR Bid to Settlement Amount

In August 2020 we set out in our original funding submission a request for £402m over three years from the shareholder, comprising £302m in 21/22 and £50m in each of 22/23 and 23/24. At UKGI's request we rephased this, to avoid being funded in advance of need, and in our final funding submission we revised our proposal to £252m in 21/22, £100m in 22/23 and £50m in 23/24. This £402m request was made up of £150m subsidy (£50m a year) and £252m investment funding.

Contrary to expectations the December 2020 Spending Review was for only one year (21/22) and in this POL received a £227m settlement, comprising £50m network subsidy and £177m investment funding. Compared to the £252m rephased bid for 21/22 on its own this was a positive outcome. Since that settlement was agreed however POL has been required to make significant contributions to the costs of the HSS, which were not anticipated, comprising REDACTION of own-funds and a £32m contribution from the Telco sale.

- **Own Funds:** In POL's original submission we signalled an expected REDACTION spend in 20/21 on the HSS (the estimated cost of the scheme at that time) but left open who would be responsible for funding this (discussions were already taking place at the time with the shareholder about unaffordability of these and other settlement costs for POL). The requirement to fund REDACTI... was therefore not included in our plans that were submitted to the shareholder, and by taking on this obligation POL has had to reprioritise 21/22 investment plans to accommodate the change.

- **Excess Telco Proceeds:** In POL's original and final funding submissions we assumed we would retain the Telco business but that, in the event it was sold, we would reflect this in an updated budget at the start of 2021 including the amount we would be able to contribute towards the cost of the HSS. The plans that were submitted in early 2021 therefore reflected the [redacted] settlement from HMG plus the [redacted] POL expected to retain from the sale proceeds (i.e. [redacted] realised was to go towards funding the HSS, with [redacted] representing foregone profit, marketing savings and reduced Telco capex over three years). In early April 2021 UKGI changed the methodology to be used to calculate the proceeds POL could retain, resulting in POL having to allocate all net proceeds from the sale to funding the costs of the HSS. Although we have been told that this [redacted] should form part of any future funding bid (i.e. as it applies to foregone profits in future years), it impacts cash today and as such has caused a further reprioritisation in our 21/22 investment plans.

Taking these REDACTION unbudgeted changes into account the settlement reached with the shareholder for 21/22 reduces to REDACTION (47% lower than our request of REDACTION and 30% lower than the publicly announced REDACTION.

Based on discussions with UKGI in the run up to the Spending Review as well as at the Board on the treatment of Telco proceeds, our baseline funding ask for 21/22 and 22/23 carried over from discussions last year is therefore £182m, comprising £50m subsidy across two years, £50m investment funding 'rephased' out of 21/22 and £32m Telco proceeds. This assumes no change in our operating environment, any increase in the costs associated with remedying the past or any additional costs associated with meeting our network or service obligations to the shareholder.

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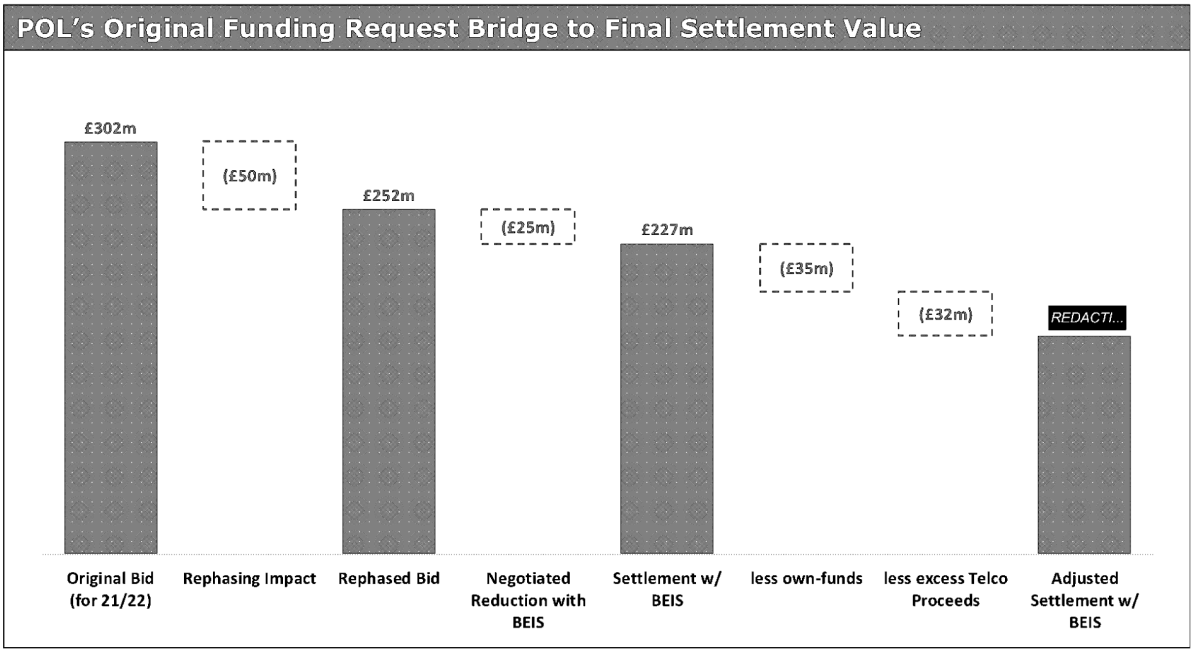

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Appendix 2: August 2020 Priorities, Outcomes that Define Success and Strategic Objectives

August 2020 Priorities:

- Providing easy, nationwide, physical and digital access to customers for cash, parcels and other key services;
- Supporting postmasters to thrive through a combination of training, support, simplification and pay; and
- Driving the business to be self-supporting through investment, cost reduction and commercial progress.

Outcomes that Define Success for POL in August 2020:

- A national infrastructure of more than 12,000 branches, distributed nationwide to meet our current access criteria, which supports the growth of small businesses across the country, especially in areas that need it most.
- A different relationship with postmasters, served and enabled by POL, helping to support and grow their small businesses.
- Free national access for consumers and small businesses and SMEs to cash, Mails and bill payments.
- Support, care and commercial opportunity for vulnerable and marginalised people and communities, critical to the levelling up agenda, guaranteeing support for rural and urban deprived areas.
- A Post Office structure that can invest sufficiently in the business from its profits, enabling some profit sharing with both Government and postmasters.

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- Fewer and shorter car journeys than any alternative service provision, contributing to the Government's ambition to reach net zero carbon emissions by 2050.

Strategic Objectives in the August 2020 Proposal

- Extending our Royal Mail (RMG) agreement and expanding into the parcels market across the UK, enabling small businesses in every town convenient access to sending and receiving parcels.
- Delivering a 3rd Banking Framework which sustains access to cash and facilitates easy cash deposits for local businesses across the UK; and remains highly profitable while reassuring the banks that they can continue to outsource to us.
- Re-building our broader travel business post CV-19.
- Reducing the costs and management support for other businesses including Mortgages, Savings, Identity, Telco and Insurance. This will involve re-negotiating and further reducing our relationship with Bank of Ireland.
- Reducing our cost base (excluding postmaster remuneration) by a further 11% and our headcount to 1,600-1,700.
- Closing all directly managed branches to reduce the cost to serve.
- Delivering a new relationship with postmasters where we are simpler and cheaper to deal with, are far more supportive and engage in a mutually beneficial, commercial partnership, enabled by technology.
- Replacing postmaster contracts with modern versions, consistent with the GLO and ensuring that postmasters cannot be confused with workers or employees.
- Increasing automation in the network without funding kit ourselves.
- Replacing the Horizon system and its Fujitsu support arrangement by 2023 or as soon as possible.
- Growing a Post Office network to above 12,000 branches for the first time in many years as we open substantially more flexible formats across the country, meeting the needs of customers, clients and, of course, our postmasters who are the face of the Post Office.
- Opening up the possibility of a dividend payment to Government, matched by postmaster profit share.

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Appendix 3: Contribution Detail

Business Unit	FY (19/20)	FY (20/21)	FY (21/22)	FY (22/23)	FY (23/24)	FY (24/25)
Banking Services & ATMs	92.9	129.4	136.8	145.8	154.9	156.7
Banking, Payments and Transactional Products Central	0.0	(0.2)	0.0	0.0	0.0	0.0
Central Commercial	(3.3)	(2.8)	(1.5)	(10.4)	(18.5)	(22.3)
Centrally Managed	(7.2)	(19.3)	(6.6)	(27.6)	(31.0)	(36.7)
CIO	(97.7)	(92.9)	(110.7)	(110.3)	(113.2)	(114.9)
Commercial Planning & Strategy	0.0	(1.3)	(1.5)	(1.5)	(1.6)	(1.6)
Communications	(3.3)	(3.7)	(5.3)	(4.8)	(4.7)	(4.7)
Credit Cards	1.7	2.1	3.6	4.2	4.5	5.0
Customer Experience	(17.5)	(16.5)	(16.6)	(17.0)	(17.2)	(17.5)
Finance	(10.4)	(15.0)	(17.4)	(17.7)	(17.9)	(18.2)
FS, IDS and POI Central	(2.3)	(1.8)	(0.7)	(0.9)	(1.1)	(1.2)
Government Services	14.3	2.4	4.0	7.3	8.9	8.3
Historical Matters	0.0	(0.0)	(4.0)	(4.0)	(4.0)	(4.0)
Identity Services	4.3	5.9	1.4	3.4	4.1	7.7
LCG	(7.0)	(6.5)	(7.6)	(8.1)	(8.1)	(8.1)
Mails	121.1	127.4	145.6	142.5	147.1	154.2
Mails, PUDO, Retail and Branch Identity Services Central	(1.6)	(1.0)	0.0	0.0	0.0	0.0
Mortgages/Savings/ Loans	26.9	10.6	10.6	12.6	12.6	13.1
Payment Services & Payzone	9.9	9.7	8.4	8.7	8.4	8.3
People	(12.7)	(10.0)	(10.0)	(8.5)	(8.3)	(8.1)
POCa	1.4	(8.7)	(11.7)	(9.0)	0.4	0.4
POI	15.7	(0.2)	2.4	6.9	10.3	14.0
Postmaster & Network	(29.2)	(62.4)	(27.5)	2.0	(20.1)	(48.2)
Property	(23.4)	(18.6)	(20.2)	(19.8)	(18.2)	(17.1)
Retail / Lotto & Gift Cards	11.5	6.5	7.2	5.6	5.9	6.5
Supply Chain	(32.6)	(33.8)	(34.7)	(28.5)	(33.7)	(33.7)
Telephony	36.8	26.2	0.0	0.0	0.0	0.0
Transactional Financial Services	62.3	30.4	47.0	46.3	51.2	56.8
(blank)	0.0	0.0	0.0	0.0	0.0	0.0
Banking, Payments and Transactional Products	10.4	6.7	10.9	6.0	2.5	0.0
Mails, PUDO, Retail and Branch Identity Services	1.8	2.7	12.3	5.6	2.9	0.0
FS, IDS and POI	21.6	4.2	2.3	1.8	1.3	0.0
Business Transformation Unit	0.0	0.0	(0.8)	(1.9)	(12.8)	(10.6)
Grand Total	**184.6**	**69.7**	**115.6**	**128.8**	**104.5**	**84.0**

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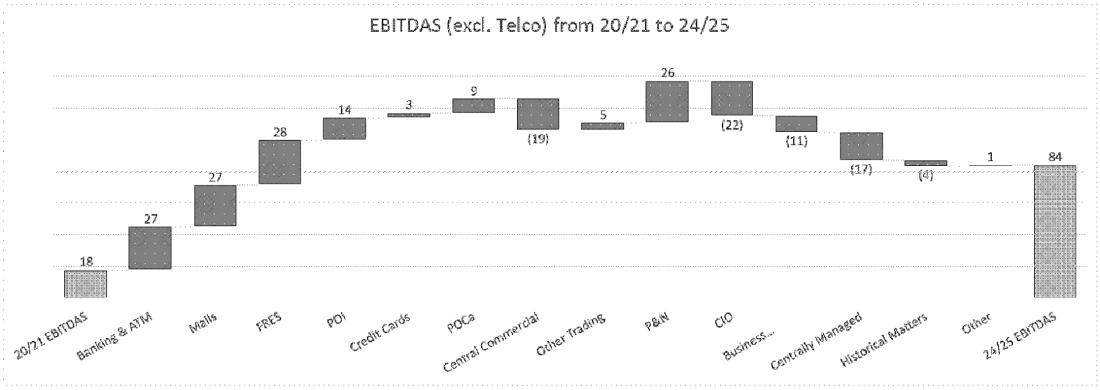

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Appendix 4: Revenue Detail

Business Unit	FY (19/20)	FY (20/21)	FY (21/22)	FY (22/23)	FY (23/24)	FY (24/25)
Banking Services & ATMs	164.8	204.9	232.2	251.6	264.6	268.6
Central Commercial	0.0	0.0	0.0	(2.5)	(5.9)	(7.5)
Centrally Managed	5.5	3.0	3.1	2.1	(2.7)	1.8
Credit Cards	2.3	4.8	3.9	4.7	5.2	6.0
Government Services	33.7	13.6	18.5	19.9	18.4	17.7
Identity Services	4.4	9.9	7.0	5.5	5.6	8.8
Mails	346.0	397.2	406.8	405.1	416.7	432.7
Mortgages/Savings/ Loans	31.3	13.1	13.0	15.0	16.0	17.0
Payment Services & Payzone	30.6	29.4	27.8	27.8	27.0	26.5
POCa	21.7	14.5	11.0	2.3	1.2	1.2
POI	48.3	23.8	28.9	37.7	43.6	50.2
Retail / Lotto & Gift Cards	41.3	34.7	34.7	34.4	34.5	34.3
Supply Chain	9.6	8.5	9.4	8.9	8.8	8.7
Telephony	144.4	142.4	0.0	0.0	0.0	0.0
Transactional Financial Services	70.7	57.8	58.5	57.4	58.7	59.5
Grand Total	**954.6**	**957.5**	**854.7**	**869.6**	**891.7**	**925.4**

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Appendix 5: Staff Detail

Business Unit	FY (19/20)	FY (20/21)	FY (21/22)	FY (22/23)	FY (23/24)	FY (24/25)
Banking Services & ATMs	(1.9)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)
Banking, Payments and Transactional Products Central	0.0	(0.2)	0.0	0.0	0.0	0.0
Central Commercial	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Centrally Managed	(14.6)	(17.4)	(14.1)	(8.3)	(6.7)	(6.7)
CIO	(9.7)	(7.7)	(11.7)	(13.5)	(13.7)	(13.9)
Commercial Planning & Strategy	0.0	(1.3)	(1.2)	(1.2)	(1.2)	(1.3)
Communications	(2.4)	(2.7)	(2.5)	(2.3)	(2.3)	(2.3)
Credit Cards	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Customer Experience	(6.5)	(7.1)	(7.3)	(7.6)	(7.8)	(7.9)
Finance	(10.0)	(9.9)	(11.6)	(11.8)	(11.9)	(12.1)
FS, IDS and POI Central	0.0	0.0	0.0	0.0	0.0	0.0
Government Services	(1.7)	(0.7)	(0.1)	(0.1)	(0.1)	(0.1)
Historical Matters	0.0	(0.0)	(4.0)	(4.0)	(4.0)	(4.0)
Identity Services	(0.0)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
LCG	(5.0)	(4.9)	(5.5)	(5.7)	(5.7)	(5.7)
Mails	(1.2)	(1.4)	(1.7)	(1.7)	(1.7)	(1.8)
Mails, PUDO, Retail and Branch Identity Services Central	(1.6)	(0.5)	0.0	0.0	0.0	0.0
Mortgages/Savings/ Loans	(3.1)	(0.7)	(0.4)	(0.4)	(0.4)	(0.4)
Payment Services & Payzone	(4.3)	(4.4)	(4.2)	(4.1)	(4.1)	(4.2)
People	(7.3)	(6.1)	(5.9)	(5.0)	(4.9)	(5.0)
POCa	(0.4)	(0.1)	0.0	0.0	0.0	0.0
POI	(4.8)	(4.5)	(4.8)	(4.9)	(5.0)	(5.1)
Postmaster & Network	(63.3)	(58.8)	(50.4)	(43.0)	(32.5)	(28.2)
Property	(1.4)	(1.2)	(0.8)	(0.9)	(0.9)	(0.9)
Retail / Lotto & Gift Cards	(0.1)	(0.0)	(0.3)	(0.4)	(0.4)	(0.4)
Supply Chain	(29.7)	(28.2)	(29.6)	(28.3)	(27.1)	(27.0)
Telephony	(1.0)	(1.0)	0.0	0.0	0.0	0.0
Transactional Financial Services	(0.6)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)
Business Transformation Unit	0.0	0.0	(0.7)	(1.9)	(10.3)	(9.1)
Grand Total	**(171.3)**	**(162.4)**	**(160.3)**	**(148.8)**	**(144.6)**	**(139.8)**

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Appendix 6: Non-Staff Cost Detail

Business Unit	FY (19/20)	FY (20/21)	FY (21/22)	FY (22/23)	FY (23/24)	FY (24/25)
Banking Services & ATMs	(5.4)	(6.4)	(9.8)	(16.4)	(18.1)	(19.8)
Banking, Payments and Transactional Products Central	0.0	(0.0)	0.0	0.0	0.0	0.0
Central Commercial	(0.0)	(0.0)	0.0	0.0	0.0	0.0
Centrally Managed	2.6	2.2	4.3	1.1	1.3	1.2
CIO	(88.0)	(85.2)	(85.7)	(82.9)	(84.6)	(85.0)
Commercial Planning & Strategy	0.0	(0.0)	(0.3)	(0.3)	(0.3)	(0.3)
Communications	(0.9)	(1.1)	(2.8)	(2.5)	(2.4)	(2.4)
Credit Cards	(0.4)	(0.9)	(0.0)	(0.1)	(0.1)	(0.1)
Customer Experience	(12.3)	(9.4)	(9.2)	(9.4)	(9.4)	(9.6)
Finance	(0.4)	(5.1)	(5.8)	(5.9)	(6.0)	(6.1)
FS, IDS and POI Central	0.0	0.0	0.0	0.0	0.0	0.0
Government Services	(7.1)	(6.0)	(7.6)	(5.6)	(3.0)	(3.0)
Historical Matters	0.0	(0.0)	0.0	0.0	0.0	0.0
Identity Services	(0.1)	(0.5)	(2.0)	(0.1)	(0.0)	(0.0)
LCG	(2.0)	(1.5)	(2.1)	(2.4)	(2.5)	(2.4)
Mails	(4.8)	(6.7)	(5.3)	(4.4)	(4.4)	(4.5)
Mails, PUDO, Retail and Branch Identity Services Central	(0.0)	(0.5)	0.0	0.0	0.0	0.0
Mortgages/Savings/ Loans	0.1	(0.2)	(0.5)	(0.5)	(1.0)	(1.0)
Payment Services & Payzone	(3.0)	(2.2)	(2.4)	(2.6)	(2.6)	(2.7)
People	(5.4)	(4.0)	(4.1)	(3.5)	(3.4)	(3.2)
POCa	(4.4)	(3.3)	(3.0)	(0.6)	0.0	0.0
POI	(18.4)	(13.6)	(13.9)	(15.7)	(16.8)	(18.2)
Postmaster & Network	(17.0)	(15.6)	(17.0)	(19.3)	(21.1)	(20.0)
Property	(22.0)	(17.4)	(19.4)	(18.9)	(17.4)	(16.3)
Retail / Lotto & Gift Cards	(0.9)	(0.5)	(0.2)	(0.6)	(0.7)	(0.4)
Supply Chain	(14.8)	(14.4)	(12.9)	(14.7)	(15.4)	(15.4)
Telephony	(34.7)	(31.3)	0.0	0.0	0.0	0.0
Transactional Financial Services	(3.2)	(2.8)	(1.9)	(2.5)	(2.3)	(2.4)
Business Transformation Unit	0.0	0.0	(0.1)	0.0	(2.5)	(1.6)
Grand Total	**(242.4)**	**(226.4)**	**(201.9)**	**(207.8)**	**(212.6)**	**(213.0)**

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Appendix 7: Postmaster Renumeration Detail

Business Unit	FY (19/20)	FY (20/21)	FY (21/22)	FY (22/23)	FY (23/24)	FY (24/25)
Banking Services & ATMs	(63.0)	(65.8)	(81.3)	(84.0)	(86.2)	(86.7)
Banking, Payments and Transactional Products Central	0.0	0.0	0.0	0.0	0.0	0.0
Central Commercial	(2.6)	(2.3)	(1.0)	(7.4)	(12.1)	(14.3)
Centrally Managed	(0.7)	(7.1)	0.0	(22.5)	(23.0)	(33.0)
Credit Cards	(0.0)	0.0	(0.1)	(0.2)	(0.5)	(0.7)
FS, IDS and POI Central	(2.3)	(1.8)	(0.7)	(0.9)	(1.1)	(1.2)
Government Services	(10.6)	(4.5)	(6.9)	(6.8)	(6.4)	(6.3)
Identity Services	(0.0)	(1.1)	(1.3)	(1.4)	(1.0)	(0.4)
Mails	(218.9)	(261.8)	(254.1)	(256.5)	(263.5)	(272.2)
Mails, PUDO, Retail and Branch Identity Services Central	0.0	0.0	0.0	0.0	0.0	0.0
Mortgages/Savings/ Loans	(1.4)	(1.6)	(1.5)	(1.5)	(2.0)	(2.5)
Payment Services & Payzone	(12.1)	(11.9)	(11.5)	(11.2)	(10.7)	(10.3)
POCa	(12.9)	(8.8)	(4.7)	(1.1)	(0.8)	(0.8)
Retail / Lotto & Gift Cards	(28.5)	(26.7)	(26.5)	(27.8)	(27.6)	(27.1)
Telephony	(1.4)	(1.0)	0.0	0.0	0.0	0.0
Transactional Financial Services	(32.9)	(16.6)	(17.2)	(16.9)	(18.6)	(20.2)
Grand Total	**(387.3)**	**(410.9)**	**(406.7)**	**(438.3)**	**(453.4)**	**(475.6)**

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Appendix 8: Cost of Sales Detail

Business Unit	FY (19/20)	FY (20/21)	FY (21/22)	FY (22/23)	FY (23/24)	FY (24/25)
Banking Services & ATMs	(1.6)	(1.3)	(2.2)	(3.2)	(3.3)	(3.3)
Centrally Managed	0.1	0.0	0.0	0.0	0.0	0.0
CIO	0.0	0.0	(13.2)	(13.8)	(14.9)	(16.1)
Credit Cards	0.0	(1.5)	0.0	0.0	0.0	0.0
Government Services	(0.0)	(0.0)	0.0	0.0	0.0	0.0
Identity Services	(0.0)	(1.8)	(1.7)	0.0	0.0	0.0
Mails	0.0	0.0	0.0	0.0	0.0	0.0
Mortgages/Savings/ Loans	0.0	0.0	0.0	0.0	0.0	0.0
Payment Services & Payzone	(1.3)	(1.2)	(1.2)	(1.1)	(1.1)	(1.1)
POCa	(15.8)	(15.2)	(15.3)	(9.7)	0.0	0.0
POI	(9.5)	(5.9)	(7.7)	(10.1)	(11.4)	(12.8)
Retail / Lotto & Gift Cards	(0.4)	(1.0)	(0.6)	(0.1)	0.0	0.0
Supply Chain	0.0	0.0	0.0	0.0	0.0	0.0
Telephony	(84.2)	(91.2)	0.0	0.0	0.0	0.0
Transactional Financial Services	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Grand Total	**(112.7)**	**(119.0)**	**(42.0)**	**(38.2)**	**(30.8)**	**(33.5)**

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Appendix 9: Investments Detail

Spend Detail by Strategic Strand:

Strategic Strand	Projects > £5mil	FY21/22	FY22/23	FY23/24	FY24/25	FY21 to FY24 Spend	FY22 to FY24 Spend
1.Relationship with Postmasters	Horizon Issues Judgement	7.7	5.9	5.8	5.0	24.3	16.6
	Service Oriented Central Sup. Branch Hub	3.7	4.9	4.4	2.0	15.0	11.3
	Postmaster Service Improvement Programme	5.8	3.0	2.0	2.0	12.8	7.0
	Other smaller Property Programmes	2.0	2.1	1.9	1.8	7.8	5.8
	Other smaller People Programmes	2.6	0.4	-	-	2.9	0.4
	Other smaller Supply Chain Programmes	2.7	-	-	-	2.7	-
	Other smaller Postmaster	0.1	-	-	-	0.1	-
1.Relationship with Postmasters Total		**24.4**	**16.2**	**14.1**	**10.8**	**65.5**	**41.1**
2.Network Locations and growth	DMB Strategy	16.7	16.6	25.6	-	58.9	42.2
	Legacy risk branches	-	11.8	11.4	-	23.2	23.2
	Network Strategy - Hard to Place Branches	9.3	7.9	1.7	-	18.9	9.6
	Network Maintenance	2.9	3.7	5.4	4.0	16.0	13.1
	Basic/Express & M2L	2.7	1.4	5.2	5.4	14.7	12.0
	Outreach Optimisation	-	1.2	3.4	3.4	7.9	7.9
	Other smaller Network	2.2	0.5	1.0	1.0	4.7	2.5
2.Network Locations and growth Total		**33.8**	**43.1**	**53.7**	**13.7**	**144.3**	**110.4**
3.Innovate in Mails	Business Development & Innovation	-	-	10.0	10.0	20.0	20.0
	Mails - PUDO	2.4	4.6	2.9	1.0	10.9	8.5
	Other smaller Mails	1.5	-	-	-	1.5	-
3.Innovate in Mails Total		**3.9**	**4.6**	**12.9**	**11.0**	**32.4**	**28.5**
4.Access to Cash	Counter Cash Automation	1.3	3.8	3.6	7.1	15.8	14.5
	ATM Banking Strategy	9.2	4.0	1.8	-	15.0	5.8
	Other smaller Banking Services & ATMs	0.0	-	-	-	0.0	-
4.Access to Cash Total		**10.5**	**7.8**	**5.4**	**7.1**	**30.8**	**20.3**
5.Commercial Partnerships	Other smaller Mortgages/ Savings/ Loans	0.5	0.5	1.0	1.0	3.0	2.5
	Other smaller POI	-	0.8	1.0	1.0	2.8	2.8
	Other smaller Government Services	1.6	0.1	-	-	1.7	0.1
	Other smaller Payment Services & Payzone	0.4	0.3	0.3	0.3	1.2	0.9
	Other smaller Credit Cards	0.2	0.1	0.1	0.1	0.5	0.3
	Other smaller Identity Services	-	-	-	-	-	-
5.Commercial Partnerships Total		**2.6**	**1.9**	**2.4**	**2.4**	**9.3**	**6.7**
6.New Branch and Online Techn	Strategic Platform Modernisation	19.5	45.0	64.0	21.6	150.1	130.6
	Copper Stop Sell	0.9	5.0	7.5	7.5	20.9	20.0
	Other smaller CIO Programmes	8.4	4.0	3.5	4.0	19.9	11.5
	Belfast Exit	15.9	3.2	-	-	19.1	3.2
	POL Data Platform (PDP)	3.7	5.6	5.9	2.3	17.5	13.8
	Back Office/Core/Colleague	-	9.7	2.7	5.0	17.4	17.4
	PED Replacement Devices	-	12.5	-	-	12.5	12.5
	Fujitsu Gap + IPR	-	-	10.0	-	10.0	10.0
	SAP - CFS contract expiry	-	-	-	8.0	8.0	8.0
	Risk and Resilience	1.4	1.9	1.9	1.9	7.1	5.7
	Project Driven Test Environment FY20	2.4	2.4	1.0	1.0	6.8	4.4
	IT Security Programme FY21	0.8	1.8	1.8	1.8	6.2	5.4
	PCI Compliance	5.5	-	-	-	5.5	-
6.New Branch and Online Technology Total		**58.6**	**91.1**	**98.2**	**53.1**	**301.0**	**242.4**
7.Shareholder value	Post Office Operating Model (POM)	4.1	4.0	-	-	8.1	4.0
	Future of Stock	3.9	3.8	-	-	7.6	3.8
	Other smaller Supply Chain Programmes	-	5.3	1.8	-	7.1	7.1
	People Placeholder	-	-	3.0	3.0	6.0	6.0
	Controls Framework	1.5	3.5	-	-	5.0	3.5
	Other smaller Property Programmes	1.8	1.0	0.8	0.8	4.4	2.6
	Other smaller People Programmes	1.8	0.9	-	-	2.7	0.9
	Other smaller Finance Programmes	0.3	0.8	-	-	1.1	0.8
	Other smaller Payment Services & Payzone	0.0	-	-	-	0.0	-
	Other smaller CIO Programmes	-	-	-	-	-	-
	Other smaller POI	(0.0)	-	-	-	(0.0)	-
	Sale Of Assets	(8.1)	(6.8)	(17.3)	(2.2)	(34.3)	(26.2)
7.Shareholder value Total		**5.3**	**12.5**	**(11.7)**	**1.7**	**7.7**	**2.5**
8.Historical Matters/CCRC	HM Settlement - POL Funded	89.0	-	-	-	89.0	-
	Historical Shortfall Scheme	21.8	-	-	-	21.8	-
	CCRC / Prosecutions	13.1	4.3	4.0	-	21.4	8.3
	Other smaller Historical Matters Programmes	6.3	-	-	-	6.3	-
	Legal / General Advice	3.4	0.9	0.8	-	5.1	1.7
	Other smaller Historical Matters Settlement	0.8	-	-	-	0.8	-
8.Historical Matters/CCRC Total		**134.4**	**5.2**	**4.8**	**-**	**144.4**	**10.0**

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Strategic Strand	Projects > £5mil	FY21/22	FY22/23	FY23/24	FY24/25	FY21 to FY24 Spend	FY22 to FY24 Spend
- 9.Other	Central Change team FY21	1.6	1.8	1.7	1.7	6.9	5.3
	Other smaller Supply Chain Programmes	2.6	1.8	-	0.5	5.0	2.3
	CT vacant leaseholds & CT onerous property contracts	1.5	0.7	0.7	0.7	3.5	2.1
	Other smaller LCG Programmes	2.8	-	-	-	2.8	-
	Other smaller POI	1.5	0.5	-	-	2.0	0.5
	Other smaller Payment Services & Payzone	0.3	0.7	0.7	-	1.7	1.4
	Other smaller People Programmes	0.6	0.3	-	-	0.9	0.3
	Other smaller Finance Programmes	0.4	-	-	-	0.4	-
	Other smaller POCA	0.3	-	-	-	0.3	-
	Other smaller Mails	0.3	-	-	-	0.3	-
	Other smaller CIO Programmes	0.1	-	-	-	0.1	-
	Other smaller Strategy and Transformation Programmes	0.0	-	-	-	0.0	-
	Other smaller Marketing	-	-	-	-	-	-
	Other smaller Property Programmes	-	-	-	-	-	-
	Other smaller Retail / Lotto and Gift Cards	-	-	-	-	-	-
	Other smaller Postmaster	-	-	-	-	-	-
	Other smaller Transactional Financial Services	-	-	-	-	-	-
	Other smaller Digital	-	-	-	-	-	-
	Other smaller Telephony Programmes	(0.0)	-	-	-	(0.0)	-
	Other smaller Central Programmes	(0.0)	-	-	-	(0.0)	-
9.Other Total		**12.0**	**5.9**	**3.1**	**2.9**	**24.0**	**11.9**
Grand Total		**285.7**	**188.3**	**182.9**	**102.5**	**759.4**	**473.8**

Strategic Strand	Projects > £5mil	FY21/22	FY22/23	FY23/24	FY24/25	FY21 to FY24 Spend	FY22 to FY24 Spend
- 8.Historical Matters/CCRC	HM Settlement - BEIS Funded	134.6	79.5	15.9	-	229.9	95.4
	Historical Shortfall Scheme - BEIS Funded	-	13.5	2.3	-	15.8	15.8
	Overturned Historical Prosecutions - BEIS Funded	-	4.6	3.0	5.0	12.7	12.7
8.Historical Matters/CCRC Total		**134.6**	**97.6**	**21.2**	**5.0**	**258.4**	**123.9**
Grand Total		**134.6**	**97.6**	**21.2**	**5.0**	**258.4**	**123.9**

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Spend and Benefit Detail by Portfolio

SPO Portfolio	Project Name	21/22 Current Forecast Cost	22/23 Current Forecast Cost	23/24 Current Forecast Cost	24/25 Current Forecast Cost	Total Current Forecast Cost	21/22 Current Forecast Benefits	22/23 Current Forecast Benefits	23/24 Current Forecast Benefits	24/25 Current Forecast Benefits
Banking, Payments & Other	ATM Banking Strategy	9.2	4.0	1.8	-	15.0	5.9	11.2	10.6	10.2
	British Gas	-	-	-	-	-	1.0	0.9	0.8	0.5
	British Gas (4000)	0.3	0.3	0.3	0.3	1.2	0.5	0.5	0.4	0.3
	Community Access to Cash Pilots	0.0	-	-	-	0.0	-	-	-	-
	Counter Cash Automation	1.3	3.8	3.6	7.1	15.8	(0.1)	(0.4)	(1.9)	(3.6)
	International Payments (WU)	-	-	-	-	-	0.8	-	-	-
	IT Systems	-	0.1	0.1	-	0.2	-	-	-	-
	Payzone (4000)	0.0	-	-	-	0.0	-	-	-	-
	Payzone (Panther)	0.0	-	-	-	0.0	0.4	0.7	1.0	1.5
	Payzone Client Onboarding	0.2	-	-	-	0.2	0.1	0.2	0.2	0.2
	Payzone Data System Upgrade	0.2	-	-	-	0.2	-	-	-	-
	Payzone XAC Devices	-	0.6	0.6	-	1.2	-	0.5	1.1	1.1
	POca Exit	0.3	-	-	-	0.3	-	-	-	-
Banking, Payments & Other Total		**11.5**	**8.9**	**6.4**	**7.4**	**34.1**	**8.5**	**13.5**	**12.1**	**10.1**
IT Platform Enablement	Accenture Back Office - contract expiry	-	-	-	4.0	4.0	-	-	-	-
	Accenture Back Office Contract Renewal	-	-	2.5	-	2.5	-	-	-	-
	ATOS Exit	0.0	-	-	-	0.0	0.0	0.0	0.0	0.0
	Back Office Transformation Programme	-	-	-	-	-	1.4	1.4	1.4	1.4
	Back Office/Core/Colleague	-	9.7	2.7	5.0	17.4	-	-	-	-
	Batch messaging and Consolidation (PODG)	0.2	-	-	-	0.2	-	-	-	-
	Belfast Exit	15.9	3.2	-	-	19.1	(0.6)	3.1	7.3	7.3
	BP Open Banking	0.1	-	-	-	0.1	-	-	-	-
	BP Payment Regulatory – SCA	0.1	-	-	-	0.1	-	-	-	-
	Branch Device Replacement	-	-	-	-	-	-	-	-	-
	CDP reprocurement	-	-	-	-	-	0.9	0.9	0.9	0.9
	Connectivity Network 2.0	1.2	-	-	-	1.2	0.1	1.5	1.5	1.5
	Copper Stop Sell	0.9	5.0	7.5	7.5	20.9	-	-	-	-
	Counter printer replacement	0.3	-	-	-	0.3	0.0	0.1	0.1	0.1
	Credence / MDM (Residual Activity)	-	1.0	-	-	1.0	-	-	-	-
	CWC Test Environment	0.1	-	-	-	0.1	-	-	-	-
	Cyber Risk Assessment	0.1	-	-	-	0.1	-	-	-	-
	DDS Gap	1.0	1.0	-	-	2.0	-	-	-	-
	Deloitte / Red Team Review	0.2	-	-	-	0.2	-	-	-	-
	DMARC	0.1	-	-	-	0.1	(0.0)	(0.1)	(0.1)	(0.1)
	EUC Branch Deployment	-	-	-	-	-	0.7	0.7	0.7	0.7
	EUC Cloud Migration	0.4	-	-	-	0.4	0.1	0.1	0.1	0.1
	EUC Reprocurement	3.7	1.2	-	-	4.8	(0.1)	0.4	0.4	0.4
	FJ Exit	0.0	-	-	-	0.0	-	-	-	-
	ForgeRock/Broadleaf upgrades	0.1	0.1	-	-	0.1	-	-	-	-
	Fujitsu Gap + IPR	-	-	10.0	-	10.0	-	-	-	-
	Fujitsu negotiations (Everest)	-	-	-	-	-	3.5	2.2	-	-
	GLO Horizon Interventions	-	0.8	-	-	0.8	-	-	-	-
	IT Security Programme	-	-	-	-	-	(0.3)	(0.3)	(0.3)	(0.3)
	IT Security Programme FY20	0.0	-	-	-	0.0	0.5	0.5	0.5	0.5
	IT Security Programme FY21	0.8	1.8	1.8	1.8	6.2	(0.2)	(0.4)	(1.0)	(1.6)
	IT Security: Service Now Module	0.0	-	-	-	0.0	(0.0)	(0.0)	(0.0)	(0.0)
	IT Service Transformation Programme	-	-	-	-	-	2.6	2.6	2.6	2.6
	Joiners, Movers, Leavers	0.0	-	-	-	0.0	-	-	-	-
	MSEG Switches	0.1	-	-	-	0.1	-	-	-	-
	PCI Compliance	5.5	-	-	-	5.5	(3.7)	(5.3)	(5.0)	(5.0)
	PED Replacement Devices	-	12.5	-	-	12.5	-	-	-	-
	POL Data Platform (PDP)	3.7	5.6	5.9	2.3	17.5	-	-	-	-
	Project Driven Test Environment FY20	2.4	2.4	1.0	1.0	6.8	-	-	-	-
	R&R: Accenture Migration to Azure	-	-	-	-	-	0.5	0.5	0.5	0.5
	R&R: JRE version for Counters	0.0	-	-	-	0.0	-	-	-	-
	R&R: Project Manager FY20	-	-	-	-	-	-	-	-	-
	R&R: Project Manager FY21	0.1	-	-	-	0.1	-	-	-	-
	R&R: Supply Chain Monitor Replacement	0.0	-	-	-	0.0	-	-	-	-
	R&R: Win10	0.2	-	-	-	0.2	-	-	-	-
	Receipt Printers	-	-	-	-	-	1.2	1.2	1.2	1.2
	Risk and Resilience	1.4	1.9	1.9	1.9	7.1	-	-	-	-
	Safe Haven Exit	-	-	-	-	-	1.0	1.0	1.0	1.0
	SAP - CFS contract expiry	-	-	-	8.0	8.0	-	-	-	-
	SAP Renewal, CFS Upgrade	-	-	1.0	-	1.0	-	-	-	-
	SCCM node into Verizon	0.1	-	-	-	0.1	-	-	-	-
	Service Oriented Central Sup. Branch Hub	3.7	4.9	4.4	2.0	15.0	0.2	0.2	0.2	0.2
	Strategic Platform Modernisation	19.5	45.0	64.0	21.6	150.1	(0.6)	(1.9)	(10.3)	(8.1)
	Sungard Replacement	-	-	-	-	-	-	-	-	-
	Win 10 – Device Refresh	0.5	-	-	-	0.5	-	-	-	-
IT Platform Enablement Total		**62.4**	**96.0**	**102.6**	**55.1**	**316.1**	**7.3**	**8.6**	**1.8**	**3.3**

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SPO Portfolio	Project Name	21/22 Current Forecast Cost	22/23 Current Forecast Cost	23/24 Current Forecast Cost	24/25 Current Forecast Cost	Total Current Forecast Cost	21/22 Current Forecast Benefits	22/23 Current Forecast Benefits	23/24 Current Forecast Benefits	24/25 Current Forecast Benefits
Mails, Travel, FS & Other	AEI Exit	1.3	0.1	-	-	1.4	(0.2)	3.0	3.1	3.1
	Balance Transfer Guarantee	0.2	-	-	-	0.2	0.2	0.3	0.3	0.3
	Blackhawk Giftcard Implementation	-	-	-	-	-	1.5	0.8	1.0	1.3
	Business Development & Innovation	-	-	10.0	10.0	20.0	-	-	-	-
	Controls Framework - Mails	0.3	-	-	-	0.3	-	-	-	-
	Credit Card Product/Distribution development	-	0.1	0.1	0.1	0.3	-	-	-	-
	Credit Cards in Branch	-	-	-	-	-	0.1	0.2	0.2	0.2
	Credit Cards Pre-Approval Authorisation	-	-	-	-	-	0.5	0.5	0.5	0.5
	Dangerous Goods Tech. Improvements 20/21	0.2	-	-	-	0.2	-	-	-	-
	Digital Check & Send	-	-	-	-	-	1.9	-	-	-
	Drop & Go Online Journey Efficiency	0.8	-	-	-	0.8	0.1	0.4	0.7	0.7
	Duck Creek Upgrade	0.1	0.5	-	-	0.6	-	-	-	-
	Eagle Balancing line	0.5	0.5	1.0	1.0	3.0	-	-	-	-
	FCA Pricing	0.5	-	-	-	0.5	-	-	-	-
	HMRC fee FX branch changes	-	-	-	-	-	0.9	0.9	0.9	0.9
	Home & TI Pricing & Data Analytics (Morpheus)	-	-	-	-	-	(1.0)	(0.9)	(0.9)	(0.8)
	Home Insurance Transformation (Nemesis)	-	-	-	-	-	(3.0)	(3.0)	(2.5)	(2.2)
	Identity Products Modernisation	0.2	0.0	-	-	0.3	0.3	0.5	1.1	1.1
	Identity Products Modernisation - SIA	-	-	-	-	-	-	-	-	-
	Identity Services Partnership	-	-	-	-	-	0.4	0.5	2.5	7.8
	IDS in Branch Verification	-	-	-	-	-	0.8	0.6	0.5	0.1
	Mails - PUDO	2.4	4.6	2.9	1.0	10.9	0.7	4.3	7.5	13.5
	Mails Strategy	0.0	-	-	-	0.0	-	-	-	-
	MDA2 Stamps stock	0.0	-	-	-	0.0	-	-	-	-
	Peregrine	-	-	-	-	-	(2.4)	8.2	19.9	19.9
	POI Regulatory & Compliance Change	0.6	-	-	-	0.6	0.2	0.7	0.8	-
	Protection Supplier Review	0.3	-	-	-	0.3	-	-	-	-
	RMG Commercial Model & Rem Roll out	0.5	-	-	-	0.5	(2.1)	-	-	-
	Severn (Credit Cards)	-	-	-	-	-	2.9	3.3	3.7	4.3
	Telco Strategy	(0.0)	-	-	-	(0.0)	-	-	-	-
	TI Continuous Improvement (Cronus II)	-	-	-	-	-	0.7	1.3	-	-
	TI Continuous Improvement (Cronus III)	-	-	-	-	-	0.3	-	-	-
	Travel & Home Insurance CI Programme	-	-	-	-	-	(0.1)	0.1	0.3	0.5
	Travel & Home Insurance CI Programme II	-	0.8	1.0	1.0	2.8	-	-	-	-
	Travel Hub	-	-	-	-	-	(0.4)	(0.4)	(0.4)	(0.5)
	AEI to Tablet migration (SIA, DVLA)	-	-	-	-	-	-	-	-	-
Mails, Travel, FS & Other Total		8.0	6.7	15.0	13.1	42.8	2.2	21.1	39.1	50.6
Organisational Effectiveness	CDRC	-	-	-	-	-	0.4	0.4	0.4	0.4
	Covid-19 Response	(0.0)	-	-	-	(0.0)	(2.3)	(2.3)	(2.3)	-
	Culture Transformation	2.6	0.4	-	-	2.9	-	(0.1)	(0.1)	(0.1)
	Data OD Enablement	0.1	-	-	-	0.1	-	-	-	-
	Future of the Workplace	-	-	-	-	-	-	-	-	-
	HR Target Operating Model	-	-	-	-	-	0.5	0.5	0.5	0.5
	People OD Enablement	0.6	0.9	-	-	1.5	-	0.6	0.7	0.7
	People Placeholder	-	-	3.0	3.0	6.0	-	-	-	-
	Post Office Operating Model (POM)	4.1	4.0	-	-	8.1	10.2	14.3	15.1	15.1
	Post Office Operating Model (POM) 3000	(0.0)	-	-	-	(0.0)	-	-	-	-
	Post Office Operating Model (POM) 4000	0.0	-	-	-	0.0	-	-	-	-
	Project Assurance	0.6	0.3	-	-	0.9	-	-	-	-
	PSSC SuccessFactors Enhancements	0.4	-	-	-	0.4	0.0	0.1	0.1	0.1
	SLC 1	-	-	-	-	-	4.2	4.2	4.2	4.2
	SLC 2	-	-	-	-	-	2.3	2.3	2.3	2.3
	SLC 3	(0.1)	-	-	-	(0.1)	2.3	2.3	2.3	2.3
	SLC 4	0.1	-	-	-	0.1	1.4	1.4	1.4	1.4
	Success Factors - Phase 1	-	-	-	-	-	3.4	3.4	3.4	3.4
	Success Factors - Phase 2	-	-	-	-	-	0.1	0.1	0.1	0.1
	Talent and Capability Transformation	0.7	-	-	-	0.7	-	-	-	-
Organisational Effectiveness Total		9.1	5.6	3.0	3.0	20.7	22.5	27.2	28.1	30.4

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SPO Portfolio	Project Name	21/22 Current Forecast Cost	22/23 Current Forecast Cost	23/24 Current Forecast Cost	24/25 Current Forecast Cost	Total Current Forecast Cost	21/22 Current Forecast Benefits	22/23 Current Forecast Benefits	23/24 Current Forecast Benefits	24/25 Current Forecast Benefits
− Postmaster & Network	Branch Support Model	-	-	-	-	-	0.5	0.5	0.5	0.5
	Crown Network Shape	-	-	-	-	-	5.6	5.6	5.6	5.6
	CT vacant leaseholds & CT onerous property contracts	1.5	0.7	0.7	0.7	3.5	5.8	5.8	5.8	5.8
	Developing Capabilities	-	-	-	-	-	0.8	1.0	1.0	1.0
	DMB Strategy	16.7	16.6	25.6	-	58.9	10.1	14.1	19.9	23.4
	Field Restructure	-	-	-	-	-	1.2	1.2	1.2	1.2
	Fit and proper	0.0	-	-	-	0.0	(0.2)	(0.2)	(0.2)	(0.2)
	Horizon Quick Wins & Trans Corrections	-	-	-	-	-	0.1	0.1	0.1	0.1
	Hot Housing Roll-Out	-	-	-	-	-	-	-	-	-
	Legacy risk branches	-	11.8	11.4	-	23.2	-	0.6	3.1	4.7
	Loss Prevention Transformation	-	-	-	-	-	0.1	0.2	0.2	0.2
	Network Development	(0.0)	-	-	-	(0.0)	5.2	5.2	5.2	5.2
	Network Maintenance	2.9	3.7	5.4	4.0	16.0	-	-	-	-
	Network Paddington Project	-	-	-	-	-	0.7	0.7	0.7	0.7
	Network Strategy - Hard to Place Branches	9.3	7.9	1.7	-	18.9	0.2	0.1	0.7	1.2
	Network Transformation Programme	(0.2)	-	-	-	(0.2)	-	-	-	-
	Outreach optimisation	-	1.2	3.4	3.4	7.9	-	0.9	3.0	5.3
	Postmaster Application Process	-	-	-	-	-	(0.1)	(0.1)	(0.1)	(0.1)
	Postmaster Engagement	0.1	-	-	-	0.1	-	-	-	-
	Postmaster Service Improvement Programme	5.8	3.0	2.0	2.0	12.8	-	-	-	-
	Property Cat 2 - Alarm Upgrades	0.2	0.3	0.3	0.3	1.1	-	-	-	-
	Property Cat 2 - Security Projects	0.6	0.6	0.4	0.3	1.9	-	-	-	-
	Property Cat 2. Fogging Programme	1.2	1.2	1.2	1.2	4.8	-	-	-	-
	Property Cat 1 CapEx Investment FY20/21	0.0	-	-	-	0.0	-	-	-	-
	Property Cat 1 CapEx Investment FY21/22	1.8	1.0	0.8	0.8	4.4	-	-	-	-
	Sale Of Assets	(3.1)	(6.3)	(17.3)	(2.2)	(34.3)	-	-	-	-
	SSK Trial	-	-	-	-	-	0.2	0.2	0.2	0.2
	Commercial Framework & Contract Reform	2.4	0.5	1.0	1.0	4.9	-	-	-	-
	Basic/Express & M2L	2.7	1.4	5.2	5.4	14.7	0.1	0.1	1.1	3.8
Postmaster & Network Total		36.9	43.0	41.8	16.8	138.5	30.4	36.2	48.1	58.7
− Shared Services	Bill Payments VAT Treatment	-	-	-	-	-	0.8	1.0	1.0	1.0
	Central Change team FY20	0.0	-	-	-	0.0	-	-	-	-
	Central Change team FY21	1.6	1.8	1.7	1.7	6.9	-	-	-	-
	Central Ledger Adjustments	(0.0)	-	-	-	(0.0)	-	-	-	-
	Challenge	-	-	-	-	-	-	-	-	-
	Close Process Solution	0.4	-	-	-	0.4	(0.2)	(0.2)	(0.2)	(0.2)
	Contract Management Framework	0.0	-	-	-	0.0	(0.1)	(0.1)	(0.1)	(0.1)
	Controls Framework	1.5	3.5	-	-	5.0	0.1	(0.0)	(0.0)	(0.0)
	Integrated P&L and Budget Forecasting	-	0.8	-	-	0.8	-	-	0.1	0.1
	Project Starling	2.8	-	-	-	2.8	-	-	-	-
	Rationalise Treasury & Tax	0.3	-	-	-	0.3	-	0.1	0.1	0.1
	SAP Hierarchy	0.1	-	-	-	0.1	-	-	-	-
	Source to Settle	0.0	-	-	-	0.0	0.5	2.1	2.0	2.0
Shared Services Total		6.5	6.1	1.7	1.7	16.2	1.2	2.8	2.8	2.8
− Supply Chain	Branch Printer Cost Reduction 2019	0.3	-	-	-	0.3	0.3	0.9	0.9	0.9
	Cash Centre Machinery Up-grade	0.5	-	-	-	0.5	-	-	-	-
	Cash Centre Strategy	-	2.6	0.2	-	2.8	-	0.4	0.8	0.8
	Cash Transformation - Single Pass	-	0.8	-	-	0.8	-	0.3	0.7	0.7
	CVIT Portsmouth Relocation	0.1	-	-	-	0.1	(0.1)	(0.2)	(0.4)	(0.4)
	CVIT Replacement Vehicles 19/20	1.0	-	-	-	1.0	0.1	0.2	0.2	0.2
	CVIT Strategy	-	0.9	1.6	-	2.5	-	0.5	0.9	0.9
	Enabling the Supply Chain	-	-	-	-	-	1.4	1.4	1.4	1.4
	Future of Stock	3.9	3.8	-	-	7.6	-	(0.1)	1.1	1.2
	Historical Matters for Supply Chain	0.7	-	-	-	0.7	-	-	-	-
	Single Managed Units	-	1.0	-	-	1.0	-	0.1	0.2	0.2
	Supply chain - Other security measures	0.0	-	-	-	0.0	(0.0)	(0.0)	-	-
	Supply Chain Cash Utility	0.4	-	-	-	0.4	-	-	-	-
	Supply Chain Improvement Programme	2.0	-	-	-	2.0	-	-	-	-
	Supply Chain PDA Replacements	0.4	0.8	-	-	1.2	-	0.0	0.0	-
	Trunking Vehicles	0.1	-	-	-	0.1	-	-	-	-
	Vehicles (Supply Chain)	-	1.0	-	0.5	1.5	-	-	-	-
Supply Chain Total		9.1	10.9	1.8	0.5	22.3	1.7	3.4	5.7	5.8
− Historical Matters - Programmes	Aged Balances	0.5	-	-	-	0.5	-	-	-	-
	CCRC / Prosecutions	13.1	4.3	4.0	-	21.4	-	-	-	-
	Historical Shortfall Scheme	21.8	-	-	-	21.8	-	-	-	-
	HM Ops Remediation	0.7	-	-	-	0.7	-	-	-	-
	Horizon Issues Judgement	7.7	5.9	5.8	5.0	24.3	-	-	-	-
	Judicial Review	0.1	-	-	-	0.1	-	-	-	-
	Legal / General Advice	3.4	0.9	0.8	-	5.1	-	-	-	-
	Operational Improvements Phase 2	0.6	-	-	-	0.6	-	-	-	-
	Overturned Historical Prosecutions	3.3	-	-	-	3.3	-	-	-	-
	POHIT Inquiry	0.9	-	-	-	0.9	-	-	-	-
	Post GLO - Ops Improvement and Contracts	0.0	-	-	-	0.0	-	-	-	-
	Post GLO Small Projects	0.1	-	-	-	0.1	-	-	-	-
	Stamps Scheme	0.1	-	-	-	0.1	-	-	-	-
Historical Matters - Programmes Total		52.2	11.1	10.5	5.0	78.8	-	-	-	-
− Historical Matters - BEIS Funded	HM Settlement - BEIS Funded	194.6	79.5	15.9	-	229.9	-	-	-	-
	Historical Shortfall Scheme - BEIS Funded	-	13.5	2.3	-	15.8	-	-	-	-
	Overturned Historical Prosecutions - BEIS Funded	-	4.6	3.0	5.0	12.7	-	-	-	-
Historical Matters - BEIS Funded Total		194.6	97.6	21.2	5.0	258.4	-	-	-	-
− Historical Matters - Settlement	HM Settlement - POL Funded	89.0	-	-	-	89.0	-	-	-	-
	HSS Post Offer	0.8	-	-	-	0.8	-	-	-	-
Historical Matters - Settlement Total		89.8	-	-	-	89.8	-	-	-	-
Grand Total		420.2	286.0	204.1	107.5	1,017.9	73.8	112.9	137.7	161.8

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Appendix 10: Cashflow Detail

Security Headroom Bridge

£m	FY21/22	FY22/23	FY23/24	FY24/25
Security Headroom Brought Forward	**157.3**	**113.0**	**126.2**	**75.9**
Trading profit (exc FRES)	44.0	38.2	64.5	80.0
Network Subsidy	50.0	50.0	50.0	50.0
FRES dividend	(0.0)	8.5	8.8	13.9
Financing costs	(6.6)	(6.4)	(6.3)	(6.7)
Other gains and losses	0.0	0.0	0.0	0.0
Cash flows from trading	*87.4*	*90.4*	*117.0*	*137.2*
Investment funding	125.0	100.0	40.0	0.0
Investment loan	52.0	0.0	(7.0)	(7.0)
Capex	(74.0)	(105.5)	(98.6)	(65.0)
Exceptional spend	(121.8)	(82.9)	(84.3)	(37.5)
Cash flows from investment activities	*(18.8)*	*(88.3)*	*(149.9)*	*(109.5)*
Movement in client payables	19.6	7.5	19.6	(8.4)
Movement in postmaster payables	(5.7)	5.3	(33.7)	36.2
Movement in other payables and provisions	(36.5)	(1.6)	(3.3)	0.2
Movements in payables	*(22.7)*	*11.2*	*(17.4)*	*28.0*
POMS cash	(2.6)	0.0	0.0	0.0
Inventory	0.0	0.0	0.0	0.0
POMS and Payzone debtors	0.0	0.0	0.0	0.0
Movements in non-qualifying assets	*(2.6)*	*0.0*	*0.0*	*0.0*
Movement in HSS provision	(113.0)	(40.0)	0.0	0.0
Movement in HSS asset	25.4	40.0	0.0	0.0
Net HSS settlements	*(87.6)*	*0.0*	*0.0*	*0.0*
Security Headroom Carried Forward	**113.0**	**126.2**	**75.9**	**131.5**

Facility Headroom Bridge

£m	FY21/22	FY22/23	FY23/24	FY24/25
Facility Headroom Brought Forward	**324**	**235**	**208**	**130**
Trading profit (exc FRES)	44	38	64	80
Network Subsidy	50	50	50	50
FRES dividend	(0)	8	9	14
Financing costs	(7)	(6)	(6)	(7)
Other gains and losses	0	0	0	0
Cash flows from trading	*87*	*90*	*117*	*137*
Investment funding	125	100	40	0
Investment loan	52	0	(7)	(7)
Capex	(74)	(105)	(99)	(65)
Exceptional spend	(122)	(83)	(84)	(38)
Cash flows from investment activities	*(19)*	*(88)*	*(150)*	*(110)*
Movement in client payables	20	8	20	(8)
Movement in Santander client payable	13	(0)	0	0
Movement in Postmaster payables	(6)	5	(34)	36
Movement in other payables and provisions	(37)	(2)	(3)	0
Movements in payables	*(10)*	*11*	*(17)*	*28*
Network cash	(39)	(21)	(34)	(110)
Cash in bank	(2)	0	0	0
Inventory	0	0	0	0
Receivables	(19)	(19)	6	(1)
Movements in current assets	*(60)*	*(39)*	*(28)*	*(111)*
Movement in HSS provision	(113)	(40)	0	0
Movement in HSS asset	25	40	0	0
Net HSS settlements	*(88)*	*0*	*0*	*0*
Facility Headroom Carried Forward	**235**	**208**	**130**	**75**

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POST OFFICE LIMITED
BOARD REPORT

Title:	Banking Framework 3 ('BF3')	Meeting Date:	3rd June 2021
Author:	Martin Kearsley, Banking Product Portfolio Director	Sponsor:	Owen Woodley, Group Chief Commercial Officer

Input Sought: Decision

The Board is asked to please authorise the Banking team to:

i. Release the proposed final BF3 commercial offer to all existing partner banks;
ii. Continue discussions with Government and industry stakeholders about strategic alliances that may deliver a longer-term multi-year solution;
iii. Make further adjustments to the commercial offer if required within the pre-approved range post 30th June 2021.

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Previous Governance Oversight

1. July 2020 Board meeting presentation on approach to BF3
2. January 2021 Board meeting noting paper on BF3 background, plan and progress
3. Executive and Board NED one-to-ones held throughout February 2021
4. GE socialisation 17th March 2021
5. March 2021 Board meeting decision paper authorising a BF3 commercial 'range'
6. GE socialisation 26th May 2021

Executive Summary

BF3 commercial and contract proposals will be released by 30th June 2021. Each bank will decide by December 31st 2021 whether to remain in the Banking Framework or to terminate. Following key bank discussions, Government meetings, and stakeholder activities in the past few months, we are expecting full engagement, and no leavers, as we move from Banking Framework 2 ('BF2') to BF3. We have a growing conviction that a strong strategic partnership supported by legislation will continue to Banking Framework 4 ('BF4').

The final commercial offer of £731m proposed here is centred in the range previously approved (£715m-£745m total 3-year revenue, based on assumed volumes).

In presenting and discussing this offer with banks, and coordinating a series of CEO to CEO meetings, the major banks are increasingly signalling an interest in a strategic partnership with Post Office for a longer-term solution to access to cash. Successful engagement and collaborative work in this area will optimise our income and reinforce Post Office as central to cash and banking for the next 7-10 years.

Included in this update paper is a short expansion on those strategic steps and wider discussions, as well as a description of emerging industry activity in this space.

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Questions addressed

1. What was banks' reaction to the initial BF3 Commercial Proposal?
2. How have we addressed bank feedback?
3. What would we like to propose to the banks at the end of June?
4. What is the Post Office position regarding any requested changes post June?
5. What is the developing market context?
6. What is our longer-term strategic thinking?
7. How will this proposal impact Postmasters?

Report

Question 1: What was banks' reaction to the initial BF3 Commercial Proposal?

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1. The March 2021 Board review included feedback from Accenture regarding areas of concern felt by all banks after BF2, including service and commercial challenges that were important to address. This created a strong guide to our presentation of the initial BF3 commercial proposal.
2. We subsequently published our opening commercial position with the Banks on the 7th April. This was £745m over three years and assumed all banks accepted the BF3 terms. This was at the top of our agreed negotiating range of £715m-£745m.
3. We held an industry-wide presentation of this proposal and then commenced engagement with banks one-to-one. We have met with all key banks on this basis at least once, and with the biggest banks three to four times.
4. Feedback on our proposal varied by Bank but overall:
    a. The approach to BF3 has been far better received than BF2, with greater engagement and transparency. This has been echoed in CEO-level meetings.
    b. Mid-tier banks have reacted positively, recognising small improvements in their pricing over the three years compared to BF2 pricing. Larger bank reactions have been mixed due to their more complex structures.
    c. Framework fee changes have been welcomed, including the principle of a cap (which was increased following the debate at the March Board). Banks restated their position regarding access to and transparency of our cost base in any future discussions on minimum fees. We continued to push back on exposing any of our cost base.
    d. Improvements in the withdrawal fees to encourage greater volume landed well.
    e. The increase in deposit fees has caused difficulties, in particular for Santander, which makes the greatest use of our low corporate rate for deposits today. This was expected and had been factored into our opening position.
    f. We proposed two options for cheque handling:
        i. retain the existing service, but with price increases for sustainability;
        ii. a new, more sustainable cheque service to replace our existing one.
    g. Banks selected the first option and new pricing is now incorporated into the total proposal.
    h. Banks also continued to raise concerns about the legitimacy of many low-value, non-round ('LVNR') withdrawals occurring within our network.
    i. The encouragement to move to card-based transactions was welcomed, and several have now enquired about moving to a Chip/PIN based solution.

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5. Banks have assessed our assumptions regarding their volumes leading us to be more confident in our modelling baseline volumes. This process helped us identify a small number of unintended consequences which we used to justify revising our proposal.
6. All banks recognised the improved approach to BF3 pricing, but Santander would still be significantly worse off under BF3. We have worked with them closely to address that gap in our final proposal and believe they may now choose to move to BF3 pricing as a result.

Question 2: How have we addressed bank feedback?

7. Following feedback from the banks and clarification of volume assumptions, we made a revised proposal on 7th May.
8. We accepted the banks' choice regarding retaining the existing cheque service, but significantly increased our pricing to make this more sustainable. We signposted to banks that while we will continue to deliver this service as-is during BF3 we will replace this with an updated solution by the end of BF3.
9. For deposits, we modified how deposit volumes are counted towards the discount tiers, making the approach fairer for banks as they increase their usage and start using self-service in the future. We have reduced the ad-valorem rates by 5%, which lessened the impact on those banks who use the corporate rate today, and therefore improved Santander's overall position. This has further encouraged Chip & PIN development which will help address the AML challenges we face.
10. In withdrawals, Post Office is responsible for ensuring that our service operates correctly and within the agreed rules. To take the LVNR issue off the table and a reason for banks to walk away from withdrawals, we proposed to not charge for any non-round withdrawals under £10 (i.e. £3.28) while in parallel addressing any non-conformance through our area manager teams. This equates to c.9% of our withdrawals, or c.1.5% of our total revenue. These withdrawals will continue to count towards our framework fee in recognition that over time our non-conformance processes will result in only legitimate transactions remaining.
11. To bring Santander to a net neutral position in BF3 we introduced volume discount tiers for the change giving service that benefitted its Corporate bank almost uniquely. The additional benefit being that this pricing structure is now consistent with other banking products.
12. All other elements of the proposal agreed at the March Board remain unchanged. Appendix 1 depicts the pricing adjustments made since the opening offer.

Question 3: What would we like to propose to the banks at the end of June?

13. Following our revised proposal almost all banks are now commercially the same or better under BF3 than they are under BF2. This is illustrated in Appendix 2.
14. We do not propose making any further commercial proposals to the banks before issuing our final set of prices at the end of June. We have shown that we have listened, addressed concerns where we can, and from our one-to-ones we believe that most banks' internal business cases will point them towards accepting BF3 pricing. This final proposal maximises the value from BF3 whilst de-risking losing any members, simultaneously establishing the platform for BF4. See Question 6.

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15. Our final offer will generate £731m in revenue during BF3 and c£268m in trading profit. It will also generate c£203m in Postmaster renumeration. This remains within the range agreed by the Board in March. This proposal includes a framework fee cap set at £95m, £5m higher than we presented in March, and based on our volume projections will be achieved during the final year of BF3. Please see the Profit & Loss Forecast in Appendix 3.

Question 4: What is the Post Office position regarding any requested changes post June?

16. Our proposal at the end of June will be definitive and we will remind banks of the 6-month governance period. In that period, we neither expect (nor will we accept) any further commercial challenge.
17. However, between June and December during the banks' internal governance period there may be examples of contractual requests for change based on variations in law, examples such as:
    a. AML changes - currently subject to much wider industry and Government review
    b. Payment Systems Regulator ('PSR') variations on EBA guidelines - recommendations from PSR continue to evolve
18. Our intent would be to consider those if/when published, and embed any approved wording changes, unless significant commercial impact is implicit.
19. If a bank approaches us with a 'unique to bank' commercial challenge, we do not propose to change our commercial model.
20. Should a wider challenge appear from multiple banks which would impact the totality of the agreement, we may make judicious modifications within the original range down to £715m - subject to existing delegated permission given to the CEO and CCO in March.
21. If such a challenge should take the entire agreement outside the range approved, then we will revert to the Board for further authorisation.
22. During the CEO to CEO meetings held in March and April 2021, consistent themes including seeking a broader strategic alliance emerged, due in part to the collegiate nature of our existing relationship, but also reflecting on the wider 'Access to Cash' debate and the looming legislative and stakeholder agenda, which is growing in intensity. To put this next stage in context, the following short sections describe various steps being taken.

Question 5: What is the developing market context?

<u>Legislation</u>

23. The Treasury ('HMT') is preparing legislation to protect cash as banks close branches by enforcing provision of alternative means. HMT's view is that regulated banks should ensure all their channels conform, and since the market is too fragile to rely on self-appointed groups (such as the Ceeney/Postings proposals described below), legislation is needed. Despite emerging bank resistance, HMT is adamant that the legislation will extend the existing regulatory framework to mandate the banks to protect access to cash.
24. Government and industry regulators (FCA, PSR) and consumer groups (Which?, CAB) continue to press for legislative pace from HMT to ensure access to cash is supported. Appendix 4 shows the latest FCA statement regarding cash, protection, direction to banks regarding the support of cash, Post Office, LINK and other key providers.

25. The challenge we have repeatedly pushed HMT on is the slow timing of any legislation, its absence from the Queen's Speech on 11th May 2021, and no apparent progress since it was stated in the March 2020 budget. We understand a white paper is looming in June, from which suggested law will be proposed and taken through Parliament.
26. The CEO of UK Finance, David Postings and the Chair of the CACP trials Natalie Ceeney have partnered with the top 5 bank CEOs and Nationwide – who have all enthusiastically committed to join a 'clearing house' model to agree, fund and support solutions being deployed in struggling communities. On the surface, this is a notable step forward, but HMT, other stakeholders and Post Office find many issues hiding within. A specific one is that this group is seeking to mandate how cash services are delivered, and how much they would be willing to pay. That is not welcome by HMT, and clearly seeks to constrict delivery based on banks' directions rather than the wider market.
27. We and LINK (both named in the paper as key partners) have welcomed the paper in its role in 'helping the debate' but remain wary about bank intentions.

Pilots and Competition

28. Several hundred further bank closures have been announced in the last few weeks, and this will continue through 2021. Remaining branches are increasingly being automated, so true counter services are under continued threat.
29. Volumes and values of Post Office transactions continue to firstly recover (for withdrawals) or surpass (for deposits) pre-Covid levels as the footfall increases and bank closures continue to impact the market. The increases we are seeing align fully with our projections in the business case previously presented.
30. The Community Access to Cash Pilot ('CACP') has now successfully launched with Post Office at the very heart of all eight locations. In two locations (Burslem and Rochford) we have launched pilot automation services for self-service deposits, and in two locations (Cambuslang and Rochford) we have opened a brand-new concept branch, a BankHUB, sharing space with banks who can meet with their customers day by day.
31. Other solutions are also being trialled by other (non-Post Office) providers – such as Cashback Without Purchase ('CWP') which has now been given legal approval and will generate competition to Post Office withdrawal services. Other solutions are app-based, connecting customers who seek cash with small businesses who are holding excess.
32. The initial response to the BankHub launches has been overwhelmingly positive and is already leading to further discussions with banks about potential future models and partnership.
33. In terms of deposits, banks are now deploying 'smartsafes' into their small corporate customer sites to enable real-time credit for cash, without needing either a bank branch or a Post Office. We also expect trial of a VISA deposit scheme to commence this summer.
34. To that extent, we are facing more competition than before, but the two key service providers are, and will remain, Post Office (for branch cash in and out) and LINK (for ATMs).

Question 6: What is our longer-term strategic thinking?

35. Our planned engagement included a series of CEO to CEO meetings starting in mid-March. The initial meetings were 'functional'; good, but guarded, awaiting detail, and feeling wary of our plans. With the declaration of our round one commercial model, followed up by further CEO meetings, the tone was noticeably more engaged, strategic and detailed. The key theme emerging from those sessions is a clear desire to create a long-term fix to cash, in parallel with the various other initiatives (HMT/FCA, Ceeney/Postings, CACP output) where banks are interested in a multi-year (perhaps 5-10 years) commitment with Post Office to ensure access to cash. Further themes include a desire for Post Office to 'do more' regarding AML, although the solution to that is industry-wide, with banks solely owning the regulatory requirement to monitor money laundering challenges. A final theme consists of 'improving service standards and training', something that we have now included into the contract.
36. The intended legislation that is possibly emerging from HMT will see a specific mandate placed on banks to ensure their channels fulfil the needs of the communities they serve, potentially based on geographical coverage. This is not what the banks want, preferring regulation/legislation to be placed on the channels (Post Office, convenience stores, supermarkets etc). Our understanding is that HMT and FCA/PSR do not believe this is achievable due to the breadth of what that entails, so will make this a bank challenge.
37. Our strong engagement in CACP has also led to wider discussions that could see our role expand from cash to also including hosting bank staff to provide community banking. This creates a strong opportunity to re-enforce our role at the centre of communities providing face to face services and is well aligned to our purpose. It also creates the potential for further revenue streams for Postmasters, both directly through banking and through additional footfall.
38. The combination of CEO to CEO meetings, output from the Bank Senior Working Group, and the likely legislative output, are illustrating a desire to commit to a longer-term solution. Our position is to confirm BF3 in preparation for a wider discussion to carry on almost immediately to resolve whether we extend the BF3 term or migrate to a remodelled BF4 for the longer term.

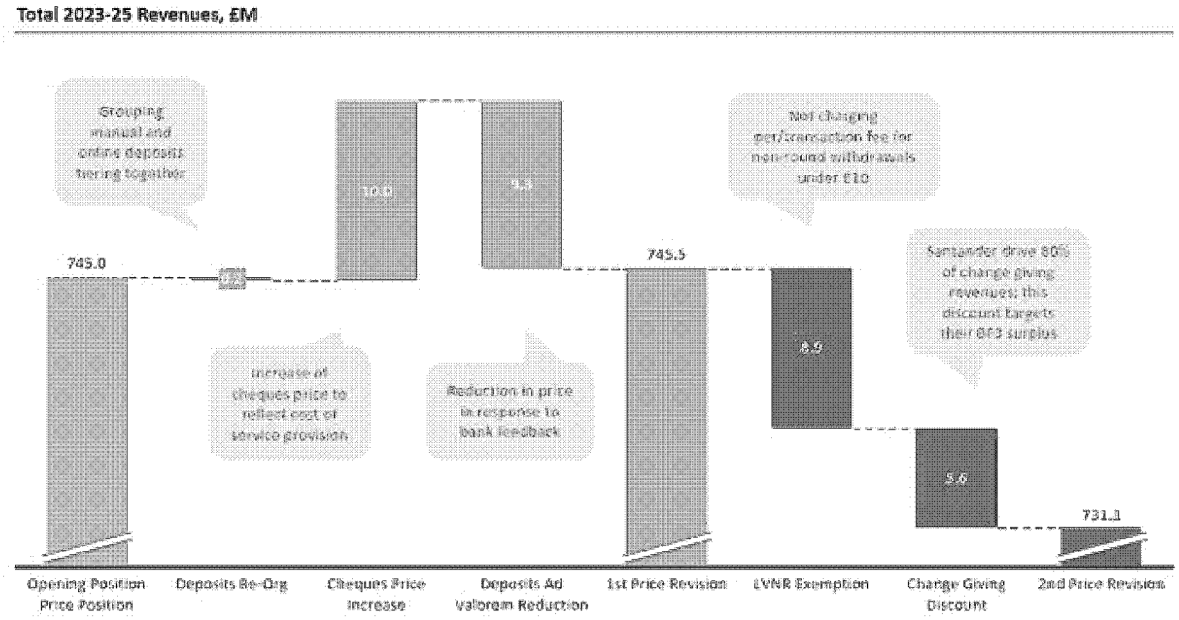
Question 7: How will this proposal impact Postmasters?

39. Banking is strategically important for both Post Office and Postmasters, representing the second biggest source of remuneration. Our BF3 proposal is forecast to maintain all banks within the framework ensuring that Post Office branches remain the go-to location in a community for cash for all customers. Volumes are expected to increase compared to today, delivering additional renumeration and footfall.
40. Total Postmaster Remuneration from BF3 is forecast to be c£203m. This number could change following the Post Office strategic review of Postmaster remuneration given the £268m profit generated by BF3.
41. As well as the direct benefits to Postmaster remuneration, BF3 will create an environment where automation of our network for banking transactions can be funded, either directly by the profit generated, or jointly with bank partners. This will increase the capacity of our branches, the speed of processing and reduce errors, all aiding Postmasters to run a more successful business.

Risk Assessment, Mitigations & Legal Implications

A legal risk note has been added to the reading room for review.

Appendix 1 Pricing Adjustments from Opening Position



Appendix 2 – Bank by Bank Pricing Comparison

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Total BF3 Revenues[1] – Proposed BF3 Pricing vs Staying on BF2

Banking Group	Total Fee	Delta vs staying on BF2		Framework Fee	Delta vs staying on BF2		Withdrawal Fee	Delta vs staying on BF2		Deposit Fee	Delta vs staying on BF2	
Santander	£141.1m	1%	(£0.9m)	£47.9m	16%	(£7.6m)	£11.3m	5%	(£0.6m)	£70.3m	14%	£11.0m
Lloyds Banking Group	£106.5m	5%	(£5.5m)	£52.6m	10%	(£5.3m)	£25.0m	17%	(£3.2m)	£68.8m	2%	£1.6m
NatWest Group	£171.2m	8%	(£8.2m)	£46.5m	-23%	(£11.4m)	£15.9m	10%	(£1.6m)	£58.7m	3%	£1.5m
RBS Group	£64.8m	-6%	(£4.7m)	£24.7m	-16%	(£3.3m)	£7.6m	4%	(£0.6m)	£22.7m	-6%	(£1.5m)
Barclays	£115.8m	-3%	(£3.6m)	£45.5m	-13%	(£6.5m)	£15.2m	-10%	(£1.5m)	£56.5m	-10%	£5.1m
Virgin Money Group	£26.8m	-7%	(£1.9m)	£13.5m	10%	(£1.4m)	£3.7m	5%	(£0.3m)	£8.6m	5%	(£0.6m)
TSB	£28.2m	-3%	(£1.2m)	£17.6m	-2%	(£0.3m)	£4.3m	0%	(£0.0m)	£16.2m	-4%	(£0.7m)
Co-operative Bank	£21.5m	-6%	(£1.4m)	£9.3m	-15%	(£1.5m)	£2.3m	5%	(£0.1m)	£7.9m	-5%	(£0.4m)
Bank of Ireland	£7.6m	-3%	(£0.1m)	-	0%	-	£0.4m	-5%	(£0.0m)	£1.5m	-8%	(£0.2m)
AIB Group	£2.0m	-1%	(£0.0m)	-	0%	-	£0.4m	6%	(£0.0m)	£1.1m	7%	(£0.1m)
Handelsbanken	£0.5m	-25%	(£0.1m)	-	0%	-	£0.0m	-9%	(£0.0m)	£0.5m	-15%	(£0.1m)
Nationwide Building Society	£24.2m	-2%	(£0.2m)	£17.1m	-1%	(£0.2m)	£6.7m	2%	(£0.1m)	-	0%	-
Danske Bank	£7.8m	3.1%	£0.5m	£0.6m	100%	£0.6m	£0.7m	9%	(£0.0m)	£2.2m	8%	(£0.2m)
Metro Bank	£0.9m	-12%	(£0.1m)	-	0%	-	-	0%	-	£0.7m	-14%	(£0.1m)
Danske	£0.0m	-1%	(£0.0m)	-	0%	-	£0.0m	-9%	(£0.0m)	£0.0m	3%	£0.0m
Sterling Bank	£16.3m	7%	(£1.1m)	£0.2m	9%	(£0.0m)	£0.5m	9%	(£0.0m)	£15.3m	9%	(£0.9m)
Bankmoney	£1.1m	1%	£0.0m	-	0%	-	£0.3m	9%	(£0.0m)	£0.9m	0%	(£0.0m)
CBS	£0.5m	92%	£0.3m	-	0%	-	-	0%	-	-	0%	-
AFS	£0.6m	9%	(£0.5m)	-	0%	-	£0.0m	-9%	(£0.0m)	£.5m	-9%	(£0.5m)
Cumis	-	0%	-	-	0%	-	-	0%	-	-	0%	-
Property Solutions	£1.2m	-5%	(£0.1m)	-	0%	-	-	0%	-	£1.2m	-8%	(£0.1m)
Total	**£707.1m**	**-1%**	**(£0.7m)**	**£279.1m**	**-14%**	**(£18.5m)**	**£94.5m**	**11%**	**(£10.1m)**	**£920.3m**	**4%**	**£18.8m**

Note 1: NB: Total Revenues are based on internal baseline volume forecasts

Appendix 3- 2023 to 2025 Profit & Loss Forecast

P&L Items Directly Attributable to Banking Framework (£m p.a.)	Commentary	Remainder of BF2			BF3 Proposed		
		2020	2021	2022	2023	2024	2025
Income	Total Banking Framework income	197.0	207.2-18	225-234	235-244	244-254	244-254
Postmaster Variable Remuneration	Variable remuneration for deposits, withdrawals, cheques and change giving	(87.0)	(95-97)	(94-99)	(94-99)	(97-98)	(95-99)
Cost of Sales	External provider, Vocalink fees (charged on variable per tm basis) for administrating all banking transactions	(1.6)	(1.5-1.9)	(1.9-2.1)	(2.0-2.2)	(2.0-2.2)	(2.0-2.2)
Non Staff Costs		(5.9)	(5.5-6.1)	(5.5-5.7)	(5.5-5.7)	(5.5-5.7)	(5.5-5.7)
RMG Cheque Pouches	Royal Mail costs for transporting cheques	(4.5)	(4.4-4.9)	(4.4-4.9)	(4.5-4.7)	(4.5-4.7)	(4.7-4.7)
Cheque Processing Costs	Cost of an external provider, Raising for processing cheques	(1.2)	(1.1-1.2)	(1.0-1.1)	(0.9-1.1)	(0.9-1.0)	(0.8-0.9)
Other Costs	Travel expenses and IDC Finance subscription fees	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Staff Costs	Fully loaded compensation for the Post Office banking team	(2.1)	(2.0-2.3)	(2.1-2.3)	(2.1-2.4)	(2.1-2.4)	(2.2-2.5)
Central Allocations (Largely fixed)		(69.0)	(66-70)	(67-68)	(68-70)	(68-70)	(69-70)
Supply Chain	Cash value in transit (CVIT) costs, supply chain staff costs, supply chain property costs (incl. opportunity costs)	(59.0)	(59-67)	(62-65)	(63-65)	(62-65)	(62-66)
Cost of Cash	Access fee for bank facility	(10.0)	(9.5-10.5)	(9.9-10.3)	(10-11)	(10-11)	(10.5-12.5)
Cash Losses	Branch network (robberies etc.)	(5.0)	(4.8-5.3)	(4.8-5.3)	(4.9-5.5)	(5.0-5.6)	(5.1-5.3)
Property & Security Capital Requirement	Alarms, safes and associated maintenance	(5.0)	(5.0-5.5)	(5.1-5.6)	(5.7-5.7)	(5.5-5.9)	(5.4-6.0)
Property Maintenance	Property annual maintenance costs - cash centres	(1.0)	(1.0-1.2)	(2.0-2.1)	(2.1-2.3)	(2.1-2.3)	(2.2-2.4)
Depreciation	Building, equipment and vehicle depreciation	(4.0)	(3.5-4.9)	(3.3-3.6)	(3.0-3.4)	(3.0-3.3)	(3.0-3.1)
Operations Support	Back office reconciliation and fraud investigations teams	(1.0)	(2.2-2.5)	(2.3-2.5)	(2.3-2.5)	(2.4-2.6)	(2.4-2.7)
IT Costs	CWC and Accenture (incl. cash forecasting tool and Horizon)	(1.0)	(1.0-1.2)	(1.1-1.2)	(1.1-1.2)	(1.1-1.2)	(1.1-1.2)
PCI costs	Amortisation and run costs of the PCI solution	-	(2.9-3.6)	(6.5-7.1)	(6.6-7.3)	(6.6-7.3)	(6.8-7.3)
Automation Costs (Investment & Run)*	Placeholder costs for the development and roll-out of Tellin Cash Recyclers and Self Service Deposit devices	-	(0.3-0.4)	(2.6-2.8)	(3.0-3.3)	(3.1-3.3)	(3.0-3.2)
P&L Contributions Directly Attributable to Banking Framework p.a.		76.0	68-75	80-83	85-88	89-93	93-97

*NB: These are placeholder automation costs only. Source of investment funding TBA. Please see section VII for detail of these estimates.

Modelling based on all banks moving to BF3 pricing, including Santander.

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Appendix 4

Access to Cash FCA/PSR Joint Statement

Access to cash and banking services remain vital for many consumers and businesses. Our Financial Lives Survey in 2020 found that 5 million adults use cash for most of their purchases. The pandemic has led to more people becoming familiar with contactless card payments and internet shopping.

The overall decline in the use of cash makes it more expensive to maintain the existing infrastructure that supports it. However, as we move out of the pandemic, cash continues to serve a socially useful purpose for many communities. Following a fall in ATM withdrawals of 40% year-on-year across 2020, withdrawals have started to increase again since restrictions have begun to ease.

Although our data shows that most people can access cash easily now, there is a need to maintain access to cash and banking services for those that still need it, particularly vulnerable consumers. At the same time, a critical part of maintaining this access will be supporting others that can to transition to digital and other alternative ways of banking and making payments.

This challenge requires industry, government and regulators to act. We are monitoring trends and supervising firms to make sure access is available and we will use the tools at our disposal to ensure this happens.

We expect individual firms to protect the ability of their customers to access cash and other services that meet their needs when they close branches. We welcome the industry's proposal to work together to protect access and develop long term solutions, while ensuring they comply with competition law.

We support the government's commitment to protect access to cash through legislation and we will have a role in supervising that legislation.

Cash must remain available

Cash use is declining but remains an important way many people and businesses buy and sell their day-to-day goods. The FCA and the PSR are committed to ensuring that cash, and the infrastructure that supports it, remains available for those who need it.

This includes new and innovative ways for accessing cash, such as banking hubs that are being piloted, alongside more traditional routes of bank branches, ATMs, cashback from retailers and cash services over Post Office counters.

What the FCA and PSR have done about cash

During the pandemic, the FCA and PSR worked with industry to address the challenges of ensuring cash access for the people who want to use it. This included analysing data, sharing best practice, and agreeing actions to ensure continued access to cash. As a result, even at the height of the crisis no more than 0.1% of the UK population lost access to a source of cash within 3 miles.

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The FCA and PSR partnered with the University of Bristol last year to produce a comprehensive assessment of cash access across the UK. We found that 95% of people are able to access cash in urban areas within 650 metres and in rural areas within 3.5km. Bank branches, ATMs and Post Offices all form part of this important infrastructure.

Under the Post Office national access criteria, 99% of the population must live in areas within 3 miles of their nearest Post Office, and 90% within 1 mile. In addition, the PSR's oversight of LINK ensures that LINK continues to maintain a broad geographic footprint of free-to-use ATMs.

In September 2020, the FCA published guidance setting out expectation that firms should consider the impact of branch and ATM closures on their customers' everyday banking needs and consider the availability and provision of alternatives. We have been supervising branch closures closely, assessing plans based on risk of harm posed to consumers.

In January 2021, we asked banks to pause closures where they are unable to meet the expectations laid out in the guidance due to the coronavirus lockdown.

Legislation to protect cash
Last year, the government announced its intention to legislate to maintain access to cash in the long-term. That legislation will support infrastructure into the future and provide a framework to protect access to cash.

Our expectations of firms
We expect individual firms to play their part in protecting the ability of customers to access cash and wider banking services in ways that meet their needs, particularly vulnerable customers and SMEs.

Individual firms are responsible for making sure that when they close a branch or ATM in a local area, there are alternatives available to provide services at a standard of service that meets the needs of the customers using that branch or ATM. Firms will need to consider the ability to withdraw and deposit cash, safety, accessibility and opening times.

To meet these responsibilities, over the short-term firms are likely to rely on the current alternatives to branches to a large extent, such as Post Office and LINK services. We think there can be significant benefits from making the most of, and where necessary enhancing the existing services and policies. Over the longer-term there will also be scope for firms to use other alternatives and innovations.

Industry activity and regulatory expectations
We welcome the commitment from industry to take forward action to protect access to cash and close gaps in provision in a way that complies with competition law. This work should also take account of regulatory and legislative developments and does not replace the individual responsibilities of firms.

We also welcome the wider financial services industry actions to identify new ways to support local community access. Innovative new methods are already being piloted across the country and we are keen to see the outcomes of this work and how these solutions can be applied more widely.

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The FCA and PSR will continue to work in an open and transparent way with consumer bodies and the firms we regulate to achieve our desired outcomes, including using the full range of regulatory tools available to us where appropriate.

Following on from our work with the University of Bristol last year, we intend to publish an updated assessment of the UK's cash infrastructure in the summer, alongside the FCA's recent consumer research into cash use. Furthermore, the PSR will shortly publish its review of Specific Direction 8 (SD8).

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BOARD REPORT

Title:	Multi-year business case to BEIS for the Strategic Platform Modernisation Programme (SPMP)	**Meeting Date:**	3rd June 2021
Author:	Zdravko Mladenov, Business Transformation Unit	**Sponsor:**	Nick Read, Group CEO

Input Sought: Approval

The Board is requested to approve proceeding with the Strategic Platform Modernisation Programme (SPMP) multi-year business case for approval by BEIS. The Board's review and approval of this case is a requirement established by UKGI and BEIS to trigger their own further review and approval of the case. Sign-off by BEIS' Permanent Secretary is expected by August 2021.

Approval by the POL Board of the multi-year SPMP business case does not translate directly into funding disbursement, does not change previously agreed SPMP deliverables and does not commit to any future deliverables. Requests for funding drawdowns and agreement on deliverables will come to the Board in separate tranches and following the regular Post Office governance process, with the first tranche planned for the late July Board session.

The current cadence of reporting SPMP progress at Board meetings also remains unaffected, but a separate, additional reporting process to UKGI and BEIS has been already instituted.

Previous Governance Oversight

GE and Board updates on SPM:	
Nov '20	• The Board endorsed the creation of the Business Transformation Unit (BTU), part of which becomes the SPM programme. See Appendix A for details. The Board endorsed two main SPM objectives: (1) short- and long-term tech-enablement for the POL business (e.g., new formats and Postmaster propositions; optimisation of customer journeys); (2) retirement of the Horizon platform and exit from the main FJ contract.
Jan '21	• The Board noted the early progress of SPM as part of BTU and endorsed the proposed aspiration to deliver 400 new branches outside of Horizon with the Express format by end of FY21/22.
Mar '21	• The Board noted the progress update on the programme; specifically the successful programmatic and technological ramp-up, reflected in agreed governance cadence with BEIS and in the accelerated 'build' of the software solution to allow for 400 new, 'Horizon-free' Express branches to open by March 2022. The Board approved a drawdown of £4.68M to deliver a range of further concrete outcomes and deliverables, including continuing with tech development and completing the multi-year business case for UKGI/BEIS, covered in this submission.

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The focus of this paper is on the costs and benefits of the SPMP programme. The Reading Room will contain the following further materials:

- **Full Business Case;**
- **Executive Summary for the Board;**
- **PowerPoint presentation covering main elements** of this paper and the Executive Summary;
- **External Programme Assurance Report by Deloitte** - note that while the Deloitte work was conducted collaboratively with POL's Internal Audit (IA) department, the report at this stage does not include a cover note from IA.

These Reading Room materials offer more depth than this paper can cover on the following topics:

- **Context on Horizon** – specifically, what are the financial and operational challenges that Postmasters and POL face with the current system?
- **Options analysis** – specifically, what options have been considered to address the Horizon challenges (including retaining Horizon)? What are the different sets and subsets of evaluation criteria? What is the recommendation?
- **Scope of SPMP** – specifically, what has been included in addition to the "Do Minimum"? What optionality exists to decrease or increase further the scope and at what cost?
- **Costs and benefits of this programme** – specifically, beyond the direct financial benefits (e.g., IT OPEX savings), what are the indirect benefits for Postmasters and the rest of the POL business?
- **Design and Delivery plans –** specifically, what are the main design and delivery principles (e.g., "Designed with Postmasters, for Postmasters")? What is the overarching SPM architecture? What is the delivery timetable? How are delivery activities structured?
- **Device Strategy** – specifically, what types of devices will replace the one-size-fits-all Horizon counter in the short- and long-term?
- **Risks and mitigations –** specifically, what are the major risks, which stakeholders would be most affected if those risks materialise, how are we proposing to mitigate those risks?
- **Lessons Learned from the past** – specifically, what are the lessons from the attempt to execute a similar transformation with IBM? What are the lessons from other major POL IT programmes?

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Questions addressed

1. What is the funding request for SPMP and how does it break down?
2. What is the rationale and detail behind the contingency/risk provisions?
3. What are the benefits and payback period of the investment?
4. What is included in the 'scope' of this funding envelope? What optionality exists?
5. What external assurance has been provided for this case?

Report

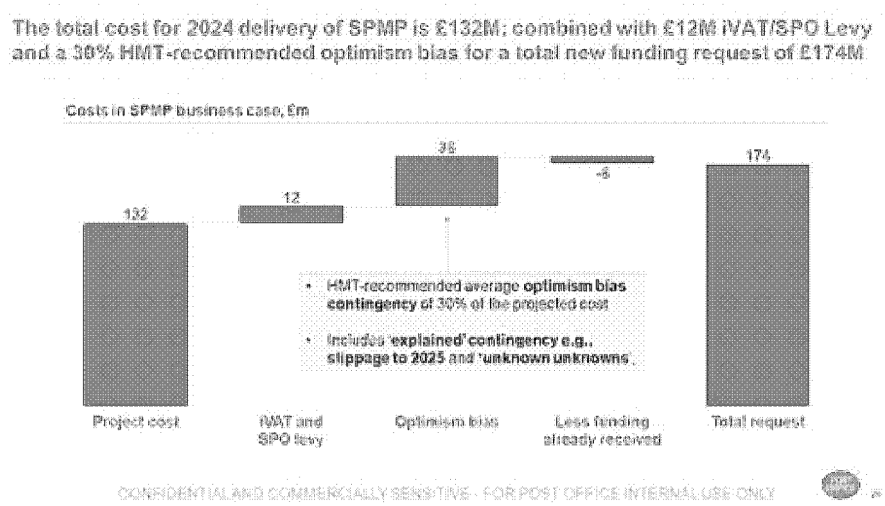
What is the funding proposal for SPMP and how does it break down?

7

1. The multi-year SPM business case sets out a total projected new cost of £174m over three years between 2021/22 and 2024/25. This funding is split between an estimated £56m CAPEX, £66m Exceptional and OPEX of £10m.

   OPEX represents only 8% of the total and covers "dual run" costs with Horizon, i.e., the costs to run and support the new core trading platform once elements of it have gone live, but before rollout is fully completed. Once rollout is completed, the full OpEx costs to run the new core trading platform will become BAU costs, replacing existing Horizon OPEX.

2. The £174M envelope includes a contingency of £36m and £12m in costs for iVAT (bottom-up estimated at ~9%) and SPO Levy (1%). The proposed figure excludes £6m already approved by the Board for early, 'no regret' activity:



3. Expected phasing of costs over the five-year life of the programme are as follows, by expenditure type:

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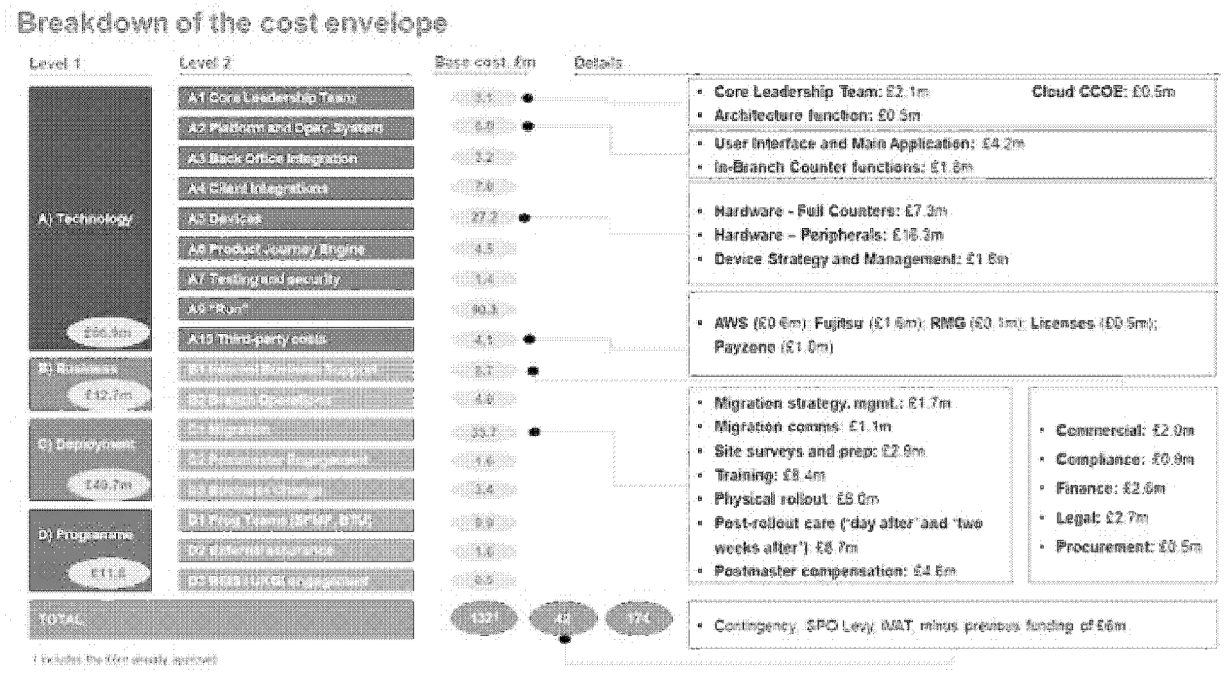
	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25	Total
	£m	£m	£m	£m	£m	£m
CapEx	1.0	15.2	18.7	20.6	-	55.5
OpEx	-	0.8	2.1	7.5	-	10.4
Exceptional	-	13.4	22.9	27.2	2.7	66.1
	1.0	**29.4**	**43.7**	**55.3**	**2.7**	**132.0**
iVAT/SPO		2.6	4.0	5.2	0.3	12.1
	1.0	**32.0**	**47.7**	**60.5**	**3.0**	**144.1**
				Contingency		**36.1**
				Previous spend		**-5.8**
Total						**174.5**

4. The chart below illustrates the break-down of the funding by main category and sub-category:



What is the rationale and detail behind the contingency/risk provisions?

5. The contingency of £36m represents an approx. 30% increase on the base project cost. This figure of 30% was arrived at by using an "Optimism Bias" assessment, recommended by HM Treasury and modelled using Treasury-provided historical data for different cost categories in comparable programmes. The programme elements compared include complexity of technology, degree of innovation required and complexity of current and future contract structures.

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6. Therefore, an "Optimism Bias" that averaged 30% was allocated against most element of the SPM multi-year cost model, excluding already incurred costs.

7. This Treasury-informed contingency is a top-down figure. From a bottom-up perspective, the programme modelled scenarios around the principal known risk of delivery slippage, which would then result in a delay to rollout and programme completion by April 2025 (instead of April 2024).

   The table below shows the components of slippage costs:

Main Area:	Effect of 2025 slippage:
Technology Design and Build costs increases (primarily dual-run OPEX costs and IT leadership costs)	£11.5m
Cost of extended migration / deployment	£3.1m
Business costs (Commercial, Finance, Operations, Procurement)	£1.2m
Programme and business process transformation overhead	£1.5m
	£17.3m

8. Thus, within the £36m contingency, we have a 'known unknown' SPM risk funding of £17.3m, with a further £18.7m to cover 'unknown unknown' risks.

What are the benefits and payback period of the programme?

9. Noting that a range of indirect non-financial benefits also exist (for details, see Appendix A and Reading Room materials), the financial benefits of SPMP have been categorised into direct and indirect. Direct financial benefits are those, which are directly created by SPMP and will be achieved through this programme alone. Indirect financial benefits are those, which other projects or activities will achieve having been enabled by the new core trading platform and its devices (e.g., revenue and profitability growth by the introduction of new products or the changes to the branch network).

   Indirect financial benefits have not been quantified as part of this business case and are not included in the benefits and payback calculations.

10. With regard to direct financial benefits, SPMP will deliver direct financial benefits stemming from the reduction of IT operating expenses (e.g., internal operation and management of the new core trading platform – see Appendix B), as well as substantially lower 'cost of change' compared to currently with Horizon.

11. Current direct financial benefits are projected to total £24.7m per annum:

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Direct Financial Benefit	Amount	Explanation
Reduction of core platform run costs	£18.6m p/a.	IT savings are expected to be made across several areas once the new platform is implemented, these include: • Infrastructure costs • Core Platform application support • Device Operating Systems and Management Application • Branch Device Costs • Supply chain (printer ink and paper)
Reduction of change costs	£6.1m p/a.	CapEx and exceptional costs incurred to make changes to Horizon (e.g., PCI-DSS or Belfast Exit) are expected to be significantly lower due to: • the inherent flexibility of the new system, e.g., less resource will be required to make changes, and • the differential in the cost of a salaried internal member of Post Office staff versus the high margin Fujitsu rate card charges incurred today

12. These benefits have been calculated in a robust, bottom-up way, through a joint effort by the SPMP programme, the IT team and Post Office Finance. At this early stage, however, they should still be treated as preliminary and not guaranteed. The estimates will be reviewed annually, with increasingly more mature figures provided to Board on a frequent basis as part of the regular SPMP-Board reporting cadence.

13. For modelling purposes, the programme has assumed that direct financial benefits start accruing only in FY 24/25 due to the low probability of capturing any further savings against the Horizon contract (post-Belfast Exit) earlier than the contract exit date. The savings assume the planned rollout occurs in line with current plans, i.e., delivery delays will also delay benefit capture.

14. Realising only these direct financial benefits results in an overall investment payback period of ~5.8 years (without spending the contingency) and ~7.3 years (with spending the contingency).

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What is included in the 'scope' of this funding envelope? What optionality exists?

15. The principle components, recommended by the POL management team to comprise the scope of the programme are:

    (a) **The "Do Minimum":** replacement of the Horizon system in all branches, including devices and peripherals where needed (e.g., printers);

    (b) **Only "Must-Do" business transformation:** the modernisation of product/customer journeys and core underlying processes ("Postmaster journeys") that affect the Postmaster experience with the core trading platform (e.g., cash management) to the extent that those are required to avoid building the Horizon replacement as a 'copy/paste' of Horizon.

    (c) **An "Enhanced" deployment, migration, Postmaster engagement and communications package**: examples include training primarily in-person and in-branch; extensive support on the day of migration for a branch (e.g., full day in-person support); extensive post-rollout support known as day-after, week-after, two-weeks-after hyper care; budget for external professional comms support; extended capacity for the internal business change and change management team; Postmaster financial compensation for missed revenue due to the estimated 4-hour non-trading window for migration;

    (d) **Minimal funding for Mails Automation**: in total, approximately £3m has been included for the design, purchase and deployment of 660 self-serve kiosks for Mails products only.

    Appendix C provides further detail.

16. The programme is based on an aggressive timetable to complete by March 2024, thus ideally allowing for Horizon contract exit earlier than March 2025, but also containing a year of 'buffer' Fujitsu support. Key target milestones are the completion of a 'slim counter' with Mails and Banking by June 2022 and of the 'full counter' by December 2022. Rollout is then expected to commence in early 2023 via pilots and initially by small groups, then slowly ramping up to ~100 branches migrated per day and completing by March 2024.

    See Appendix D for details.

17. The cost modelling is based on the assumption that the Horizon replacement solution is developed under POL leadership through a mixed sourcing model – i.e., leveraging a combination of POL permanent positions, day rate contractors and resources from 2-3 external partners. Under a mixed 'build-buy' model, some components are presumed to be purchased off-the-shelf; examples include a payments module or a module to process legacy pre-paid bill payment transactions.

18. What is explicitly not in the scope of this funding proposal:

a. Digital Mails – the programme does not cover the provision of an online platform for Mails services;

b. Network planning and operationalisation of new branch formats – for example, the programme does not costs of RMG collections for Express and Basic formats, or for additional credit management teams;

c. Non-SPM BAU IT costs, including Horizon running costs and IT change costs associated with Horizon;

d. Postmaster contract replacement – the programme does not cover the replacement of contracts for Postmasters, but will collaborate with the Network Optimisation programme to leverage the technology rollout as an impetus for new contract adoption. Such a collaboration won't result in material cost increases for SPM, although may pose risk to the March 2024 timetable.

e. Data and reporting – the programme presumes all data and reporting will be handled via the POL Data programme or Branch Hub. Branch Hub is also presumed to be delivering the Postmaster Journeys that relate to reporting of branch performance and other branch management information.

19. A view of the options at a high, strategic level is provided in Appendix E.

At a more tactical options level, the management team has made a series of decisions to include or not include various modules and components. These decisions represent our scope recommendation to the Board, but each one be reversed.

Appendix F outlines the main tactical options and associated costs.

20. In addition, the programme team is targeting a "Top 10" list of opportunities to reduce total programme costs further; however, at this stage, we are unable to commit to greater reductions against those items. The "Top 10" are:

#	Opportunity	Description
1	Device Reductions	Reduce the number of counters from 23,000 to 19,000-21,000
2	Vacancy Rate	Achieve a 3-5% vacancy rate for relevant positions
3	Contractor conversion	Convert contractors into permanent roles (where applicable)
4	Outsource deployment	Contract the appropriate deployment and post-rollout hypercare work as a package with external provider
5	Buy a "Base EPOS"	Buy a "Base EPOS" (including recurring license costs) and upgrade it, including with the bespoke POL-specific components already built
6	Belfast Exit Integrations	Re-use the external, third-party integrations developed under Belfast Exit

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7	Legacy Pre-Pay and other 'difficult' product costs	Reduce Bill Pay development costs due to outsourcing of Legacy Pre-Pay Build; reduce the cost to transfer other 'expensive' products (APOP Payout and Postal Orders) to SPM
8	Back Office Costs	Minimise support needs for PM Compensation and Cash Management, and move it away from Accenture
9	Hosting and license Costs	Reduce license costs paid to non-core third party providers; optimise AWS Hosting Costs in steady state
10	Cloud Centre of Excellence	Reduce consumption of contractor CCOE platform engineers and shift to permanent shared roles

What external assurance has been provided for this case?

21. An external programmatic auditor, Deloitte, was engaged with a scope defined by UKGI and BEIS. The report is included in the Reading Room.

    Deloitte interviewed 10+ key stakeholders inside and outside the programme and reviewed a wide array of programme documentation, including the cost models and delivery plans. Key findings suggest scope for improvement primarily in the areas of programmatic setup and the integration with broader POL strategy, but flag no major concerns with the funding proposal itself.

22. The Deloitte team worked closely with POL's Internal Audit (IA) function, which is producing an audit of the programme in parallel. That audit will be presented at the next ARC meeting, but because of the condensed timelines for this business case, the Deloitte report does not currently include an IA cover note or a Management Response. Both will be presented at the next ARC meeting.

23. In addition to external assurance, the SPMP team has worked closely with Internal Audit to identify the lessons learned from previous large-scale technology programmes at Post Office and from the failed attempt to retire Horizon with IBM in 2016-18.

    Appendix H provides an overview of the main lessons from the IBM experience, which is the closest 'comparator' to SPMP.

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Appendix A: Overview of SPMP benefits

The investment will deliver a range of benefits to Post Office, both directly and through enablement of other programmes and projects

	Direct Benefits	Indirect Benefits	Beneficiaries
Financial Benefits	Financial benefits directly implemented by SPMP: • Reduction of future run cost (OPEX Cost) • Reduction of future change costs	Financial benefits enabled by SPMP for implementation by other programmes. This includes: • Reduction of Network exam cost and reduction of costs to open new branches • Reduction of training costs to new Postmasters • Increased revenue	[illegible] [illegible] [illegible]
Business Benefits	Business benefits directly implemented by SPMP. This includes: • Reduction in the number of mistakes made while transactions are being completed and Reduction of cost of Postmaster support operations • Reduction of time spent on branch back-office processes • Increased Postmaster satisfaction with more trading platform	Business benefits enabled by SPMP for implementation by other programmes. This includes: • Increased agility in the branch network • Increased ability to meet customer and client changing needs	

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See PowerPoint in the Reading Room for a lot more granular deep-dive on SPMP benefits!

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Appendix B: IT OPEX savings assessment

in £k ('000s)

Category	Current spend, post-Belfast Exit	Expected Spend post SPM	Variance
Infrastructure	1,861	1,372	489
Core Platform Application Support	21,963	11,535	10,428
Device Operating System & Mgmt App	1,096	728	368
In-Branch Support and Device Costs	10,578	6,127	4,451
Paper and Ink Costs	4,195	1,110	3,085
Back Office Support	-	264	-264
TOTAL	**39,693**	**21,136**	**18,557**

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Appendix C: Scope of SPM

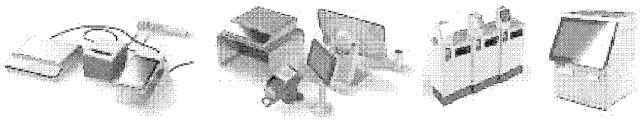
What is the scope of SPM? (1/3)

Category	Component	Core SPM scope	Partial scope	Out of SPM scope	Notes
Technology	Horizon counter replacement	✓			Closest to like-for-like replacement
	Horizon peripherals replacement	✓ *with exceptions*			PEDs - outside SPM Scales - re-use if possible All printers – part of SPM
	4G connectivity for Postmasters (where not available)	✓			Yes, in principle
	Retailer Accompaniment Device (RAD)		✓		See current hypothesis below; only Payzone RADs included
	Mails Automation Devices (Mail SSKs)			✓	

Current hypothesis

- Priority focus on:
  - (1) developing as quickly as feasible the Express/Basics technology (RAD) using off-the-shelf Payzone devices
  - (2) developing as quickly as feasible the Full Counter technology to allow for Horizon exit in 2024
- Secondary focus, not to risk delivery on the priority focus, on:
  - (3) Mails SSK – likely required by late-2023 if we continue to offer
  - (4) Smaller, fully integrated RAD – to replace Payzone devices

(1) (2) (3) (4)



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What is the scope of SPM? (2/3)

Category	Component	Core SPM scope	Partial scope	Out of SPM scope	Notes
'Non-Technology' Journeys	Horizon product journeys ("Customer Journeys")	✓			Already in-flight with Commercial Team leading
	Horizon In-Branch processes ("Postmaster Journeys")	✓ 'Must-do's' mostly under BTU			See hypothesis below
	POL "HQ" processes ("POL Journeys")			✓ Bare minimum (e.g., parts of cash supply)	Only 'touch' if there are direct implications from the SPM work

Current hypothesis on "Postmaster Journeys"

- Two **Business Transformation Unit (BTU)** cross-functional teams are looking at the main "Postmasters Journeys":
  - **Finance Operations** ("Project BAFTA") is looking at Branch Accounting, Cash Mgmt, partly Stock Mgmt in close collaboration with Finance and Service Ops
  - **Branch Operations** – currently being established: proposal is for this unit to serve as the coordinator for "Postmaster Journeys" and to provide resources in support of the COO's team modernising key non-financial journeys (e.g., Training, Onboarding, User Access and Admin), thus co-creating requirements to feed SPM / BHub
- **SPM** is developing specific Postmaster Journeys that are closely linked with the core transactions and counter operations (e.g., Transaction Review and Audit, or Counter Activity Audit), while taking input from Project BAFTA for Cash Management, Stock Management, Branch Accounting and Transaction Corrections
- **Branch Hub** is leading on all Postmaster Journeys that relate to Reporting of Branch Performance and other branch Management Information. Branch Hub also is the likely future location for onboarding and training materials, knowledge-sharing and Postmaster comms, select branch operations (e.g., coin ordering).

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What is the scope of SPM? (3/3)

Category	Component	Core SPM scope	Partial scope	Out of SPM scope	Notes
Technology Deployment	Deployment planning / migration schedule	✓			With input from Network Strategy (e.g., due to contracting)
	Comms, training, physical rollout, post-rollout care	✓			
	Network planning (types of formats, volumes, locations)			✗	Network Strategy
	Postmaster contract replacement			✗	Network Strategy
	Operating model for new formats, including cash-less			✗	Network Strategy

Current hypothesis of accountabilities between the SPM and Network Strategy programme

- SPM is accountable for the design and build of all technology.
- SPM inputs into and ultimately receives direction from the Network 'central brain' about what technology is needed in which location. This includes new formats (e.g., new Basics), new technology (e.g., Mail Self-Serve, if available, in current locations), and new openings of 'full' branches with the new SPM counter technology.
- SPM is then accountable for planning, piloting and executing the deployment end-to-end.
- Re-contracting with Postmasters and the associated negotiations are part of the Network's team remit as a key input into the decision what technology goes where.
- The operating model for new formats is also part of the Network's team remit, but done in collaboration with SPM as practically needed (e.g., to coordinate on how we build remuneration processes for new formats)

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Appendix D: High-level delivery plan

SPMP will deliver the first new technology for use in new format branches in 2021, and will migrate all users to the new platform by March 2024, allowing Horizon to be retired

Key network milestones enabled by SPMP but out of SPMP scope ◆ SPMP milestones

May 2021 | Jan 2022 | Jan 2023 | Jan 2024

Branch and Postmaster milestones

- **Sep 21** First Express[1] branch Go Live
- **Jan 22** First Basics[2] branch GoLive
- **Mar 22** 400 Express branchesLive
- **Jul 2022** Slim counter deployment begins (TBC)
- Deployment
- **Jan 2023** Deployment of full counter across network begins
- **Mar 2024** Deployment complete; Horizon ready to be retired

Technology development milestones

- **Sep 21** Tech infrastructure for Express format available
- **Dec 2021** Tech infrastructure for Basic format available
- **Jan 2022** Prototype counter available as proof of concept
- **Jun 2022** Slim counter available
- **Dec 2022** Full counter available

Business enablement and programme milestones

- **Sep 21** Preliminary POL IT op model defined
- **Jan 22** High level deployment strategy defined; High level training strategy defined
- **Jun 22** Subset slim training materials ready
- **Sep 22** POL IT op model support defined
- Training,hypercare and enhanced support
- **Dec 2022** Full training materials ready
- A select subset of key milestones and activities are shown here; this plan is far from exhaustive

1the Express format offersPay Zoneretailers the opportunity to accept prepaid Mails (letters and parcels) using new software on thePay Zone device 2 Basics branches will be able to process the majority of mails products usingPayzone device and will be able to accept payment for Mails products

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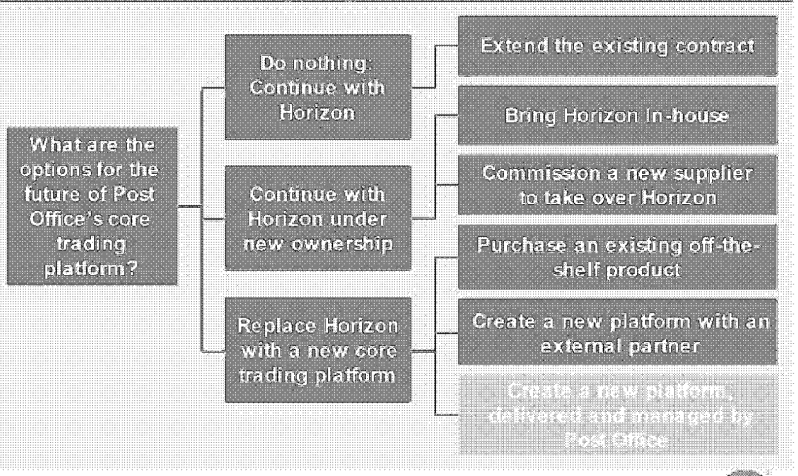
Appendix E: Horizon-replacement options considered

Post Office has identified six options for the future of the core trading platform, assessed these against robust criteria, and identified a recommended option

- Post Office has laid out **six possible options for the future** of the core trading platform
- These options have been **assessed against five criteria**:
  - Strategic alignment
  - Value for money
  - Post Office ownership and change capability
  - Risk
  - Delivery and procurement approach
- This assessment has **identified a preferred approach** that delivers against all criteria

The recommended option is to replace the Horizon platform with a new platform delivered and managed by Post Office



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Appendix F: Tactical scope options

Our approach enables significant optionality, with a range of 'menu items' that can be added or removed from the currently proposed scope (1/3)

Potential additions to the agreed scope		
• **POL RADs**	+ 3.3m	• Add 1,500 POL RAD devices, including development and purchase of hardware. Cost for adding 1,500 Payzone RADs is significantly lower and can likely be absorbed in the programme costs, particularly if those replace existing counters
• **Extended external assurance**	+0.8m	• Approximately doubling the cost of programmatic external assurance to provide for more frequent and deeper delivery assurance ("Have you really progressed as much as you say you have?")
• **Provision for lost commercial revenue**	+1.5m	• As a result of the need to roll out the new IT system, each branch will be closed for approx. 4 hours. These closures will not be all at the same time, but – effectively – POL trading will be suspended for 4 hours total over the course of 12-15 months. • This funding is a provision to compensate POL for lost revenue due to that closure.
• **Programme and IT oversight**	+ 2.8m	• (Don't add) Add an "enhanced" programme management and business transformation layer to the current resourcing plan. Examples include adding a senior, veteran IT oversight layer on top of POL's Branch and Digital Engineering team; adding 1 additional 'Swiss Knife' transformation team, adding additional programmatic and technical assurance.

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Our approach enables significant optionality, with a range of 'menu items' that can be added or removed from the currently proposed scope (2/3)

Potential reductions to the agreed scope		
• **De-scope deployment and migration**	- 7.9m	• Remove the "Enhanced" deployment, migration and Postmaster engagement package. Examples include shift of training partially to online and reductions in: the scope of the post-rollout support ("day after" and "week after"), the capacity of the Postmaster engagement team and the budget for external comms associated with the migration, reduction in the capacity of the internal business change team
• **De-scope legal and compliance support**	- 2.9m	• Remove the provision for external Legal Counsel and Compliance FTEs; assumes no further work required following the current contract review and no need for the Data Protection and Fraud Crimes compliance FTE's. Leaves ~1M in Legal and Compliance budget
• **Reduced business transformation scope**	- 2.2m	• Reduce the scopes of the finance (Project BAFTA) and ops process reviews; reduce the funding for commercial resource back-fill to focus on product journeys
• **Reduce counter device specifications**	- 2.0m	• Presume lower grade specifications for the new counter, such as a smaller counter screen and non-integrated scale and printer (i.e., not space-saving)
• **Remove 'expensive products'**	- 1.5m	• (Look at APOP only) Do not migrate the "APOP Payout" and "Postal Orders" products from Horizon

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Our approach enables significant optionality, with a range of 'menu items' that can be added or removed from the currently proposed scope (3/3)

Potential reductions to the agreed scope		
• **Expanded internal change management team**	- 1.9m	• An expanded, dedicated internal change management unit (~5 FTEs) for the duration of the programme (3 years)
• **Mails Self-Service Devices**	- 2.1m	• Remove 660 mails self-serve machines, including the development and purchase of hardware. Installation costs, including removal of existing SSKs, is not included, but can likely be absorbed, particularly if done in conjunction with broader rollout and if these devices replace existing counters. Must note that without this option, all existing SSKs must be decommissioned after Mar 2024 (!)

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Appendix G: Main risks to delivery

Given the size and complexity of the programme, a range of risks have been identified, which will be managed using standard programme risk management approaches

Risk management approach

- Programme risks will be managed using **established CEF risk management framework**
- Risks will be **captured and scored** in programme risk register, with **appropriate mitigating actions**
- Risks will be allocated a **single owner**
- Risks will **be monitored weekly** based on scoring
- Risks will be **escalated through governance forums** as required

Subset of critical programme risks from risk register

Risk category	Description	Mitigations
Scope, time, budget	• Late stakeholder identification or engagement affecting decisions and necessitating rework	• Early stakeholder analysis and mapping, with frequent review
	• Delayed business engagement changing agreed requirements, causing delay	• Early impact assessment, robust scopemgmtt requirement and change control processes
	• Delayed build/buy decision on EPOS system affecting timelines	• Parallel work on build and buy workstreams to allow factbased decision
	• Assumptions underpinning cost estimates may change, affecting budget	• Appropriate contingency in budget
	• COVID restrictions delay implementation	• Implementation timelines reviewed as pandemic progresses
Benefits realisation	• Poor management of dependencies on other programmes disrupts benefit realisation	• Steering group representation to manage dependencies; benefit plan management
Postmaster relations	• Postmasters are disappointed by programme output	• Ongoing engagement of Postmasters, robust testing, comprehensive training
Delivery	• Post Office lack technical capability to deliver solution and support	• Ongoing resource profiling to ensure internal and external resources deliver capability
	• Inadequate training provision affects implementation	• Training developed in parallel to solution, hyper care provided

1 Change Excellence Framework

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Appendix H: Lessons Learned from the IBM Experience

Comparison and lessons learned from the IBM effort in 2016-18

	Branch Technology Transformation (with IBM) – approx. final cost estimate of £250m	SPMP – approx. cost £174m
Timeframe	• 24 months	• 36 months (+12 months contingency)
Programmatic Approach	• "Very Big Bang" = ambition to replace hardware, rebuild software, transform all processes in the same time rapid timeline • De-coupling of the hardware rollout from the technology modernisation, both programmatically and in terms of suppliers	• Incremental transformation – get the minimum foundation in place, before taking on larger technology and business transformation strands • All related activities (tech build, devices, deployment, business transformation under one roof
Technical Approach	• Assumption that 'out-of-the box' components and functionality can be deployed quickly, without customisation to POL specifics • De-coupling of the POS from in-branch & back office processes, thus requiring coexistence with Horizon for many years	• Detailed considerations on 'build vs. buy' of individual components • De-coupling from Horizon – no dependency on the system or the supplier • Incremental development of functionality ("Mails first, Banking second") and gradual deployment (Basics first, other formats later)
Supplier Management	• Large dependency, but limited POL ability to force collaboration between IBM and Fujitsu • Limited POL ability to oversee multiple suppliers against sometimes competing plans	• A greater proportion of the work is 'in-house' (albeit with partners and contractors) • All supplier partners managed directly by POL centrally: no direct interdependencies
Context	• The programme was happening in parallel with a very large organisational shift, following the separation of RMG and POL and resulting in senior management and change capacity constraints.	• Comparatively more stable environment, with more senior management capacity, but still very limited by the inquiry and the range of other ongoing programmes

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POST OFFICE LIMITED
BOARD REPORT

Title:	April 2021 (P1) – Performance Overview	Meeting Date:	3rd June 2021
Author:	Max Jacobi – Strategic Financial Planning & Analysis Director	Sponsor:	Al Cameron - Group Chief Finance Officer

Input Sought
Discussion & Noting of P1 performance.

Previous Governance Oversight
N/A

Executive Summary

The purpose of this paper is to summarise our Period 1 financial performance, with further details and analysis provided in the accompanying reading room slide-deck.

Key items of note are:

- Mails profits were (£3.0m) lower than budget, with trading down particularly in Labels where the initial response to lockdown easing has been faster than we predicted. The additional stretch in the labels budget contributed around £1m of this shortfall;
- Banking deposits and withdrawal volumes have continued to grow broadly as predicted, with a small but welcome improvement in business deposits now showing;
- Postmaster remuneration is down on budget in period, predominantly due to the shortfall in Mails. Year on year remuneration is flat, with last year including the impact of lower trading but Covid top-ups;
- FRES profit share made a slightly lower loss than expected, with additional stretch phased from beginning of Q2, with travel volumes still too low to take a view on the peak summer outlook;
- Branch Numbers for P1 increased by 26 to 11,441 The current waiver of 11,250 expires at the end June, which means we need to be above 11,500 for the July outturn;
- Security Headroom increased more than forecasted to £249m, being boosted by lower investment spend in month and higher banking volumes in the final week of the month than predicted.

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Report

1. Overview

1. Mails trading was adversely impacted by lockdown easing, particularly in Labels. Additional budget stretch enhanced the adverse variance in period. Banking deposit and withdrawal volumes were in line with budget and continue to grow. Credit Card volumes remained strong. Postmaster remuneration is below budgeted levels due to the adverse Mails trading performance. We have accrued c. £11m of costs centrally to reflect incomplete goods receipting across the business.

	Period 1				
	Actual	Budget	Variance	YoY	YoY
Mails	35.0	39.7	(4.6)	8.5	32%
Retail, Lottery & Gift Cards	3.2	3.0	0.2	0.6	23%
Government Services	1.7	1.7	(0.0)	1.1	173%
Banking Services & ATMs	20.9	20.7	0.2	3.9	23%
Transactional Financial Services	5.2	5.5	(0.2)	1.0	23%
Payment Services	2.7	2.3	0.4	0.3	12%
POCa	1.0	1.0	0.0	(0.3)	(25%)
Mortgages, Savings & Loans	1.2	1.1	0.1	(0.2)	(15%)
Credit Cards	0.7	0.5	0.2	0.6	746%
PO Insurance	2.0	1.5	0.5	0.2	8%
Identity Services	1.1	0.8	0.3	0.2	28%
Supply Chain/Other	1.7	1.0	0.6	0.7	78%
Total Revenue	**76.4**	**78.8**	**(2.4)**	**16.5**	**28%**
Cost Of Sales	(3.1)	(2.4)	(0.7)	(1.4)	(82%)
PM Rem - Variable	(30.6)	(31.7)	1.1	(1.8)	(6%)
PM Rem - Fixed & Other	(4.7)	(5.2)	0.5	1.0	30%
FRES	(1.1)	(1.4)	0.3	0.1	11%
Other Income	0.1	0.0	0.0	(0.6)	(92%)
Gross Margin	**37.0**	**38.2**	**(1.2)**	**14.8**	**67%**
Staff Cost	(14.2)	(13.8)	(0.4)	(0.0)	(0%)
Non staff Cost	(18.4)	(19.9)	1.5	(1.7)	(10%)
Total Overheads	**(32.6)**	**(33.7)**	**1.1**	**(1.7)**	**(6%)**
Trading Profit	**4.4**	**4.4**	**(0.1)**	**13.1**	**150%**
Network Subsidy Payment	4.8	4.8	0.0	0.0	0%
EBITDA	**9.2**	**9.2**	**(0.1)**	**13.1**	**334%**
Depreciation	(10.1)	(8.4)	(1.7)	0.7	7%
Interest	(0.5)	(0.6)	0.2	0.4	45%
Change Spend	(8.9)	(9.4)	0.5	(0.2)	(2%)
Profit On Asset Sales	(0.1)	(0.0)	(0.1)	(0.7)	112%
Profit Before Tax	**(10.4)**	**(9.2)**	**(1.2)**	**13.4**	**56%**

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2. Highlights

2. **Mails** performance was below budget in P1. Trading revenue was down (£4.4m) to budget; led by Labels and Special Delivery. The labels budget stretch accounts for c. £2m of this revenue downside. The revenue performance has translated into a P1 trading profit of £12.1m which is (£3.0m) lower than budget. The period had two weeks still in lockdown with performance still strong in week 1. There was a slowdown in growth thereafter across the product portfolio. **Home Shopping Returns** average weekly volumes were flat month on month and have not been impacted as much by the lockdown lifting as the other products.

£m	Period 1				
	Actual	Budget	Variance	YoY	YoY %
Parcelforce	2.1	2.0	0.1	0.4	22%
Labels	14.8	19.4	(4.5)	5.6	60%
Home Shopping Return	2.5	2.4	0.1	1.0	71%
International Priority & Standard	4.7	4.3	0.4	2.8	146%
Signed For	0.1	0.3	(0.2)	(1.7)	(92%)
Special Delivery	5.7	6.1	(0.3)	2.7	91%
Stamps	1.5	1.5	(0.0)	(0.0)	(1%)
Other Trading	2.0	1.9	0.1	0.7	54%
Total Mails Trading	33.6	38.0	(4.4)	11.6	53%

3. **Banking services** performance in P1 was £0.2m favourable to budget. The strong recovery continues into P1, with further growth in withdrawals and deposits. Business deposit volumes and values are slightly adverse to budget, but this is offset by a reduction in the Santander credit for corporate deposits (which we charge at a lower rate), showing £0.2m favourable overall for deposits.

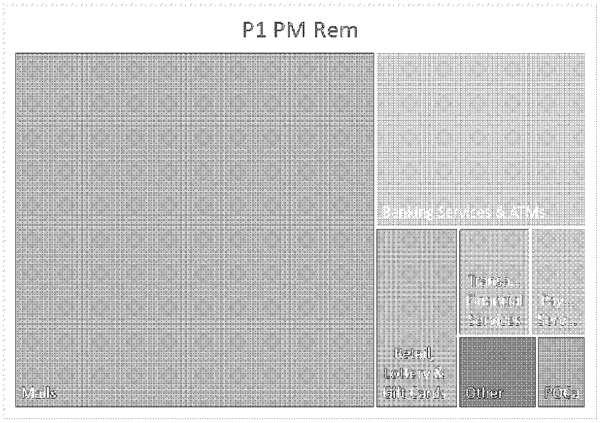
4. **Bill Payments** has seen upside in Energy £0.1m, Telecoms £0.1m and Resellers £0.2m in P1. Energy has benefited from cooler than forecast temperatures in April and all sectors have seen a greater than expected recovery since 12th April.

5. **Credit Cards** revenue in the period was £0.2m favourable to budget, driven by volumes being 39% up against budget with income per policy in line. Strong volumes are due to strong market demand, and the implementation of a new commission structure that enables optimisation of channels (including higher cost channels).

6. **Insurance** has seen a good start to the year with Travel Insurance starting to show small signs of recovery although from a low base (branch sales recommence in May). Motor and Home are trading ahead of budget. Protection also had a good start to the year following on from a successful Q4 campaign.

7. **Cost of Sales** was (£0.7m) adverse driven predominantly by increased Verify transactions, with corresponding increased revenue within Identity Services.

8. **Postmaster Renumeration** was below budget in period, predominantly from adverse Mails trading performance, which drives the bulk of PM Rem.



Area	YoY
Mails	3.8
Retail, Lottery & Gift Cards	0.6
Banking Services & ATMs	1.3
Transactional Financial Service	0.2
Payment Services	0.2
POCa	(0.2)
Other	(6.0)
Total	**(0.2)**

9. Year on year total remuneration is broadly flat as increased trading in P1 has been offset by the Covid top up payments made last year.

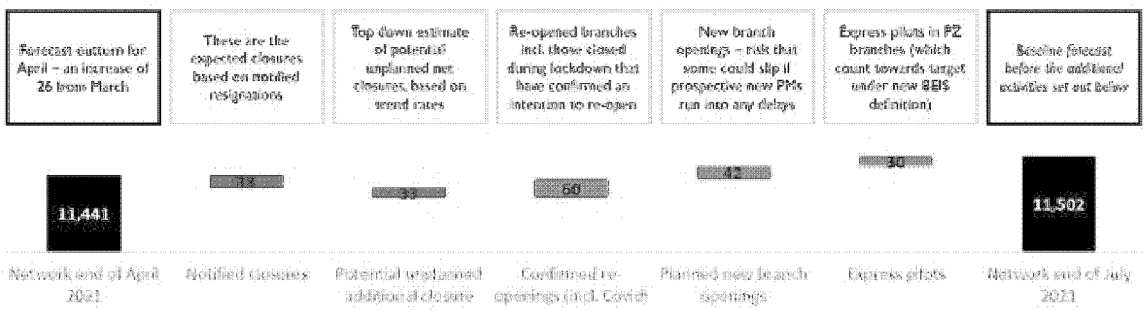
10. **Total overheads** are favourable to budget with c. £0.5m genuine savings and the remainder timing related. As a result of goods receipting across the business not being fully completed; we have accrued c. £5m of costs in overheads centrally, along with c. £3m in cost of sales and c. £3m in Postmaster remuneration.

8

11. **Security Headroom** increased by £92m to £249m at the end of the Period 1, driven by receipt of the £61m equity funding and the £52m term loan. This is offset by timing of postmasters and salary payments. Security Headroom ended £31m above budget. We remain in a **net liability** position.

12. **Investment** expenditure (excluding historical matters) of £6.6m was £3.9m lower than the budget. This is predominantly from DMB strategy delayed announcement and delayed spend in CIO and SPM programmes.

13. **Network numbers** closed on 11,441 at the end of P1, an increase of 26 from year end. April represented the second consecutive month of network growth, with a cumulative increase of 42 since February reflecting the continued easing of Covid restrictions across the country. The current waiver, at 11,250, expires at the end of June, which means we need to be above 11,500 for the July outturn. The plan remains very tight at this stage, but we are monitoring the numbers closely and have identified contingency measures to mitigate against any risks which materialise.



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POST OFFICE LIMITED
BOARD REPORT

Title:	Historical Matters Report	Meeting Date:	3rd June 2021
Author:	Declan Salter, HM Director	Sponsor:	Nick Read, Group CEO

June 2021

Input Sought: Noting

To **note** the Report, including the accompanying HM Finance Report and Shine-a-Light.

Executive Summary

I now attend Improvement Delivery Group (IDG) and it is really encouraging to see the progress and change in attitude to resolving issues properly for Postmasters and accepting challenges to the status quo. The Inquiry timescales has put focus on POL's improvement timescales and the change to a statutory inquiry will allow even more of this genuine progress to be maintained.

Similarly, challenging KPMG on the holistic issues with Horizon whilst POL delivers the quick win changes is delivering significant impact in our service to our Postmasters (see below) but importantly these changes are now being designed in conjunction with a PM user forum.

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Supply Chain is establishing an improvement programme to tackle the various issues raised mainly from the internal reviews but also shine-a-light, and the initial focus is on delivering significant changes quickly but with PMs engaged as they already do with the Cash Centres. I have been asked to become involved to challenge their decisions and apply pressure to assist prioritisation and urgency.

Programme Update– (Project Dashboards are in your Reading Room)

1. **POHIT Inquiry** – Following the announcement by Paul Scully in the House of Commons on 19th May, the Post Office Horizon IT Inquiry will be converted to a statutory footing from 1st June.

2. The Inquiry timeline has increased. Rather than completing in Summer 2021, it will provide a progress report in August 2021 and is expected to deliver its conclusions in Autumn 2022.

3. Sir Wyn Williams will remain as Chair of the Inquiry under an expanded Terms of Reference that is expected to place more emphasis on the events and processes leading to historic prosecutions. Sir Wyn is developing the detail for these terms of reference and will publish a new Statement of Approach (004) in early June providing more information on scope and any changes in approach that arise from its statutory powers. Further details will follow in September to cover the Inquiry processes during the period October 2021 to Autumn 2022.
4. Oral hearing sessions will not take place before October 2021.

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5. Sir Wyn has stated that he is grateful for the level of assistance that Post Office has provided to the Inquiry to date. Because of this, we expect that relations with the secretariat will remain supportive and collaborative. We will work closely with Sir Wyn and his team in the coming weeks by continuing to host interactive Teach-In sessions and provide supporting materials.

6. In parallel, we are working with our legal and consulting partners to understand the full implications of these changes.

7. **HIJ / CIJ Operational Improvements** – HM is tracking the actions from internal audit from both GLO Common Issues and Horizon Issues judgments, and working closely with BAU and IDG (Deloitte Postmaster Journey) and incorporating the queries from Shine-a-Light. Rapid interventions have been planned to address issues identified from KPMG's Forensic IT work but both KPMG and Fujitsu need more focus to complete the audit of Fujitsu's controls before comfort can be provided.

8. At the request of the Improvement Delivery Group (IDG), a Sign-Off report is being produced by solicitors Norton Rose Fulbright working with Deloitte / KPMG to provide a legal view of GLO-compliance against the Court's two judgments; this should be available to submit to the Inquiry as evidence of the progress made.

9. Horizon Improvements that will be felt by the Postmaster include:

   - ✓ Postmasters are now able to **raise a dispute** directly from the counter terminal;
   - ✓ The **end-to-end investigations process** is more transparent to Postmasters, following a standard methodology with measurable SLAs;
   - ✓ **45 of 62 Known Error Logs (KELs)** have been closed – improving the robustness and reliability of Horizon
   - ✓ Improvements have been made to make **remote and privileged access** of Postmaster accounts more secure.
   - ✓ the **process for making reference data changes** now takes account of Postmaster impacts with greater functionality for PMs built into ServiceNow.
   - ✓ setting up a **Postmaster IT working group** to engage Postmasters in the design of changes and improvements to Horizon.

10. **Historical Shortfall Scheme –** A total of 421 shortfall-only offers have been made to date as part of de minimis cohorts. Of these, 381 have accepted (as at 20th May 2021) and 369 of these have been paid a total of £1.5m including tax.

11. A detailed re-plan is being undertaken with input from both UKGI and HSF to include the new additional governance steps requested by UKGI. The "Operational Agreement" has now been built on and a detailed process map of all integration and approval points agreed. The impact of the POL Board decision that all claims should be fully investigated is being assessed and a revised timeline is currently being drafted.

12. The independent panel is to start considering the precedent setting test cases at the end of May, following review by POL, POL Board, UKGI and BEIS SteerCo.

13. Sadly, I report that a further claimant has died since submitting an application, bringing the total of such cases to 9.

14. **Stamps Scheme –** This has closed with 226 applications; estimated total payments will be c.£1m. This is considerably less than the initial estimate (£3.5m) and HM is currently requesting authority to commence offers/payments which, when approved, should result in the majority of eligible claimants receiving an offer by the end of June 2021.

15. Horizon modifications have been implemented (principally to replace "Ghost Sales" with 'Stock Adjustments') and other improvements enabling the finalisation and issue of a new online Stamps and Stock Guide for Postmasters, similar in style to the Postmaster Support Guide issued last summer. A Stock review update was carried out by Compliance and the report on its findings is undergoing final review internally before wider circulation

Criminal Cases, Appeals

16. The total number of overturned historical convictions is now 47. This includes 39 that were overturned by the CACD on 23 April 2021, 8 cases at Southwark Crown Court (2 on 14 May 2021 and 6 on 10 December 2020). POL successfully opposed 3 cases at the CACD.

17. The CACD has received a further 39 applications to appeal. Post Office will have to respond to 30 of these by 30 June 2021.[1] A hearing in the CACD to set the directions for the further conduct of the appeals is likely to be scheduled for July 2021.

Criminal Cases, Potential Future Appellants (PFAs)

18. The focus for this workstream is now to provide material to notify PFAs of their rights of appeal, and to provide disclosure of material identified through the Post-Conviction Disclosure Exercise to those who seek to engage the appeal processes.

19. There are currently 601 PFAs who have not yet started the formal appeals process, albeit some have already engaged legal advisors. A mailing has been issued to the majority of the non represented PFAs to advise them of our disclosure duties that may affect their historical conviction. A number have already responded and are completing the initial identification and verification process. There are a small number of letters still to be issued pending verification of contact details. Peters & Peters are liaising with the solicitors for the represented PFAs, and those PFAs who respond to the mailing.

Post-Conviction Civil Claims

20. Following the CACD Judgement, apology letters have been issued where a conviction has been overturned.

21. To date, 6 claims have been received following the quashing of the historical convictions. Herbert Smith Freehills has begun exploring with Hudgells, solicitors who represent 4 of the claimants, the best way to manage these claims, and will look to open a similar dialogue with Aliant, solicitors for the other two claimants. Hudgells has not yet quantified their clients' claims. Aliant has partially quantified their clients' claims at £1.9m and £766k respectively.[2]

Of the remaining nine cases, two were not prosecuted by Post Office so it will not be the Respondent, and the remaining seven may need to be considered by the CCRC before they can be referred for appeal.

[2] Aliant has not yet quantified its clients' claims for exemplary damages, increased costs of living, loss of business, loss of pension contributions, and loss of future earnings.

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22. The Board has decided to offer interim payments to those whose appeals were successful, excepting those where the appeal was unopposed solely on Public Interest grounds. HM will manage this process in conjunction with HSF.

Governance

23. The Board has decided to establish a sub-committee (membership is to be confirmed), whose remit will include monitoring progress of the operational improvements being undertaken to conform with the GLO Common Issues and Horizon Issues judgments, oversight of HSS claims, determining POL's responses to future criminal appeal cases (in both CACD and Crown Court appeals), and overseeing POL's response to civil claims that follow the overturning of convictions (including the funding for such compensatory payments). Draft terms of reference for this sub-committee are now being prepared.

Finance

24. Report attached, broadly on budget for end of year (despite the increase in workstreams) due to ongoing savings being made but the volume and complexity for next year is affecting the future budget. Stringent challenge on all costs is underway, commencing with understanding simpler ways of working (particularly with external lawyers) and not reverting to external resources as a default. As an example, a plan for commoditising the future CCRC/CACD is being prepared. A full paper will be brought to Board to report in detail on the legal costs and improvements.

Significant Risks

9

25. **HSS** [redacted]

26. **Crown Court Appeals** (of Magistrate Court convictions) – As opposing these requires a re-trial (which in itself is unlikely on Public Interest grounds) then the majority of these 292 historical cases might appeal; if the CCRC refers every historical appeal case mentioning "Horizon" or suggesting POL coercion then the proportion of cases overturned will be high.

27. **Post-Conviction Civil Claims** [redacted]

POST OFFICE

Shine a Light - (Project Dashboards are in your Reading Room)

28. **Postmaster Detriment remediation** This issue is the obligations we owe to current Postmasters where Post Offices now recognises a detriment has, or could have occurred, to advise them of this issue and remediate it and might also need to be applied to former PMs in some instances.

29. This applies to new issues discovered and to other issues affecting our processes after the introduction of HNG-A and before the problem has been stopped or fixed. The rationale for this "gap" period is that all current PMs were notified of the HSS but only able to claim for any loss that effected their branch before the current Horizon version was introduced. Our obligations mean we must advise them of these issues and remediate their loss. (Former PMs who suffered a loss in this period are not owed the same obligations but could always claim for any loss if they chose to do so).

30. There are currently several issues that fall into this category; we have commenced work to determine the quantum and effects of individual PMs (obviously more issues could be discovered) and then we shall determine how best to communicate and remediate these:

    - **ATMs;**
    - **£150 'Make Good to Cash' & "Settled Centrally";**
    - **Postmaster Suspensions;**
    - **Forged Sterling Bank Notes;**
    - **Out of Date Foreign Currency;**
    - **Maintained Error Limit.**

31. **Postal Orders** (New Issue). If a Postal Order is spoiled during the sale process it voids the Postal Order for any further use, it does not cancel the sale (therefore Horizon still expects payment). The sale will only be cancelled once an Existing Reversal is completed using the transaction session ID. When this is not done there is a detriment to the PM but no loss to POL. We are just scoping how this can be changed in Horizon, how the TCs can be suspended for this whilst we do and scoping the remediation (quantum ~£300k/year).

Other points to note:

32. A review on HSF's recent update on the claim against Fujitsu will be provided when analysed fully internally;

33. A paper on Legal costs controls (for the HSS in particular) will be provided when Al Cameron and I have held further discussions with HSF;

34. A further separate paper will be provided to Board on the necessary structure of the project and resources to support a statutory inquiry.

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Historical Matters Business Unit - Actual Costs April 2021

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Actual v Budget Summary

£m	P1 Actual	P1 Budget	P1 Variance	YTD Actual	YTD Budget	YTD Variance
Programme - Change	5.6	4.6	(1.0)	5.6	4.6	(1.0)
Settlements	0.2	1.0	0.8	0.2	1.0	0.8
Programme - OPEX	0.3	0.4	0.1	0.3	0.4	0.1
Total	**6.1**	**6.0**	**(0.1)**	**6.1**	**6.0**	**(0.1)**

Actual v Budget by Project

Programme Costs (£m)	P1 Actual	P1 Budget	P1 Variance	YTD Actual	YTD Budget	YTD Variance	Comments
CCRC/Prosecution Activity	0.9	1.6	0.7	0.9	1.6	0.7	Low P&P legal activity in the month. Timing.
Historical Shortfall Scheme	2.5	1.8	(0.7)	2.5	1.8	(0.7)	£0.5m KPMG relativity. Timing.
Horizon Issues Judgment	1.2	0.5	(0.8)	1.2	0.5	(0.8)	KPMG Project costs front end loaded, budget flat.
Overturned Historical Convictions	0.1	0.3	0.2	0.1	0.3	0.2	Low activty. Engagement strategy to be developed.
Legal General Advice	0.3	0.3	(0.1)	0.3	0.3	(0.1)	
POHIT Inquiry	0.4	0.1	(0.3)	0.4	0.1	(0.3)	Beachcroft LLP redaction team. Additional Lexington/HSF Costs.
Aged Balances	0.0	0.0	(0.0)	0.0	0.0	(0.0)	
Judicial Review	0.1	0.0	(0.1)	0.1	0.0	(0.1)	Project now complete
GLO	0.0	-	(0.0)	0.0	-	(0.0)	
Stamps Scheme	0.0	0.0	0.0	0.0	0.0	0.0	
Ops Improvements Phase 2	0.1	0.1	0.0	0.1	0.1	0.0	
Small Projects	0.1	0.0	(0.0)	0.1	0.0	(0.0)	
Total	**5.6**	**4.6**	**(1.0)**	**5.6**	**4.6**	**(1.0)**	

Settlement Costs (£m)	P1 Actual	P1 Budget	P1 Variance	YTD Actual	YTD Budget	YTD Variance	
Overturned Historical Convictions	-	-	-	-	-	-	
Historical Shortfall Scheme	0.2	0.5	0.3	0.2	0.5	0.3	De Minimis payments only
Stamps Scheme	-	0.5	0.5	-	0.5	0.5	Awaiting final legal advice
Total	**0.2**	**1.0**	**0.8**	**0.2**	**1.0**	**0.8**	

Opex costs (£m)	P1 Actual	P1 Budget	P1 Variance	YTD Actual	YTD Budget	YTD Variance	
Staff Costs	0.3	0.4	0.1	0.3	0.4	0.1	Due to vacancies not yet filled
Total	**0.3**	**0.4**	**0.1**	**0.3**	**0.4**	**0.1**	

Total HMBU	**6.1**	**6.0**	**(0.1)**	**6.1**	**6.0**	**(0.1)**

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Historical Matters Business Unit – Forecast Summary (1+11 Forecast)

1+11 Programme Cost Forecast Summary

£m	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25	Total
Legal	39.9	36.3	18.9	7.9	5.0	108.0
Other	10.4	16.8	10.4	7.9	5.0	50.5
Total Current Forecast *(1+11)*	50.3	53.0	29.3	15.9	10.0	158.5
Total Prior Forecast (12+0)	50.3	48.7	29.2	15.9	10.0	154.1
Variance	0.0	(4.3)	0.0	0.0	0.0	(4.4)

1+11 Settlement Cost Forecast Summary

£m	FY21	FY22	FY23	FY24	Total
1+11 Forecast	1	224	80	16	320
12+0 Forecast	1	320	437	233	990
Variance	0	97	358	217	671

1+11 Programme Cost Forecast by Project

	1+11						12+0	
	20/21	21/22	22/23	23/24	24/25	Total	Total	Var
CCRC / Prosecutions	22.1	13.1	4.3	4.0		43.5	43.7	0.2
Judicial Review	0.2	0.1	-	-		0.3	0.3	(0.0)
Post GLO Small Projects	1.8	0.1	-	-		1.9	2.3	0.4
POHIT Inquiry	0.8	0.9	-	-		1.7	1.5	(0.2)
Aged Balances	-	0.5	-	-		0.5	0.1	(0.4)
Legal / General Advice	4.6	3.4	0.9	0.8		9.7	9.2	(0.5)
Historical Shortfall Scheme	16.5	21.8	13.5	2.3		54.1	52.8	(1.3)
Overturned Historical Convictions	-	3.3	4.6	3.0	5.0	16.0	16.2	0.2
Horizon Issues Judgement	1.9	7.7	5.9	5.8	5.0	26.2	24.3	(1.9)
Stamps Scheme	0.7	0.1	-	-		0.8	0.9	0.1
Operational Improvements Phase 2	0.9	0.6	-	-		1.5	1.5	0.0
HM Ops Remediation	-	0.7	-	-		0.7	0.6	(0.1)
HSS Post Offer	-	0.8				0.8	-	(0.8)
						-	-	-
	49.5	53.0	29.2	15.9	10.0	157.7	153.3	(4.3)

12+0	49.5	48.7	29.2	15.9	10.0	153.3
Variance	-	(4.3)	-	-	-	(4.3)

1+11 Settlement Cost Forecast by Project

£m	FY21	FY22	FY23	FY24	Total
Historical Shortfall Scheme	1	224	80	16	320
Overturned Historical Convictions		0	0	0	0
Stamp Scheme		1	0	0	1
	1	225	80	16	321

1+11 Summary Notes

- Overall forecast increased by £4.3m
- HIJ Project costs increased by £1.9m based on current spend profile. Awaiting detailed project forecast
- HSS Scheme costs increase due to revised forecasts from HSF. Awaiting additional information
- Forecast excludes operational costs (£4.0m in 21/22)
- OHC Settlement forecast removed until accurate assessment available
- HSS Forecast increased to top end estimate of [redacted]

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Historical Matters Business Unit - Legal Costs April 2021

Actual v Budget Summary

	P1			YTD		
£m	Actual	Budget	Variance	Actual	Budget	Variance
Total	3.0	3.1	0.0	3.0	3.1	0.0

Actual v Forecast by Project

	P1			YTD			
Programme Costs (£m)	Actual	Budget	Variance	Actual	Budget	Variance	Notes
CCRC/Prosecution Activity	0.8	1.4	0.6	0.8	1.4	0.6	Low P&P activity. Timing
Historical Shortfall Scheme	1.4	1.1	(0.3)	1.4	1.1	(0.3)	HSF London Costs -£0.2m
Horizon Issues Judgment	-	-	-	-	-	-	
Overturned Historical Convictions	0.1	0.3	0.2	0.1	0.3	0.2	Low activty. Engagement strategy to be developed.
Legal General Advice	0.3	0.2	(0.1)	0.3	0.2	(0.1)	
Contract Reword	-	-	-	-	-	-	
POHIT Inquiry	0.4	0.0	(0.3)	0.4	0.0	(0.3)	Beachcroft LLP redaction team. Additional Lexington/HSF Costs.
Aged Balances	-	-	-	-	-	-	
Judicial Review	0.1	0.0	(0.1)	0.1	0.0	(0.1)	
GLO	-		-	-	-	-	
Stamps Scheme	-	-	-	-	-	-	
Ops Improvements and Contracts	-	-	-	-	-	-	
Ops Improvements Phase 2	-	-	-	-	-	-	
Small Projects	-	-	-	-	-	-	
Total	3.0	3.1	0.0	3.0	3.1	0.0	

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POST OFFICE LIMITED
BOARD REPORT

Title:	HM Director's report - Historical Matters Historical Shortfall Scheme	Meeting Date:	3rd June 2021
Author:	Declan Salter, HM Director	Sponsor:	Nick Read, Group CEO

June 2021

Input Sought: Decision

To **Decide** the Scope of Shortfall Loss

To **Decide** upon Late Applications to the scheme

Historical Shortfall Scheme - Scope of Shortfall Loss

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[1] Historical Shortfall Scheme, Consequential Loss Principles and Guidance

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Historical Shortfall Scheme - Late Applications

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POST OFFICE LIMITED
BOARD REPORT

Title:	External Auditor Fees & Scope of Engagement (2020/21)	Meeting Date:	3 June 2021
Author:	Tom Lee (Financial Controller)	Sponsors:	Alisdair Cameron (Chief Financial Officer)

Input Sought: Decision

The Board is requested to review and approve the scope and proposed fee structure for the audit and assurance work to be performed by PriceWaterhouseCoopers ("PwC") for the financial year ended 31 March 2021 ("FY20/21"), being £100 per hour (estimated total at c.£870,000) for audit fees and c.£140,000 for agreed upon procedures work plus possible fees for a further piece of work on network numbers reporting to be agreed by Finance (with no further Board approval required).

Previous Governance Oversight

- Approval received at Audit, Risk & Compliance Committee (ARC) on 18 May 2021.

Executive Summary

1. PwC have been the external auditors for the group of companies headed by Post Office Limited ("POL") since January 2019. During this period, and specifically for the financial years ended 31 March 2019 and 31 March 2020 they have performed the following services:
    a. External audit for the group, company and subsidiary financial statements.
    b. Agreed upon procedure activities in relation to:
        - Royal Mail Revenue
        - DVLA activity
        - BEIS facility reporting
        - Bank of England Note Circulation Scheme controls

2. In March 2021, PwC were reappointed as external auditors by the ARC and Board for FY20/21.

FY20/21 Scope:

3. The planned scope of work for FY20/21 is in line with that performed historically, with the external audit services being in line with regulated requirements and the agreed upon procedures following the third-party contractual terms to which they relate. Note, PwC have already presented their detailed proposed external audit scope for FY20/21 to ARC during FY20/21 for approval and therefore further details regarding scope and timings are not presented here.

4. The only potential addition is a further agreed upon procedure in relation to SGEI / Network Numbers reporting to the Department of Business, Energy & Industrial Strategy (BEIS). The terms and scope of this additional item are currently being agreed between POL and BEIS, along with a discussion as to whether PwC as external auditor should perform the work or whether a tender exercise should be performed.

FY20/21 Fees:

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5. Fees for the agreed upon procedures will remain in line with historical rates, being c. £140,000 (excluding the potential additional item).

6. Fees for the external audit have been subject to discussion between PwC and management. When PwC tendered for the audit, the audit fee agreed was significantly less than that which has subsequently been charged. POL have paid out a significant level of overrun fees due to changes in scope and complexity within POL (acquisitions, sales, significant judgements and estimates, going concern complexities, delays in signing etc) and increased regulatory scrutiny within audit resulting in additional work required by PwC. PwC are also under internal pressure to ensure the audit remains commercially viable for them and as such their rate of return for the work is being scrutinised.

7. Given the historical experiences around agreeing an assumed fixed fee which subsequently changes by up to c. 50%, a proposal has been set forward in FY20/21 to move away from a fixed fee to one which is based on a fixed hourly rate and monitoring of hours. The proposal is for POL to agree to a fixed rate per hour of £100 based on an estimated total hours incurred by PwC (across all group companies) of c. 8700. Giving an estimated fee of c. £870,000.

8. In order for POL to agree to this, it is suggested that PwC should bear some of the risk around additional hours and therefore POL and PwC management will be monitoring the hours, delays, reasons etc throughout the audit. Management and PwC will work closely on monitoring the run rate of hours vs the estimated total and take action to try and mitigate additional hours being incurred as needed.

Request:

9. The Board is requested to approve the approximated level of fees (c.£870,000) and the basis of fees (£100 per hour) for the external audit and the agreed upon procedures fees (c.£140,000 plus the additional item) for FY20/21 as set out above.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Post Office Operating Model (OD and capability)	Meeting Date:	03 June 2021
Author:	Daisie Jope, Organisational Design Director	Sponsor:	Angela Williams, Interim Group Chief People Officer

Input Sought: Decision (Funding Approval)

Following agreement with the Group CEO and GE, the Board is asked to approve an additional **£2.91m (exceptional spend)** to progress the next phase of Organisational Design work and strategic operating model review, in line with the newly launched seven strategic pillars, through to December 2021. This next phase builds on the new GE and Senior Leadership Group (SLG) structures to ensure we have (1) bedded the structures down fully, making any tweaks where required (2) build capability in niche, skilled areas where we require greater talent, e.g. leadership roles and IT/Data talent.

Previous Governance Oversight

September 2020: £11.8m to deliver Tranche 1 (T1) changes by December 2020. T1 stood up the new functions, changed reporting lines to have clear functional accountabilities and stood up the new Group Executive structure.
November 2020: Additional £0.6m required to continue to fund the Organisational Design Programme Team costs until the end of March 2021. This was a short case to initiate the design and preparation of a second phase of activity.
January 2021: Additional £5.94m to deliver Tranche 2 (T2) of reorganisation and plan FY21 approach.
Spend to date: Total POM spend to stand up new functions, Group Executive, SLG and below layers across the business (via Tranche 1 and Tranche 2) is £18.34m.

10.2

Executive Summary

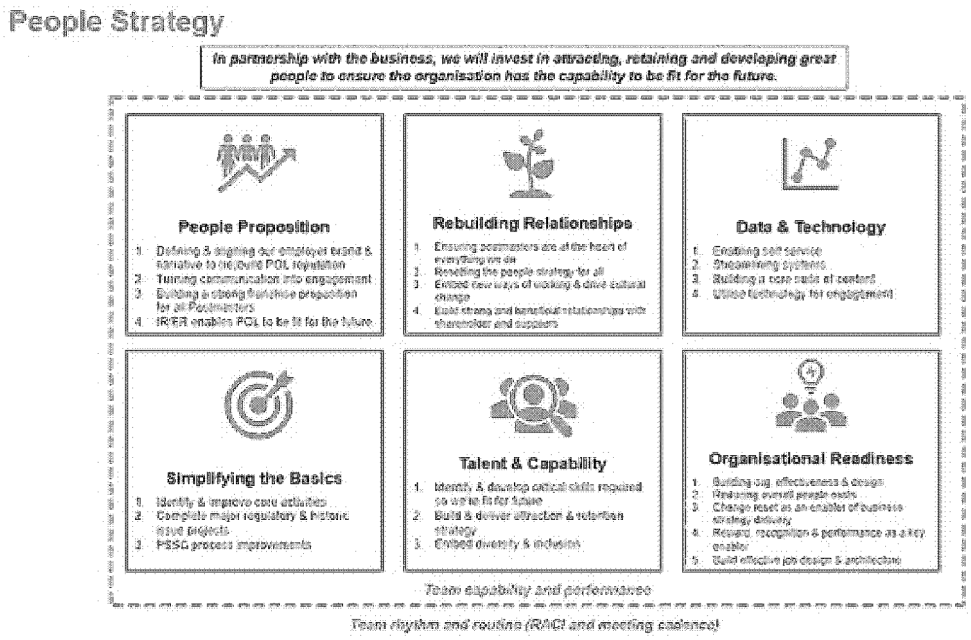
In the last three years, a variety of Post Office programmes have significantly reduced staff cost, resulting in a total staff reduction of ~1900 FTE at Post Office. This was mainly achieved through reducing the number of DMB branches and network transformation field teams (~1160 FTE reduction due to DMB closures), in addition to reviewing the management structure (which is scope of this programme).

In this time, the scope of this programme consolidated management activity across Post Office and streamlined processes and activities, through finding clear efficiencies. The organisation needed this – it was cost heavy and duplicative. Following this significant FTE reduction, without future investment in technology, systems and data, we will struggle to reduce staff numbers further. Structural "quick wins" are no longer an option to release heads.

As part of the change of Group CEO, in FY19/20 and 20/21, in Tranche 1 and Tranche 2, we established a new Post Office Operating Model, stood up a new Group Executive and aligned the majority of SLG roles underneath. The Post Office now has a good structural template for success, with capabilities grouped in functions around the customer, postmaster and employee, ensuring that it's very clear on who is responsible for decision making at Post Office.

Post Office has now launched a new purpose and a vision to 2025, all underpinned by seven strategic priorities, with three Ways of Working to focus delivery.

To deliver this strategy, there are several clear enablers that need to be considered. One of which is our new People Strategy, with a clear delivery roadmap, which has been created in support of the above. Please see People Strategy on a page below:



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For the Organisational Readiness pillar of the People Strategy, we have identified that Post Office must now turn its attention to **optimising capability and talent** within our operating model. This assumption was further compounded in discussions with Board members in March Board where we discussed talent and capability gaps at leadership levels within our new operating model.

Having completed Tranche 1 and Tranche 2 which stood up the new operating model, we have agreed with the Group CEO and GE that the OD team now needs to focus on a **strategic organisational review** to ensure the capabilities are in the right place to deliver the Strategy on a Page. The scope of the review will identify and present recommendations on how we must build a better organisation, with the right resources and capabilities in the right places, so we're set up for a sustainable, successful future.

As part of this strategic review, we also propose to widen the scope of the programme to review overall cost reduction, identifying opportunities for entire workforce optimisation. This pivots our measure of success from FTE reduction to **overall "cost to serve."** In this way, we believe we can achieve significant savings to the business through more effective workforce planning – rightsizing our reliance on contractors, consultancies and suppliers.

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Proposed Deliverables

Scope of Next Phase of Activity:

Please see below for an early assessment of whether our current operating model is fit to deliver against the seven strategic pillars to meet our 2025 vision. This assessment is reinforced through early scoping with the Group CEO and GE members, and it indicates that we need to reinforce structures in the following areas:

Strategic Pillar	OD work to date in Tranche 1 and 2	Strategic Review Required in 21/22	Assumptions for 2025
1. We prioritise strong, trusting and rewarding relationships with all our Postmasters.	T1: Network and Postmaster Teams SLG stood up	Build RACI across Network and Postmaster Teams Ensure capability and leadership is bolstered and fit for postmasters	Inquiry complete and outputs realised Transition from DMB to franchise complete New formats for postmasters / customers are defined – capability required Engagement plan with postmasters prioritised
2. We will grow our network, making sure we have the right branches in the right locations nationwide.	T1: Network and Postmaster Teams SLG stood up	Build RACI across Network and Postmaster Teams Review Strategic Partnerships and Network Propositions team to ensure fit for future	Network strategy understood
3. We will innovate in Mails, working with more carriers and delivering more of what customers want and small businesses need.	T1 and T2: Commercial structure complete with PUDO capability built	Review talent and individual capability in roles	New Mails structure is fit for purpose Ongoing build of new commercial relationships
4. We will secure free, convenient and reliable access to cash in every community.	T1 and T2: Commercial structure complete – Banking team capability built	Review talent and individual capability in roles	New Banking structure is fit for purpose
5. We will build commercial partnerships, to launch new products and services in our branches and online.	T1 and T2: Commercial structure complete – Commercial SLG engaged	Finish and embed Commercial structure by building Digital, Customer Contact Centre and MI/Analytics common capabilities	Commercial product set remains the same, even if commercial partners / contracts alter Commercial digital growth capability required
6. We will invest in new branch technology for Postmasters and online for their customers.	BTU SLG stood up but team is built through suppliers and contractors. Longer term operating model required to deliver – key critical skills can then bed into the business	IT Target Operating model worked through – core IT vs historical IT vs future of digital platforms	Exit Horizon IT/Data/MI capability required in-house IT TOM predicated on ability to review IT supplier model
7. We will create value for our shareholder with a successful, sustainable and efficient business.	Overall staff cost significantly reduced through T1 and T2 programmes	Shift dial from FTE reduction to overall workforce optimisation – reduce reliance on contractors / suppliers / consultants	Supply chain operations remain in-house Cultural change embedded

As above, the Seven Strategic Pillars will be underpinned by enablers, one of which is our People Strategy:

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Enabler	OD work to date in Tranche 1 and 2	Strategic Review Required in 21/22	Assumptions for 2025
In partnership with the business, we will invest in attracting, retaining and developing great people to ensure the organisation has the capability to be fit for the future.	T1 and T2: GE and SLG stood up, with clear functional accountabilities in place	Critical skills and talent identification required	Cultural change embedded Succession planning embedded Clear corporate strategy embedded Change and transformation streamlined IT capability fit for future

We therefore propose to start a third phase of Design work between July 2021 and December 2021 which delivers:

1) Strategic Review of robustness of talent and capability in the organisation to deliver 2025 vision – the strategic review builds recommendations and next steps for 22/23 and beyond

- Work through proposed "end state" targets and the roadmap to get us there – shifting emphasis from "FTE reduction" to overall "cost to serve". How can we reduce contractor/supplier/ consultancy spend, thus increasing our in-house capability?
- Begin 'tagging' work to align project / BAU resources working on Seven Strategic Pillars, ensuring we have the right talent in the right places to deliver.
- Activity gap analysis of critical skills needed to deliver Seven Strategic Pillars.
- Put in place a clear organisational design strategy and plan, aligned to strategic plan to 2025.

When planning this strategic review, the team identified opportunities to **deliver value early and often throughout the roadmap to 2025,** by working in partnership with the business to agree any outputs that can be deployed earlier whilst also planning out a path to value for more complex, longer term deliveries.

2) Implement backlog of "non-discretionary" 21/22 OD work agreed with GE members:

Working with each GE member, being mindful of their limited capacity across 21/22, we identified a "backlog" of "non-discretionary" organisational design work that they agreed they need to complete in their functions in 21/22 to be able to deliver their individual targets. We therefore propose to kick off design workstreams as follows:

- **Commercial Team:** Customer Experience (CX) is the final segment of the Commercial structure to be completed. The CX team was set up to be a common capability for all Commercial Products to draw down on. However, we don't yet have a clear structure or set of deliverables for the team. Instead, each area of CX has its own KPIs, measures of success and way of reporting. Instead, we need to work through the design and bring the teams together to ensure smooth trading.
- **Network and Postmaster Teams:** Embed the GE-2/3/4 structures and ensure they are fit to deliver against Postmaster needs. Clear roles and responsibilities need to bed in with a thorough RACI that flows from Commercial.

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- **IT Target Operating Model (TOM):** There is a fragmented approach to IT across the organisation with partial capabilities spread across multiple GE responsibilities. We propose to design a clear IT TOM in order to enable the organisation to meet its deliverables.
- **Data TOM:** There are no clear design principles for the Data Strategy at Post Office. A piece of design work is required to identify which operating model we want to adopt – centralised vs. Decentralised, etc.
- **Support Functions:** Some support functions haven't been right-sized according to the new GE accountabilities, and as per the T1 and T2 announcements. We therefore propose some short sprint re-calibration design work to ensure they are lined up to support the customer and postmaster facing areas of the business.

3) Delivery of Known Changes and Planned Team Closures (Tranche 3):

Whilst we are seeking funding, there are a suite of known and planned team changes that are currently in Design as a result of T1 and T2 proposals. This roughly equates to two small key workstreams for a Tranche 3 (T3) delivery:

1. Localised and targeted changes to teams, resulting in a reduction of 15 net roles at £0.5m annualised saving, £0.2m FY21/22 saving.
2. Partial closure of the Historical Matters Business Unit (HMBU), following the completion of part of their deliverables for FY21/22 Q3. Those in HMBU that are working on the finite piece of work with regards to claimant resolve on HSS or HIJ will wind their work down in Q3 (known to them) before entering a redundancy process. The OD Team will support this partial closure owing to our expertise in this field. It should be noted that we plan to retain any critical skills / legacy knowledge as part of this 'closure' - this will be built into our design plans.

To note, these have been seen and approved by Group CEO and GE as they are limited "effort" and require minimal business engagement, whilst bolstering how the T1 and T2 changes have embedded. We therefore propose to just "complete" these small changes whilst we are undertaking the wider strategic review. The proposals are low key and will not be considered "large scale transformation" whilst the business is prioritising other urgent deliverables.

Measures of Success

Providing the Board agrees with the high-level deliverables as outlined above, we will now look to define the measures of success for each OD workstream, complete the strategic review and return with a recommendation on next steps for Organisational Design with an agenda item at the July or September Board.

Please note: Receiving Group CEO and GE approval of scope on 19th May 2021, left insufficient time to attend PRB and IC prior to this Board submission. The project team agreed with SPO and Strategy + Transformation Director to submit this paper for June Board in order obtain high level funding approval, thus avoiding delay to Organisational Design review start. Detailed business case and updated benefits realisation plan will be provided to PRB and IC during June, for final detailed scrutiny and approval. Details of the submission dates are shown below:

Board engagement is proposed as per below – articulating the Organisational Design review within context of the wider People Strategy:

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- SPO Governance and funding approval: Final approvals for this funding (including T3 until end December) – PRB (c15th June), IC (prior to end of June).
- **July – Sep 2021** – Informal meetings with the Board members to "kick the tyres" on the Organisational Design review, ensuring we have your buy-in before sharing our findings and recommendations.
- **28th September 2021** – Board discussion on OD Strategic Review Outputs and Recommendations for implementation approach.
- SPO Governance and Funding approval – informed by the proposed delivery approaches, we will agree with SPO an appropriate date to return to board for funding approval in November/December.

Cost and benefits will continue to be validated as we prepare these submissions and may therefore increase/decrease to a variance of 20%. Following Investment Committee approval standard Change Project tolerance policy will apply.

Financial Impact

Board is asked to approve an increase to the POM budget for the next phase of activity by £2.91m. As we have some cost to return from our last phase of activity (£0.16m), we have used part of this to offset our ask and to cost as efficiently as possible. To note, we have significantly downsized the size of the OD team required to deliver the next phase of design work – we no longer require a larger Implementation team like we have in T1 and T2.

Early estimate of cost as follows:

Expected costs	Approved to date	Updated with latest request	Additional amount required	Comments
VR Cost	£16.03m	£18.68m	£2.65m	T3 VR cost (HMBU and other local tactical changes)
Recruitment	£0.54m	£0.47m	(£0.07)m	Savings on T2 recruitment offsetting T3 costs
Programme costs to Jul 2021	£1.76m	£1.67m	(£0.09)m	Savings on T2 delivery cost
Programme costs - Aug - Dec 21	-	£0.43m	£0.43m	Design Team costs
Expected costs	**£18.34m**	**£21.25m**	**£2.91m**	

10.2

Risk Assessment, Mitigations & Legal Implications

Careful consideration of risks alongside other priorities of the Post Office have been considered:

Risks

- Risk of insufficient leadership resources to support organisational review given Inquiry pressures. **Mitigation:** the backlog of 21/22 OD work was proposed by GE members taking this into account. They have identified resources to support on the organisational review and have deemed the review an important piece of work to deliver on their objectives.
- Internal capability might not be strong enough to deliver 2025 vision. **Mitigation:** recruitment costs are built into our model to account for the buy up of niche external skillsets.

Issues /Constraints

- IT TOM heavily predicated on existing supplier contracts. This means that some structural recommendations that are made (e.g. in-source) might not be possible without a long lead time. **Mitigation:** our planning has taken this into account.

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- OD team are programme funded and current perception of team is a redundancy function. **Mitigation:** It is crucial that we re-focus the team on building a fit-for-purpose organisation that is enabled in achieving its strategic priorities whilst transforming the organisational culture, that we have clear management and board support for this and that we communicate this well.

Other Options Considered

***Stop the project* - Not recommended**

- From early assessment, we do not think that there is the right leadership capability, niche skillset and succession plans in place to deliver our 2025 vision with our current structure.
- Whilst undertaking the strategic review, we propose to also strengthen the structural design of more short term work, e.g. customer contact centre. In the event that we do not start this piece of work, the customer contact centre will remain in place as-is, providing poor customer service and creating a greater pressure on our postmasters to resolve customer product complaints.
- We would miss the opportunity to further embed and build upon T2 changes – especially in the Commercial, Postmaster and Network and Support Function Teams where further work is needed to embed the changes made in T1 and T2.

Next Steps & Timelines

From a programme perspective, we propose the following deliverables:

- **21/22 Q2:**
  - Build deliverables for each OD workstream on the backlog, agree scope, benefits realisation plan and measures of success, including phasing and delivery.
  - Build the overall strategic plan for OD to meet Seven Strategic Pillars
  - 28th September Board – showcase strategic review recommendations and roadmap.
- **21/22 Q3:**
  - Kick off strategic review recommendations.
  - Commence implementation of Tranche 3 changes, e.g. consultation commences for partial HMBU closure as follows:
    - Start of consultation: early October
    - End of consultation / benefits realised: end of December

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Appendix A – Breakdown of costs and benefits

Benefits delivered and costs to deliver Tranche 3 expected to be:

Strat Plan Tranche 3 Benefits	Net Roles	Annualised Staff Costs impact
Commercial & Marketing	8	0.95
Network and Postmaster	(7)	(0.01)
Finance - Core	(2)	(0.31)
Supply Chain	1	0.11
People - OD	2	0.29
Corporate Affairs and Comms	1	0.11
HMBU	(25)	(1.60)
POM T3 - Cost Reduction	(22)	(0.47)
Strategy & Transformation	7	(0.04)
POM T3 - Cost Avoidance (Capex /Projects)	7	(0.04)
POM T3 - Total	(15)	(0.50)
Tranches 1 and 2	(213)	(12.38)
POM Total	(228)	(12.89)

Costs	Recruitment Cost	Estimated Redundancy	Programme Team	Total
Tranches 1 and 2	*0.28*	*16.54*	*1.67*	*18.49*
Programme Team Aug to Dec 21			0.43	0.43
T3 Delivery - Known and Planned Team Closures	0.19	2.14		2.33
POM Total	0.47	18.68	2.10	21.25
Existing Approval				18.34
Additional Request				2.91

10.2

Appendix B – Breakdown of Costs and benefits

Tranche 3 is embedded in our overall Strat Plan submission, alongside the benefits delivered in Tranches 1 and 2. Further activities OD embedded within the Strat Plan to be validated as part of People Strategy.

Costs	FY21	FY22	FY23	FY24
Tranche 1 & 2 - Existing Approval	0.57			
Tranche 3 - New Approval	2.76			
Future tranches	0.84	4.03		
Total POM Strat Plan Costs	4.16	4.03	-	-
Other OD Projects	1.44	1.70	-	-
Total OD Strat Plan Costs	5.60	5.73	-	-

Benefits	FY21	FY22	FY23	FY24
Tranche 1 & 2 - Delivered	9.93	10.34	10.34	10.34
Tranche 3 - Approval request	0.17	0.47	0.47	0.47
Future tranches	0.05	3.53	4.30	4.30
POM Strat Plan Benefits - Cost Reduction	10.15	14.33	15.11	15.11
Tranche 1 & 2 - Delivered	2.05	2.05	2.05	2.05
Tranche 3 - Approval request	0.02	0.04	0.04	0.04
POM Strat Plan Benefits - Reduced project/Capex costs	2.07	2.08	2.08	2.08
Other OD Projects	(0.06)	0.47	0.67	0.67
Total OD Strat Plan Benefits	12.16	16.88	17.86	17.86

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POST OFFICE LIMITED
BOARD REPORT

Title:	Matters Reserved to the Board & Committee Terms of Reference	Meeting Date:	3 June 2021
Author:	Rebecca Whibley, Senior Assistant Company Secretary	Sponsor:	Veronica Branton, Group Company Secretary

Input Sought: Decision

The Board is asked to approve:

1. the revised Matters Reserved to the Board;
2. the revised Audit, Risk & Compliance Committee Terms of Reference;
3. the revised Nominations Committee Terms of Reference; and
4. the Remuneration Committee Terms of Reference (no changes);

effective from 4 June 2021.

Previous Governance Oversight

- The Matters Reserved to the Board and Committee Terms of Reference were last approved in 8 April 2020 by the Board. They are subject to annual review.
- The Annual Governance Report presented to the Board on 30 March 2021 included changes the appendix 2 to Matters Reserved to the Board, which were approved. This report outlined that there were no further change to the Matters Reserved to the Board.
- The Audit, Risk & Compliance Committee (ARC) reviewed and approved the changes to its Terms of Reference on 30 March 2021, subject to approval by the Board.
- The Remuneration & Nominations Committees reviewed and confirmed their Terms of Reference as drafted on 9 February 2021. The Board noted that the result of these reviews required no changes to the Terms of Reference on 30 March 2021.

10.3

Executive Summary

1. In April 2020, the Board adopted revised Matters Reserved to the Board and Committee Terms of Reference following the adoption of revised Articles of Association and the Framework Document between Post Office Limited, UK Government Investments (UKGI) and the Department of Business, Energy & Industrial Strategy (BEIS). The Matters Reserved to the Board and Committee Terms of Reference all set out a requirement for annual review.

2. This annual review has now been undertaken by each Committee and the Board also considered various governance matters (delegated authorities, authorised signatories) which are incorporated in the appendices to the Matters Reserved to the Board on 30 March 2021. Following these reviews, a consolidation exercise has been undertaken to ensure the Matters Reserved to the Board have incorporated the changes and that any changes proposed to the Committee Terms of Reference have been mirrored in the Matters Reserved to the Board.

3. All documents have also been sense checked to ensure they reflect current practice and any developments over the last financial year. This is particularly the case for the Nominations Committee Terms of Reference, which have been amended after review by

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the Committee itself,[1] to reflect the recent appointment of Tom Cooper to the Committee and the oversight by the Committee of the appointment of the Post Office Limited Shareholder Representative for the First Rate Exchange Services Joint Venture (which has recently arisen due to the existing Shareholder Representative leaving the business).

4. Accordingly the following changes have been made to the following documents:

[1] The Committee's review concluded that it has met its responsibilities under the Terms of Reference and that no amendments were required, however, the appointment and FRES Shareholder Representative matter arose after this review.

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Change	Document	Reasoning/Comment
Revised list of authorised signatories	Matters Reserved to the Board (appendix 2)	This list was approved on 30 March 2021 by the Board.
Removal of reference to banking policies	Matters Reserved the Board para 8 xiv & Delegated Authorities Table para 3.6 ARC Terms of Reference para 7	Approved at the ARC as this Committee does not approve banking policies as these do not exist. Treasury Policy is approved by the ARC.
Reference to the Board's role in risk management and risk appetite/policy approvals	Matters Reserved to the Board xi, xii (footnote) & Delegated Authorities Table para 3.8 ARC Terms of Reference para 13 and 16 (footnote)	Alignment of both documents to each other & the Risk Policy. The Risk Policy was approved by the Board on 7 January 2021 via written resolution. This policy includes the approach to risk appetite and with separate statements being developed for different risk groupings. The Board delegated authority to the ARC to approve each of these risk appetite statements by its written resolution on 7 January 2021. Please note that the revised Terms of Reference presented to the ARC did not include the change to requiring approve of the risk appetite statements but this has been agreed with the ARC Chair. The policy also included a requirement for the Board to provide oversight of (and direction on) the management on the key strategic business risks that could threaten the delivery of the Post Office's strategic objectives with the ARC advising the Board of the key strategic risks it should have regard to.
Addition of requirement for ARC to approve Group Key Policies in line with the Group Key Policy Framework, including the Tax Strategy and that the ARC can amend this Framework from time to time	Matters Reserved the Board para 8 xxxviii (new) & Delegated Authorities Table para 3.10 (new) (Tax Strategy) & 6.9 (Group Policies) (new) ARC Terms of Reference para 18	Alignment of all documents to each other. In practice, the ARC approves most Group Key Policies, but this was not formally in the Terms of Reference. The Group Key Policy Framework has also recently been revised and was presented to the Committee for approval on 18 May 2021 (to be subject to annual review moving forwards). Some policies require Board approval under the Group Key Policy Framework but this was not in the Matters Reserved to the Board.
Revision to the current composition of the Board	Matters Reserved the Board para 15	This change reflects the appointment of the two Postmaster Non-Executive Directors and the new Non-Executive Director with legal expertise.
Review of Internal Audit Function: removal of the word	ARC Terms of Reference para 35	This change was proposed by the ARC Chair and approved by the Committee. It is in line with best practice and proportionate given existing oversight.

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annual and confirmation that this review should be once every five years		
Addition of a flag to consult the relevant entity's Procurement Policy	Board Delegated Authorities Table para 4 (footnote)	This flag highlights the need to consult the Procurement Policy for the relevant entity when any goods and services are procured and, particularly, the requirement under the Post Office Limited Procurement Policy to seek approval for Procurement Risk Exception Notes from GE and Board in certain circumstances.
Cross referencing to change spend approval and Shareholder Consent requirements.	Board Delegated Authorities Table para 4.5 & 4.11	Clarification of notes column to make more helpful for users.
Numbering	Nominations Committee para 30 onwards	Renumbering as existing numbering was incorrect (missed out a number)
FRES Shareholder Representative	Nominations Committee para 30 (new)	It has been agreed that the appointment of the Shareholder Representative for the First Rate Exchange Services Joint Venture shall be approved by the Nominations Committee and an appointment was made in May 2021. This change therefore reflects actual practice.
Amendment to number of members	Nominations Committee para 38	Following the appointment of Tom Cooper to the Committee the requirement of the Terms of Reference for the Committee to consist of three members is incorrect. This reference has therefore been removed to reflect that it shall consist of at least two independent non-executive directors such that there is no maximum number limitation.

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5. The Remuneration Committee has reviewed their Terms of Reference and concluded that the Committee has satisfied that the responsibilities set out in the Terms of Reference have been met during the 2020/21 financial year and that no changes were required to the Terms of Reference. Given the requirement for annual review, the Board is simply asked to re-approve these Terms of Reference as previously drafted.

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Appendices (available in the Reading Room)

1. Revised Matters Reserved to the Board (clean)
2. Revised Maters Reserved to the Board (track changed)
3. Revised Delegated Authorities Table (appendix to Matters Reserved) (clean)
4. Revised Delegated Authorities Table (appendix to Matters Reserved) (track changed)
5. Revised Audit, Risk & Compliance Committee Terms of Reference (clean)
6. Revised Audit, Risk & Compliance Committee Terms of Reference (track changed)
7. Audit, Risk & Compliance Committee Terms of Reference Review as presented to the Committee (report and review table only)
8. Revised Nominations Committee Terms of Reference (track changed)
9. Revised Nominations Committee Terms of Reference (clean)
10. Remuneration Committee Terms of Reference (unchanged save for date of approval amended)

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POST OFFICE LIMITED
BOARD REPORT

Title:	PUDO Update	Meeting Date:	3rd June 2021
Author:	Mark Siviter, Mails and Retail Product Portfolio Director	Sponsor:	Owen Woodley, Group Chief Commercial Officer

Input Sought: Decision

Following Investment Committee approval, the Board is requested to please authorise a further £2.41m (in addition to current approved spend of £2.86m) for FY21/22 to deliver PUDO (Total project spend: £5.27m).

Previous Governance Oversight

- July 2020 Board
- January 2020 Board
- March 2021 PRB
- March 2021 Board
- May 2021 GE
- May 2021 Investment Committee

Executive Summary

Last July, the Board approved the decision to deliver our recommended Mails proposition, PUDO. Following the Amazon trial launched in March 2021, Post Office is now at a pivotal point in its implementation of PUDO and requires further investment to proceed.

10.4

Following Investment Committee approval, the PUDO business case submission requests authorisation for a further £2.41m (in addition to current approved spend of £2.86m) for FY21/22 to deliver PUDO (Total project spend: £5.27m). See Appendix 1 for the financial breakdown. This will be used to deliver:

a) Commercial agreements with existing and new carriers;
b) Interim PUDO devices to support the growth of the Amazon operation;
c) Implementation of second carrier, DPD, and technical integration into Horizon;
d) Enhancements to in-branch journeys for customers and Postmasters, operational improvements, branch support and training;
e) Back-office integration and automation of client billing and remuneration processes
f) Marketing and brand approach for multi carrier PUDO;
g) Income target FY21/22: This investment request offers an estimated revenue growth opportunity of c.£1.5m for this financial year.

Questions addressed

1. How will this investment be used?
2. How will this investment support the plans to implement further carriers?
3. What is the benefit for Postmasters?
4. What are the next steps for the implementation of PUDO?

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Report

Question 1: How will this investment be used?

1. This business case will fund the technological and operational developments needed to move our PUDO strategy from the current trial with Amazon, to an operation at scale across the network, specifically:
    - Horizon integration for DPD allowing Post Office to support customer pick-up and drop-off services;
    - Interim PUDO devices needed to support the expansion of Amazon across a wider part of the network;
    - Back-office integration enabling the automation of branch data, billing and Postmaster remuneration;
    - Development and deployment of in-branch operational processes, training material and post-go-live branch support;
    - External legal support for commercial contracts and changes to Postmaster agreements;
    - Marketing and promotional activity to increase consumer awareness and drive customers into branch;
    - Organisational capacity in the form of external strategy expertise and the project resource needed to deliver the changes.
2. Without this investment, the PUDO initiative will remain limited to the current 200 branches until July 2021, after which, in the absence a clear route forward, it is expected Amazon and DPD would withdraw interest in accessing Post Office branches.

Question 2: How will this investment support the plans to implement further carriers?

3. The majority of the requested investment is for infrastructure and organisational capability which will facilitate the future onboarding of further carriers. This includes the Horizon integration which, although tailored specifically for DPD, includes functionality that will be reusable with future clients, subject to confirmation of their exact requirements and testing.
4. The automation of back-office processes is a critical development to increase the speed, flexibility and accuracy of integration with all carriers, while reducing the workload and consequent cost of current manual alternatives.
5. The exception is £0.5m requested for interim PUDO devices required for the expansion of Amazon into the network pending the availability of the final SPM Retailer Accompaniment Device. This represents a sunk cost but is essential to sustain the relationship with Amazon and facilitate the expansion of their services across more branches with the associated financial and Postmaster benefits.

Question 3: What is the benefit for Postmasters?

6. The implementation of PUDO is a crucial step towards making Post Office the destination for all mails, regardless of carrier. For Postmasters, this is a clear demonstration of Post Office's intention to capitalise on the non-exclusive nature of MDA2 and support their creation of thriving businesses.

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7. Postmasters will recognise that customers choose to use Post Offices already as points of delivery or for home shopping returns. Enhancing this customer proposition will increase footfall for Postmasters, especially as more carriers are onboarded.
8. Postmaster remuneration is being aligned across carriers to avoid any incentivisation towards one partner over another. This business case has assumed £39m (Total project FY21/22 – FY24/25) but this assumption could change as a result of the wider Postmaster remuneration review now underway.
9. In addition to the benefits PUDO offers to Postmasters listed above, in the form of increased volume, footfall and income, this investment will provide the following specific benefits:
    - Simplified operational processes through familiarity of using Horizon and/or simple handheld devices for Amazon
    - Easier onboarding and enhanced training support
    - Consistency and accuracy of remuneration from automated back-office processes
    - Improved MI and support wrap from data collection, manipulation and reporting

Question 4: What are the next steps for the implementation of PUDO?

10. In order to demonstrate progress to our stakeholders, including Postmasters, and deliver our financial benefits, our intention is to launch Amazon and DPD at scale (defined as >1k branches each) in the network in time for Christmas peak 2021.
11. A mid-trial review with Amazon's management took place on 19th May 2021, in which they confirmed their satisfaction with trial performance. Post Office will work with Amazon to finalise the specific number of branches, subject to agreement, in the coming weeks.
12. In parallel, we have commenced commercial negotiations and are finalising the technical details needed to support DPD. This will include the addition of un-deliverables and home shopping returns service options in addition to the existing click and collect currently being trialled.
13. We expect commercials to be agreed with both partners by the end of June 2021, with branch recruitment and training taking place throughout July and August. Due to the number of branches involved we expect Postmaster onboarding to be undertaken in tranches, resulting in a lead go-live during August and September 2021.
14. As a result of the high profile of this operation for clients, Postmasters and Post Office, a close support wrap will be in place over Peak to ensure operational reliability. The support wrap is the MI and operational team in place to monitor network performance. This will support branches if they experience technical or operational issues such as excess capacity or broken hardware and identify and investigate missing scans or items for carriers to ensure maximum service levels for customers. Each item is scanned and monitored by the carriers to an exceptionally high standard, so they can recognise where in the pipeline failures occur and expect immediate resolution. This support wrap is being built with BSC, and the new MI is funded by this business case.
15. Initial discussions have already started with the next wave of potential clients, with the intention of onboarding them from Q4 2021, using the capabilities delivered through this investment.

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APPENDIX 1: INVESTMENT REQUEST

- Investment request for this Business Case phase 2: £2.41m
- Existing approved funding: £2.86m
- Total funding for 20/21 and 21/22: £5.27m

Breakdown of £5.27m funding for project		FY 20/21				FY 21/22				Total	Total	Total
Numbers shown in £k	Spend Type	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY20/21	FY21/22	
Project resources	Opex/Capex	9.24	87.94	46.70	90.72	261.90	261.90	177.90	177.90	234.60	879.60	1114.20
Software development scaling Amazon	Capex				15.00	127.53	13.90			15.00	141.43	156.43
Software development: Branch Location Data Service	Capex				32.00	278.80	143.20			32.00	422.00	454.00
Carrier 2 Integration	Capex					279.00	162.00			0.00	441.00	441.00
IT hardware	Capex					130.00	390.00			0.00	520.00	520.00
Consultancy	Exceptional				1155.00	105.00				1155.00	105.00	1260.00
Deployment	Capex				1.40	2.00	6.00			1.40	8.00	9.40
Legal	Opex		13.20		18.00	80.00	20.00			31.20	100.00	131.20
Marketing	Capex				0.00	12.00	15.00			0.00	27.00	27.00
Support model Capex	Capex					8.00	8.00	0.00	0.00	0.00	16.00	16.00
Support model Opex	Opex					22.50	54.00	54.00	54.00	0.00	184.50	184.50
Marketing	Opex					200.00				0.00	200.00	200.00
Expenses and SPO levy	Opex				40.00	32.60	21.41	5.34	5.34	40.00	64.68	104.68
Reoccuring Opex Staff costs	Opex					163.13	163.13	163.13	163.13	0.00	652.50	652.50
Total		9.24	101.14	46.70	1352.12	1702.45	1258.54	400.36	400.36	1509.20	3761.71	5270.92

- Future years beyond 21/22 up to 25/26:
  - £8.8m further Capex spend
  - £5.3m further Opex spend (BAU staff costs over 5 years + onboarding costs for new carriers)

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APPENDIX 2: BUSINESS OBJECTIVES

Key Information	
Size of the opportunity	This strategy offers cumulative income opportunity of c.£59.9m p.a. by 2025/26 at an estimated DPC of 50%
Deadline	This business case is requesting for funding until the end of March 2022; in order for Post Office to onboard the first two carriers.

Drivers	Business Objectives	Business Outcome
Post Office has no direct relationship with retailers or parcel carriers other than RM	Secure a direct relationship with the largest carrier in the UK market outside of Royal Mail, and other carriers	Trading relationship with other carriers to build relationships with multiple carriers in the PUDO market
Post Office and our agents only have operational experience of handling Royal Mail parcels	To prove the viability of opening network access to third party operators.	Ability to work with and operationally deliver non-RM items and PUDO propositions in the network.
We are reliant on Royal Mail volume for all our PUDO income.	Secure incremental income from the second biggest carrier in the parcel market, and other carriers	Overall income from 3rd parties over 5 years: Incremental income opportunity of c.£59.9m p.a. by 2025/26 at an estimated DPC of 50%
Current in-branch process/experience only supports one carrier partner	Informs the business on operating changes that are needed to be made or factored into the new network design in order to succeed in PUDO	Operational CSFs met without deterioration in service quality to customers or existing RM processes

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APPENDIX 3: FINANCIAL SUMMARY

Funding Overview (£m)

	Prior Years Actuals	20/21	21/22	22/23	23/24	24/25	Total New Request	Total Project
Opex	-	(0.3)	(0.5)	-	-	-	(0.8)	(0.8)
Exceptional	-	(1.2)	(0.1)	-	-	-	(1.3)	(1.263)
Capex	-	(0.1)	(2.5)	(4.6)	(2.9)	(1.0)	(11.0)	(11.0)
Total Funding	-	(1.5)	(3.1)	(4.6)	(2.9)	(1.0)	(13.1)	(13.1)
Impact on EBITDAS	-	-	0.5	2.6	4.8	9.1	17.0	17.0

	Including Intangible Benefits	Tangible Benefits only
Net Present Value over 5 Yrs (£m)	1.1	1.1
ROI - Undiscounted (£m)	4.0	4.0
ROI 20/21 : ROI %	30%	30%
Payback Period 20/21 : Payback in mont	17.3	17.3
Risk Factor	-466.1%	
Breakeven point in month	54.0	54.0

Business Case Financials (£m)

	Prior Years Actuals	20/21	21/22	22/23	23/24	24/25	Total Project
Gross Income	-	-	1.5	11.0	17.6	29.8	59.9
Revenue Growth	-	-	1.5	11.0	17.6	29.8	59.9
Revenue Retention	-	-	-	-	-	-	-
Cost of Sales	-	-	-	-	-	-	-
Total Direct Contribution	-	-	1.5	11.0	17.6	29.8	59.9
Operating Expenses (OpEx)	-	(0.3)	(1.5)	(8.4)	(12.8)	(20.8)	(43.7)
Project Related	-	(0.3)	(0.5)	-	-	-	(0.8)
Recurring Increase	-	-	-	(1.2)	(1.3)	(1.4)	(4.0)
Recurring Decrease	-	-	-	-	-	-	-
Agents Pay	-	-	(1.0)	(7.2)	(11.5)	(19.4)	(39.0)
Avoidance	-	-	-	-	-	-	-
Trading Profit	-	(0.3)	0.0	2.6	4.8	9.1	16.2
Trading Profit [%]	-	-	0.0	0.2	0.3	0.3	0.3
Capital Expenditure (CapEx)	-	(0.1)	(2.5)	(4.6)	(2.9)	(1.0)	(11.0)
Project Related	-	(0.1)	(2.5)	(4.6)	(2.9)	(1.0)	(11.0)
Avoidance	-	-	-	-	-	-	-
Exceptional Expenditure	-	(1.2)	(0.1)	-	-	-	(1.3)
Project Related	-	(1.2)	(0.1)	-	-	-	(1.3)
Net Cash Flow	-	(1.5)	(2.6)	(2.0)	1.9	8.1	4.0
Cumulative FCF	-	(1.5)	(4.1)	(6.1)	(4.1)	4.0	4.0
FCF without Avoidances	-	(1.5)	(2.6)	(2.0)	1.9	8.1	4.0
Cumulative FCF w/o Avoidance		(1.5)	(4.1)	(6.1)	(4.1)	4.0	4.0

10.4

Calculations		20/21	21/22	22/23	23/24	24/25	NPV
Discount Rate	12.0%	1.00	0.89	0.80	0.71	0.64	
Quantity of year to include		1.00	1.00	1.00	1.00	1.00	
Mid-period discounting factor		-	1.00	2.00	3.00	4.00	
Discounted Cashflow with Intangible Benefits		(1.5)	(2.3)	(1.6)	1.4	5.1	1.1
Discounted Cashflow with Tangible Benefits		(1.5)	(2.3)	(1.6)	1.4	5.1	1.1

Total costs	UEL (Years)	in £'000
Software – Internally Developed	3	(1,987.5)
Software - Purchased	3	-
IT Hardware	5	(9,345.0)
Motor Vehicle	5	-
Plant & Equipment	10	-
Fixtures & Equipment	7	-
Land	10	-
Intangibles	10	-
Opex		(1,438.7)

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POL Cost/ Benefit	Cost Type	Organisation	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25
Capex	Other	Other	-	(£0.0m)	(£0.0m)	(£0.0m)	(£0.0m)
	Resource	(blank)	-	(£0.0m)	-	-	-
		POL - Contractors	(£0.1m)	(£1.1m)	-	-	-
		POL - Permanent	(£0.0m)	(£0.5m)	-	-	-
		Accenture	-	(£0.2m)	-	-	-
		Atos	-	(£0.1m)	-	-	-
	IT Hardware	(blank)	-	-	(£4.6m)	(£2.9m)	(£1.0m)
		CC	-	(£0.5m)	-	-	-
	Software	CC	(£0.0m)	(£0.0m)	-	-	-
	Support / Maintenanc	POL - Contractors	-	(£0.0m)	-	-	-
		POL - Permanent	-	(£0.0m)	-	-	-
Exceptional	Other	Other	-	(£0.0m)	-	-	-
	Resource	(blank)	-	(£0.0m)	-	-	-
		Consultancy	(£1.2m)	(£0.1m)	-	-	-
One time Opex	Other	Other	-	(£0.0m)	-	-	-
	Resource	(blank)	-	-	-	-	-
		POL - Contractors	(£0.1m)	-	-	-	-
		POL - Permanent	(£0.1m)	-	-	-	-
		POL Permanent	(£0.0m)	-	-	-	-
	(blank)	(blank)	(£0.0m)	-	-	-	-
	Support / Maintenanc	POL - Permanent	-	(£0.2m)	-	-	-
		Atos	(£0.0m)	-	-	-	-
		POL	-	(£0.0m)	-	-	-
	Infrastructure	Other	(£0.0m)	-	-	-	-
		POL - Contractors	-	(£0.0m)	-	-	-
	Legal	POL - Permanent	(£0.0m)	-	-	-	-
		Legal External	-	(£0.1m)	-	-	-
		Legal POL	-	(£0.1m)	-	-	-
	Communication	Other	-	(£0.0m)	-	-	-
		Communication POL	-	(£0.2m)	-	-	-
Recurring Opex Increa	Resource	POL - Permanent	-	(£0.7m)	-	-	-
Grand Total			**(£1.5m)**	**(£3.8m)**	**(£4.6m)**	**(£2.9m)**	**(£1.0m)**

10.4

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POST OFFICE LIMITED
BOARD REPORT

Title:	Health & Safety Monthly Report	Meeting Date:	3rd June 2021
Author:	Martin Hopcroft, Director of Health & Safety, Environment and Business Continuity	Sponsor:	Al Cameron, Group Chief Finance Officer

Input Sought: Noting

The Board is asked to note the contents of the report.

Previous Governance Oversight

- GE Safety Board 12th May 2021, next meeting scheduled 23rd June 2021

Executive Summary

In Appendix A we summarise the Key Performance Indicators over the last few years. We have included a comparison for Period 1 (April) with last year and this shows a return to a pre-Covid level of incidents. During lockdown, incidents reached the lowest level on record and our assumption is that people were more thoughtful about their behaviour. Safety Board agreed safety campaigns should be supported in Supply Chain and Directly Managed Branch (DMB) by safety champions.

We continue to respond to the risk due to Covid-19, taking appropriate action to ensure the health and safety of employees and postmasters whilst delivering key services to customers and we monitor and respond to the most recent Government guidance and lockdown restrictions across the UK.

We have updated our advice and risk assessments, communicating to our people and sharing with Postmasters to remind them that social distancing, managing queues and use of PPE will be critical to ensure branches remain open. We have supported the return to work of essential field roles, continue to consult with Unions and review risk assessments.

11.1

The current level of employees who have tested positive or are required to self-isolate has reduced during that last quarter in both Supply Chain and DMBs from the peak level seen in January. There have only been 13 positive results reported for POL employees since February, compared to 90 reported in January alone.

Following recent publication of Government roadmaps for relaxing restrictions, we have re-assessed PPE requirements to ensure there is sufficient supply and have supported the return of clinically extremely vulnerable employees.

The Department for Business, Energy & Industrial Strategy (BEIS) and Department of Health and Social Care (DHSC) recently encouraged employers to set up workplace Lateral Flow Test stations or provide kits for home use. We registered Post Office onto the scheme following assurances from the DHSC regarding liability and data protection and we ordered and received a supply of 35,000 free kits at the Swindon Stock Centre for employee use. We are currently piloting the process in Supply Chain, in DMBs and across the field teams. The DHSC are

continuing to develop a distribution model for franchise retailers and we await new T&Cs and information for that model. In the meantime, Postmasters have been encouraged to signpost to the Universal local order scheme for the public and smaller retailers.

Whilst we have paused a short term return to the Office (Finsbury Dials, Future Walk, Bolton), we are continuing to offer our Covid-secure workplaces to those with exceptional circumstances and are piloting a small number of 'essential' meetings during May and June. We have taken the view that our colleagues should not be required to return to office until late Summer and we will monitor Government guidance whilst preparing for a gradual voluntary return.

The number of attacks and robberies remain low, however, we are preparing for this to change across the industry when we emerge from lockdown due to increasing levels of cash and an increase in unemployment. We have updated our risk profile for branches and Cash Vans in Transit (CViT) routes and implemented mitigating intervention, including cash destruction (glue and ink) and 'tracker' devices in carry cases and body cameras across 35 high risk routes, as advised by Security. We are also scoping an alternative Cennox 'lighter' weight carry case with cash destruction technology.

Following successful trials, we have supplied a new preferred helmet and a supply of body armour (stab vests). We have made stab vests compulsory on high risk CViT routes (they are voluntary otherwise) and have issued a joint statement.

We have reviewed the findings from the independent investigation of the AEI (Identity Services Kiosk) machine fire at Port Glasgow. Whilst the cause of the fire remains inconclusive, we have agreed to progress mitigating action. Area Managers have undertaking telephone and site surveys to check machines are being switched off overnight and to check the environment around the machine, fire-fighting equipment and smoke detectors are present and a visual check of the condition of the electrical cable to the machine. The manufacturer's maintenance provider is also undertaking additional checks when servicing machines. We have received a quote from Thales to replace the privacy curtain with a fire-retardant version which we will consider exceptionally for higher risk locations. CBRE have installed a timer switch at approx. 170 branches where it is difficult to switch off the machine at the socket due to limited access.

Whilst undertaking these checks, concern has been raised of messy cables and wiring which looks unsafe. Property and CBRE have attended 10 branches to test the wiring and have fed back their findings to Safety Board. It has been agreed for Property to complete a programme for PAT testing counter cables and equipment at all branches in 21/22.

Questions addressed

1. What are the trends on accidents and violence across Post Office?
2. Are there any significant risks emerging and what are we doing to mitigate?

Report

3. To mitigate risk from Covid-19, we continue to communicate with employees, Postmasters and our customers, providing guidance on following good hygiene principles and raising awareness by displaying posters. We continue to monitor Government guidance and receive regular updates from our Chief Medical Officer at Optima Health and we are providing PPE to colleagues, reiterating safe hand hygiene and social distancing. We have provided hand sanitiser stations for customers and have installed perspex screens in smaller DMB branches to protect colleagues and enable the opening of additional counters.

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4. We review and update Covid-Secure risk assessments and continue to supply Personal Protective Equipment (PPE) to DMBs, Supply Chain, essential field teams and Mobile PO operators. We provide anti bacteria soap to Postmasters together with guidance on social distancing and a supply of posters and floor decals to all branches. Postmasters are also able to order PPE directly from our supplier Banner. We continue to provide enhanced monthly clean in DMBs, Supply Chain (including vehicle cabs) and Support Centres using an anti-pathogen product that is applied through fogging which will continue until Covid transmission rates have reduced and employees are vaccinated. We will review this position in line with Gov advice as lockdown is relaxed in June and the Gov review of social distancing and use of PPE in the workplace. In the meantime we will pilot some limited 'essential' meetings and use of hot desks in Finsbury Dials and Future Walk.

5. There have been 13 positive cases in DMBs and Supply Chain in the last 4 months and no multiple positive cases of Covid-19 reported. Feedback from the NHS Health protection teams has been that they are happy with our controls and what we are doing in branch.

6. We are supporting the Government's Employer Workplace Collect Lateral Flow test programme. Kits have been received at the Swindon Stock Centre for distribution to employees. We are required to follow strict rules for distribution of the kits and complete issue logs. We are currently testing the process at 3 Supply Chain Centres and 6 DMBs as well as offering to 270 field colleagues who may visit multiple branches. This is a voluntary programme and employees are being encouraged to 'opt in'. The DHSC have advised us to signpost Postmasters to the Universal local order scheme for the public and smaller retailers whilst the consider whether to launch a 'franchise' distribution model.

7. We continue to provide wellbeing support to our colleagues, including those who continue to work from home and are raising awareness of the support available through our channels. Refresher training has been provided to our Mental Health First Aiders and training for new DMB MHFAs has helped to increase the overall number available to support colleagues. A number of campaigns are planned to raise awareness of our Wellbeing resources and the MHFA network over the coming months.

8. Robberies remain low and whilst they slightly increased over Q4 there have been 24 incidents compared to 42 over the same period in 19/20 with a similar favourable trend in weapons, including blades, down to 21 during the last 3 months to P12 compared to 35 in the same period in 19/20. Work continues on combating verbal abuse and violence and the level reported over the past month has reduced to 8 compared to the average of 28 per month. The Security team has focused on both security health checks and branches with high levels of cash over the period with a combination of 173 branch visits and telephone conversations and 8 engagement events. We also have 6675 Branches and 15161 individuals in branch are registered for Grapevine text alerts.

9. In P12(Mar) there were 8 robberies (12), 4 successful (3) and 8 involving weapons (7) with 2 minor injuries (1). There were 0 CViT incidents (1) and 0 ATM attacks (4).

10. There were 0 ATM attacks in P12, compared to 4 last year. No ATM attacks this month Industry noted increased on previous month, albeit average for year. The majority were physical attacks i.e. cutting. Industry ATM attacks are quite geographically spread.

11. Following a successful pilot, a preferred design of stab vest has also been selected by Supply Chain crew. We have made stab vests compulsory on 35 high risk CViT routes (they are voluntary otherwise). We are monitoring closely and are insisting that stab vests are issued with reminders to our people not to fight back.

12. There were 6 accidents in P1 (compared to 0 in 20/21), and 2 lost time accidents of 22 days, both in Supply Chain. Accidents/1000 employees are at 1.82 P1 YTD (0.0 P1 YTD 20/21). During 20/21 we believe there was more focus and control implemented across DMBs and Supply Chain environment during Covid-19 restrictions, leading to a reduction of incidents. However, the number of incidents appears to be returning to pre-Covid levels. This was discussed at Safety Board and the successful Supply Chain 'hearts and minds' initiatives will be stepped up and shared with DMBs.

13. The Post Office Lost Time Incident Frequency rate (LTIFR - accidents per 100,000hrs) is at 0.451 YTD P1, compared to an outturn of 0.083 in 20/21 and 0.150 in 19/20. Total lost days per 100,000hrs (LTR) is 4.96 at P1 compared to an out turn of 0.465 at P12 YTD in 20/21 and 3.22 in 19/20.

14. Post Office property is statutory compliant and overall risk is low. All statutory and non-statutory inspections are being undertaken and remedials are on track.

15. A serious near miss involving a trunking driver has been investigated by Supply Chain Fleet and Operations, including whether fatigue was a factor. Improvements have been made to the speed of the investigation process including swifter access to CCTV footage and learning opportunities identified. We will engage with our Occupational Health provider and push forward with training to raise awareness and other mitigation.

16. The retender for facilities contracts, which includes safety and compliance is now live and will be concluded by Sept 2021. The number and quality of respondents has been high.

17. We have scoped a new 3rd Party audit in Q4 and agreed at Safety Board that this should focus on our response to the threat of violence, robbery and abuse. The Health & Safety Executive are particularly keen to support and have provided a proposal to complete the work in Q2. This work was delayed due to HSE Covid-19 priorities for Inspectors.

18. Priorities and targets include;
    a. Focusing resources to the Covid-19 response and work collaboratively to ensure risks are controlled and a return to work plan implemented, supported by the Alert Level Matrix, risk assessments and social distancing.
    b. Following a successful pilot of a digital accident investigation and reporting tool in Supply Chain we have rolled out to DMBs plan further roll out to all business areas.
    c. The Supply Chain Safety Plan is progressing well with safety champions sharing best practice and improvement opportunities at safety forums. We will extend the successful Supply Chain Hearts and Minds Safety campaign as best practice across the business.

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d. Robbery Risk Assessment will be reviewed quarterly rather than annually to inform decisions regarding mitigation, including iBox technology and Body Armour Stab Vests.
e. Local risk assessments, safe systems of work and training continue to be reviewed and strengthened. Induction H&S checklists reviewed and updated.
f. Arranged an audit with HSE, scope includes our response to violence and abuse and personal safety and security. HSE will progress in Q2.
g. An Occupational Health MSK expert has reviewed coin and manual handling activity in Supply Chain to identify initiatives to reduce risks facing the ageing workforce eg equipment, training, process improvement. A plan has been drawn up to progress.
h. Continue analysing Supply Chain 'commercial driver' telemetry data and driving behaviour and improvement through 121 discussions and coaching. New modular training for business drivers is being trialled, inc guidance to mitigate risk from fatigue.
i. Continue developing our team of Mental Health First Aiders and raise awareness of the webinars for all colleagues and managers to provide guidance on coping with anxiety

Financial Impact

19. The financial impact of the above initiatives has been evaluated / budgets confirmed

Risk Assessment, Mitigations & Legal Implications

20. Our highest risks include; violence and abuse aimed at Postmasters and Supply Chain crew. The Security team will continue to strengthen and invest in mitigation. We continue to monitor carefully during lockdown. We have received the conclusions of our appointed forensic fire investigator and the AEI machine manufacturer Thales and reviewed the risk to the whole AEI Network following a fire involving the Port Glasgow AEI. To make the network safer, we have instructed all branches to switch off the machines overnight. Area Managers have completed site surveys to assess any hazards in the environment around the machines. 15% branches were unable to switch off the machine due to wiring or access issues. CBRE engineers have assessed wiring and installed timer switches.

Stakeholder Implications

21. Training should be provided to new directors and where required, to Group subsidiary directors, management and colleagues.
22. Information – directors should consider the Health & Safety information that flows to the Board to support directors, subsidiary directors and management teams carrying out their duties.

Next Steps & Timeline

Safety Board is held 6 weekly with the next meeting scheduled 23rd June 2021. PO Board and GE reports will include updates, recommendations and decisions made by Safety Board.

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Appendix A - Safety Board Dashboard – P1 2021/22

Health & Safety 4 year Performance

Year/KPI	18/19	19/20	20/21	20/21	21/22
	P12 YTD	P12 YTD	P12 YTD	P1 YTD	P1 YTD
All accidents	81	70	40	0	6
All accidents / 1000 employees	16.9	18.6	11.8	0.0	1.8
DMB	16.7	21.0	22.7	0.0	3.4
Support	3.4	7.5	0.7	0.0	0.0
Supply Chain	42.0	33.8	15.3	0.0	2.6
Lost Time related accidents	15	10	5	0	2
Lost Time related accidents / 1000 employees	3.1	2.6	1.5	0.0	0.6
LTIFR (lost time accidents/100,000hrs)	0.184	0.150	0.083	0.000	0.451
Days lost due to accidents	245	214	28	0	22
Days lost / 1000 employees	51	57	8	0	7
LTR (Accident days lost/100,000 hrs)	3.0	3.2	0.5	0.0	5.0
Days lost due to robbery (assault and trauma)	280	105	16	0	0
LTR (Total days lost/100,000hrs inc. trauma)	6.4	4.8	0.7	0.0	5.0
RIDDORS (Employee)	7	2	3	0	1

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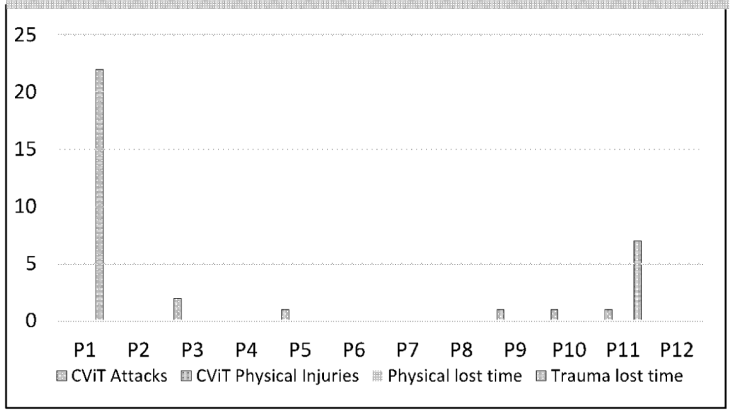
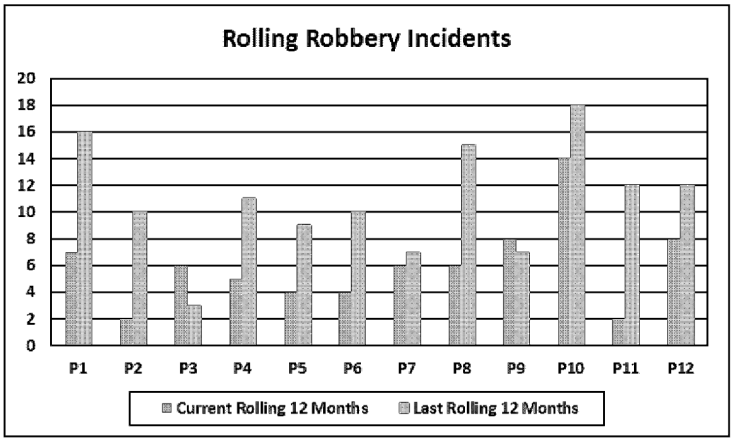
POST OFFICE

Security Safety Performance – Period 12 (March) 2020/21

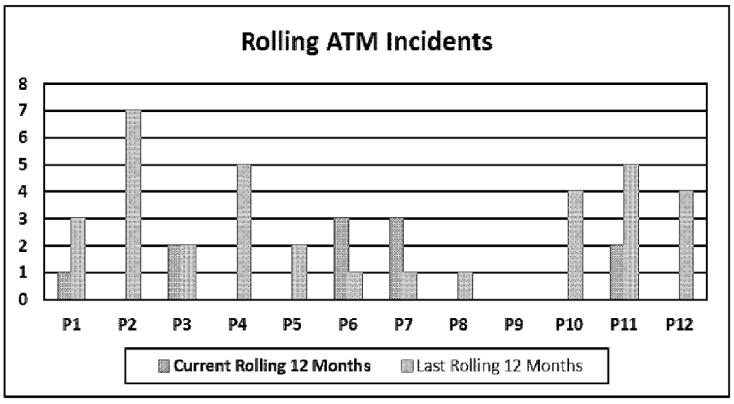
CViT Attack Profile – period 12 (2020/21)



Robbery Profile – P12 (2020/21)



ATM Profile – P12 (2020/21)



CViT Commentary
P12 (Mar) 0 CViT incidents compared to 1 last year, 1 successful (0) with loss of £0k (£22k last year). **YTD** 6 CViT incidents YTD (compares to 16 last year), with losses of £37k (£159k last yr). CViT crime remains low, with 6 incidents since P1 (April). Crews are embracing the support. Providing routing alternatives in 10 higher risk routes by Cash Management, driven by dynamic risk modelling, and also ensuring best use of security equipment is being made. No incidents this month. 29 Cross pavement observations & 6 Premises Attack Plans have taken place.
Industry has a seen a 3 month fall in incidents, 2 in P12, both CIT focused. This follows a monthly av. of 9 in Q3.

Robbery Commentary
P12 (Mar) – 8 robberies compared to 12 last yr, 4 successful (3) with losses of £37k (£1k last yr). 8 involved weapons (7) including 5 blades (4).
YTD – 72 robberies YTD (130) with losses of £266k (£652k). 66 involved weapons (112), including 40 blades (65).
733 fogging kits successfully installed via upgrade programme in high and very high risk branches. Current activity includes 173 branch support calls & and visits and 8 engagement events conducted in month. Marginal reduction in retail focused robberies, 2 vs monthly average of 3

ATM Commentary
P12 (Mar)-0 ATM attacks compared to 4 last year, 0 successful (0).
YTD - 11 ATM attacks YTD (compares to 35 last year), & losses of £102k vs £175k last yr.
No ATM attacks this month
Industry noted increased on previous month, albeit average for year. The majority were physical attacks i.e. cutting.
Industry ATM attacks are quite geographically spread

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Exec Summary

- We continue to make strong progress against planned improvements. The vast majority are being completed as planned, and for those that are experiencing problems, the IDG is actively engaged to resolve. In addition, Internal Audit are assuring each delivery and this too is progressing well, with only a few minor areas requiring additional work.
- The main primary issue currently blocking the progress relates to the scope of the HSS, and whether it should be expanded to include additional items. This is preventing the finalisation of a number of treatment strategies. A separate paper is being prepared to provide the details and seek a Board level decision on the way forward. The delay to the treatment strategy is not expected to delay the resolution of the detriment.
- Since the last Board update, the status of the Inquiry has changed to Statutory. We await guidance from the Inquiry team on the next steps (both until the interim report, and then beyond) and hope to receive this within the next two weeks. Using this guidance we will then update our preparation plans, including the associated timelines. The change to the Inquiry does not change our improvement plans, nor our close focus on maintaining progress.
- [redacted]

  REDACTION
- The corresponding HIJ conformance review has taken a little longer due to NRF not being as familiar with the Horizon improvement work. We expect this to complete in June 2021.

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Progress update on full range of improvements

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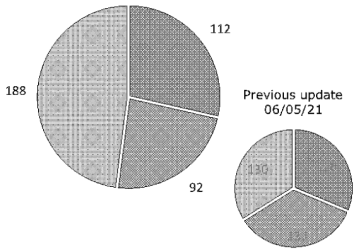
71% of our identified improvements have been completed, and of those 67% have been tested as effective by Internal Audit

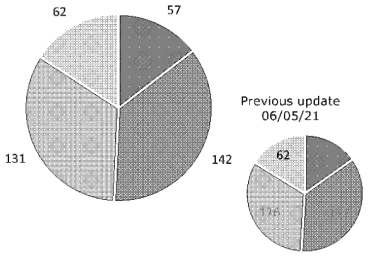
- Good progress continues to be made on getting improvements delivered. We're also maintaining pace on completing the audits to demonstrate successful delivery.
- From the audits, we have identified five improvements where further work is required, and these are (or have been) resolved.
- Where we identify additional improvements, they have been added to our tracker and hence the totals below reflect these additions.

All improvements tracked: Improvement Status & Postmaster Impact status

Improvement Status



Improvements by PM Impact



	Oxblood Red	Red	Orange	Yellow	Total	%
Active	9	44	40	19	112	29
closed unchecked	7	23	22	40	92	23
checked	41	75	69	3	188	48
Total	57	142	131	62	392	100
%	15	36	33	16	100	

Improvement Status	
Closed unchecked	Activity complete but awaiting Internal audit assurance review
Closed checked	Activity and subsequent internal audit assurance complete
Active	Activity is either inflight or planned

Impact Rating	
Oxblood Red	Non-compliance with the outcomes of the CIJ ruling and / or where there is a detrimental impact on PMs, where detrimental means any form of PM harm
Red	There is potential detriment to Postmasters, or a reputational risk to POL
Orange	This change would significantly improve the Postmaster experience
Yellow	Beneficial to make this change to improve the Postmaster experience

Note: Data presented in these slides is as of 21/05.

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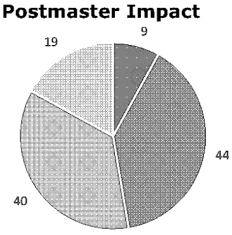
Improvements in phase I are being delivered, with 92% on track to meet end of May target date

- As the end of May approaches, the vast majority of the planned improvements have been delivered as intended. A short summary of those outstanding is contained on the next slide
- Of note, a number of the red RAG items relate to resolving historic detriment and share the same root cause for delay – a decision needs to be made on the scope of the Historical Shortfalls Scheme. Once this decision is made, the red items will rapidly clear and return back to making good progress. Despite the delay, the team are still forecasting that the next phase (repayment of detriment) will not be delayed.

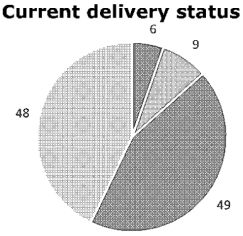
Active improvements tracked: Postmaster Impact & Current delivery status

Postmaster Impact



Previous update 06/05/21

Current delivery status



Previous update 06/05/21

Row Labels	Red	Amber	Green	NS	Grand Total	%
Oxblood Red	5	2	2	0	9	**8**
Red	1	4	24	15	44	**39**
Orange	0	3	16	21	40	**36**
Yellow	0	0	7	12	19	**17**
Total	**6**	**9**	**49**	**48**	**112**	**100**
%	**5**	**8**	**44**	**43**	**100**	

Impact Ratings	
Oxblood Red	Non-compliance with the outcomes of the CIJ ruling and / or where there is a detrimental impact on PMs, where detrimental means any form of PM harm
Red	There is potential detriment to Postmasters, or a reputational risk to POL
Orange	This change would significantly improve the Postmaster experience
Yellow	Beneficial to make this change to improve the Postmaster experience

Delivery Status	
Red	Off track against agreed dates
Amber	At risk against agreed dates
Green	On track against agreed dates
Not Started	Activities have not yet started

Note: Data presented in these slides is as of 21/05.

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Progress on May deliverables is being maintained, with the three red status item being closely managed by IDG

- Postmaster balance uncertainty is linked to the HSS scope decision mentioned on previous slide *{note, this slide only focusses on deliveries to end May}*
- Appeals and Disputes is flagged red below due to Post Office taking additional time to create and agreed the right format and style for the appeals panel. This is an important improvement and hence the additional time is felt appropriate. This action is expected to complete within the first 2 weeks of June.
- Memoview has been largely completed but is currently being held at red due to an ongoing piece of work looking at a resolution for those postmasters where we do not have an email address or other contact details. There are a range of reasons why POL does not have this information.

CIJ Oxblood Red & Red Impact Improvement Actions: 12-week activity plan and status

Reference No.	Cross ref	Number	Issue	Impact	Target end date	RAG we 21/05	Responsible	Accountable	% Complete	Mar-21	Apr-21	May-21
M348	BC	2	Postmaster Balance Uncertainty	Oxblood Red	31/05/2021	R	Jacki Adams	Tim Perkins	60%			
M112c	BI	2	Settled Centrally Review- Documention	Oxblood Red	31/05/2021	G	Hayley Miller	Tim Perkins	90%			
M346	OF	1	Appeals and disputes for contract terminations	Oxblood Red	31/05/2021	R	David Southall	Andy Kingham	50%			
M120a	(HI	7	Proactive identification of Horizon HNGA software issues 1.0 - Recommendations to improve processes	Red	21/05/2021	G	Dan Addy	Simon Oldnall	90%			
M125a	(HI	12	Privileged Access Management / Remote Access to Horizon Branch Database 1.0 - Review, assess and	Red	21/05/2021	G	Dean Bessell	Simon Oldnall	90%			
M123a	(HI	10	Software Development Life Cycle / Quality Assurance (SDLC/QA) Process Improvements 1.0: New process	Red	30/05/2021	G	Dan Addy/	Simon Oldnall	90%			
M145a	BC	3	Use of memo view may mean that PMs are not sighted on all urgent communications	Red	31/05/2021	R	Debbie	Tracy Marshall	50%			
M150	BI	4	Accounting disputes process (including policy approval)	Red	31/05/2021	G	Neil Davey	Tim Perkins	85%			
M149	OF	2	Perception of bias in Investigation process	Red	31/05/2021	A	David Southall	Andy Kingham	50%			
M145b	(HI	13	Horizon Help Improvements 1.0 - Initial OM changes to address priority software issues	Red	31/05/2021	A	Dan Addy	Simon Oldnall	30%			
M116a	(HI	3	POL staff direct access to transaction data 1.0 updated process for sourcing ARQ data with set SLAs,	Orange	27/05/2021	A	Dean Bessell	Simon Oldnall	85%			
M116a	(HI	2	Keystroke Logging 1.0 – New process for sourcing keystroke logging data from branch counter terminals	Orange	30/05/2021	A	Dean Bessell /	Simon Oldnall	65%			
M116a	BC	11	Lack of PM focus in POL employee support centre objectives	Orange	31/05/2021	G	Mel Fischer	Juliet Lang	85%			
M116a	BC	10	Roles and responsibilities for product management	Orange	31/05/2021	C	Product	Owen	100%			
M116a	BC	12	Lack of Cultural and Soft Skill Training provided to Key Support Teams	Orange	31/05/2021	G	Tracey Lloyd	Juliet Lang	66%			
M116a	BC	9	Inventory Team Ways of Working	Orange	31/05/2021	G	Doug Brown	Russell	50%			
M116a	BI	7	Limited AM visibility over PM contractual obligations	Orange	31/05/2021	G	David Southall	Andy Kingham	80%			
M116a	G	6	Lack of an overarching communications framework	Orange	31/05/2021	G	Rina Patel	Richard Taylor	40%			
M116a	OF	3	Absence of early warning indicators to flag issues	Orange	31/05/2021	C	Alex Todd	Andy Kingham	100%			
M116a	ON	1	Upfront On-Boarding Communications	Orange	31/05/2021	C	Jayne Pardoe	Tracy Marshall	100%			
M116a	En		IT- TOM 1.0 - New mandated IT governance, KPI/Metrics dashboard v1.0, Job Descriptions for prioritised	Orange	31/05/2021	G	Martin	Simon Oldnall	55%			
M116a			Stamps and Stock Guide	Orange	31/05/2021	G	Hayley Miller	Mark Siviter	90%			

Note: Data presented in these slides is as of 21/05.

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Look forward
June – August 2021

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Forward view to August, at which point 85% of all currently tracked improvements will be complete

The table below captures the improvements that are scheduled to deliver between June and August 21. Some have already started, but others are not due to commence until a little later. For those which are showing as amber, IDG is already actively monitoring and assisting where required to facilitate progress.

CIJ Oxblood Red & Red Impact Improvement Actions: 12-week activity plan from 1st June- 31st Aug 2021

Reference	Class	Numb	Issue	Impact	Target end date	RAG wb	Responsible	Accountable	% Compl
M119c	H	6b	Historic KELs 2.0 - Build on regression suite to ensure that they cannot happen again	Red	31/08/2021	G	Harsh Soman	Simon Olendi	40%
M337	G	2	Values/Behaviours - communicate	Red	30/06/2021	G	Jo Barnickle	Juliet Lang	50%
M340	G	2	Postmaster Empathy in mgmt - connect senior management continuous improvement	Red	30/06/2021	A	Jo Barnickle	Juliet Lang	70%
M118a	H	5	Improved processes to resolve current bugs (current KELs) 3.0 - Fully embedded process into ServiceNow	Red	30/06/2021	G	Martin Godsold	Simon Olendi	50%
M119c	H	6a	Historic KELS 1.0 Test and close historic KELs - resolve as required	Red	30/06/2021	G	Harsh Soman	Simon Olendi	50%
M122a	H	9a	Stress testing HNGA 1.0 - Non-functional testing	Red	30/06/2021	G	Harsh Soman	Simon Olendi	50%
M122c	H	9b	Stress testing HNGA 1.0 - Determine current DR approach & create DC policy	Red	30/06/2021	A	Harsh Soman	Simon Olendi	15%
M120b	H	7	Proactive identification of Horizon HNGA software issues 2.0 - Provide an interim design for reference	Red	16/07/2021	G	Dan Adey	Simon Olendi	15%
M350	BC	8	Change processes are seen as complex by business teams	Red	31/08/2021	NS	Saira Jurwood	Tim Mitchell	0%
M351	BC	4	Insufficient PM Remuneration Mix	Red	31/08/2021	G	Alex Iceed	Nick Beal	70%
M352	BC	5	Design methodology and process	Red	31/08/2021	NS	Chrysanthy Pispinis	Owen Woodley	0%
M140	BC	6	Cash discrepancy investigation procedure misalignment	Red	31/08/2021	G	Doug Brown	Russell Hancock	25%
M177	G	3	No overarching PM focussed governance forum	Red	31/08/2021	G	Gareth Clark	Amanda Jones	75%
M349	G	4	No detailed plan to implement the high-level Data Strategy	Red	31/08/2021	NS	TBC	Jeff Smyth	0%
M109			Security Operations Manual	Orange	30/08/2021	G	Mark Raymond	Tim Perkins	75%
M394			Quality issue with cash pouches	Orange	15/06/2021	A	Andy Stevens	Russell Hancock	80%
M99			Annual Postmaster Policy review -FY21	Orange	18/06/2021	G	Jo Milton	Tim Perkins	95%
M111			Annual Postmaster Support Guide Review	Orange	30/07/2021	G	David Southall	Andy Kingham	60%
M353	BC	7	Lack of transparency and PM-centric metrics in tiering system	Orange	31/08/2021	NS	Regional Managers	Andy Kingham	0%
M389	BC	13	Product guidance	Orange	31/08/2021	NS	Alison Cookson	Tracy Marshall	0%
M388	BC	14	Lack of investment in Supply Chain Technology	Orange	31/08/2021	G	Wendy Cutting	Russell Hancock	25%
M360	BC	18	Lack of clarity and communication around support functions roles and responsibilities	Orange	31/08/2021	G	Mel Fischer	Tim Perkins	25%
M392	G	7	Continuous improvement and feedback mechanisms	Orange	31/08/2021	NS	Postmaster	Tracy Marshall	0%
M365	OF	4	Exit interviews are not systematically conducted	Orange	31/08/2021	G	Regional Managers	Andy Kingham	100%
M366	OF	6	Lack of formalised procedure for thanking resigning PMs for their service	Orange	31/08/2021	NS	Regional Managers	Andy Kingham	0%
M371	ON	2	Review On-boarding Financial Assessment Process	Orange	30/06/2021	G	Jayne Pardoe (OB)	Katherine Sherratt	50%
M374	ON	3	Onboarding SLAs	Orange	31/08/2021	G	Jayne Pardoe	Tracy Marshall	30%
M357	ON	5	PM Training Content Review	Orange	31/08/2021	G	Ranjeet Jouhal	Tracy Marshall	60%
M139			Postmaster champions	Yellow	30/06/2021	G	Andy Stevens	Russell Hancock	40%
M387	BC	22	POL processes are too manual and reliant on paper	Yellow	31/08/2021	NS	Wendy Lazywo –	Owen Woodley	0%
M361b	BC	19	Ineffective Methods and Forums for Communicating to PMs-branch hub elements	Yellow	31/08/2021	NS	Di Walker	Tim Perkins	0%
M385	BC	21	Immature Cash Forecasting Processes	Yellow	31/08/2021	NS	Gary Walker	Russell Hancock	0%
M358	ON	7	On-boarding process improvements	Yellow	01/06/2021	G	Jayne Pardoe	Tracy Marshall	85%
M359	ON	8	Conducting Suitability Assessments before Financial Assessment	Yellow	31/08/2021	NS	Jayne Pardoe	Tracy Marshall	0%
M375	ON	9	Learning Mix to support continuous improvement	Yellow	31/08/2021	G	Ranjeet Jouhal	Tracy Marshall	80%
M373	ON	10	Embedding of Classroom Learning	Yellow	31/08/2021	G	Ranjeet Jouhal	Tracy Marshall	50%
M376	ON	12	Branch Contact File	Yellow	31/08/2021	NS	Regional Managers	Andy Kingham	0%

Note: Data presented in these slides is as of 21/05.

UKGI00041682

Some notable Improvements planned for delivery June-August '21

Improvement (Deloitte ref)	Description	Key Dates
A range of improvements is being implemented to improve Potential New Postmaster experience reduce drop-outs during the process and reduce the time taken to onboard a Postmaster. (ON2, ON3, ON7)	• Simplified Financial Assessment including giving a provisional approval so that the suitability assessment (interview) can be carried out in parallel • Change in support team KPIs to measure satisfaction and Postmaster Experience • Extended support hours to enable support out of normal business hours • A shorter more easily understandable welcome e-mail	June 21
Implementation of a Cross-functional Training forum to improve Postmaster training (ON6)	Implementation of a cross-functional training review forum (with representation from training schedulers, classroom trainers, Quality Assurance Training Leads, on-site trainers, Branch Support Managers) to gather feedback on training provision and recommend improvements	August 21
Resolve use of inconsistent terminology including using the same term for different purposes (BI9)	Definition, agreement and publication of a consistent glossary for use by all Postmaster facing teams to eliminate the current inconsistencies and support the exercise to harmonise content	July 21
Implement offboarding enhancements to ensure the efforts of Outgoing Postmasters are recognised and their feedback is recorded and acted upon (OF4 and OF6)	Exit interviews are now carried out for all outgoing Postmasters and there is a process in place to thank them for their service	Complete early (was due August 21)

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Board Actions Update

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Board Action Tracking

Board Meeting	Action	Owner	Owner & RAG
May 21	To consider having half a dozen Postmaster champions who could help validate the changes made from their perspective.	• The Postmaster engagement team is in the process of pulling a list together of around 40 key PM Influencers. • Regional Manager Forums are held monthly to actively facilitate direct feedback. • Co-creation sessions with PMs, following the consultation, have already worked with postmasters to generate improvements to the Drop & Go services from the initial sign up process, to providing better information and support in how to use the service	Dan Zinner/ Richard Taylor
May 21	To consider and confirm how we were remediating complaints in a timely fashion.	• Complaints were expected to rise initially as we encourage Postmasters to voice issues and complaints, and new initiative were introduced to gather additional feedback. • In progress Complaints now steady at around 300 at any given time, but many of the items captured under the complaints process are feedback and observations, particularly from Adopt-an-Area. Team are reviewing whether we can separate to allow more fidelity on tracking and action (this doesn't change importance or commitment to resolve, but does allow items intended as complaints to be highlighted) • Annex C contains some additional detail on complaints	Dan Zinner/ Gareth Clark
May 21	To provide an example of the Branch Trading Statement	• Examples of the trading statement, along with all the surrounding documents are covered in Annex A. Alongside there is a flowchart detailing the Postmaster discrepancy decision tree.	Dan Zinner/ Gareth Clark

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Board Action Tracking

Board Meeting	Action	Update	Owner & RAG
May 21	DZ invited board directors to send any questions they had following further reflection [on the briefing material to support Inquiry] to him, Gareth Clark and Jeff Smyth. The team would come back with some examples of what settling centrally looked like now.	• No further feedback received following the board session • Process for settle centrally has been included in Annex xxx and is part of the explanation for the earlier action around the branch trading statement.	Dan Zinner/ Gareth Clark
May 21	For the IDG Inquiry support material to show the historical position and the current position side-by-side. To have a decision tree approach with examples at each point of the decision tree.	• Format for these slides has been update, with the new and old formats shown together in Annex B. • Decision trees are still being created and the first example is shown for disputes and settle centrally in line with the actions above.	Dan Zinner/ Gareth Clark
May 21	To produce a succinct overview of the issues that had attracted most criticism in the Horizon system and the changes that had been made. The draft would be shared with Ken McCall and Tom Cooper.	• The materials are being prepared and are being used in parallel to support the NRF appraisal of legal conformance. We will provide supporting materials and a further implementation progress update at the July Board.	Jeff Smyth

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Board Action Tracking

Board Meeting	Action	Update	Owner & RAG
May 21	To include the "top of the pyramid" headline issues where we needed to explain how the most egregious failings of the historical prosecutions had been rectified.	• Progress has been made against both of these actions (draft pyramid created and options identified for Board to see systems), but the recent announcement around the Inquiry means we may need to reassess timings. • We want to ensure the Board has the most up-to-date and appropriate preparation for the Inquiry. Given our sustained progress with improvements, our story will change (and improve) over time, so timeliness of activity will ensure we can support the Inquiry in the best way. • The Inquiry team will provide some additional guidance within the next two weeks and have indicated that they hope to set out if/how evidence provision and oral sessions may change. This may therefore change our current preparations.	Dan Zinner/ Gareth Clark
May 21	To arrange for the Board to see some of the systems actually running, for example, what happened at a month end now compared with what used to happen.		Dan Zinner/ Gareth Clark
May 21	To commission external assurance on the key systems and processes in addition to the assurance we had already sought on conformance with the Judgments.	• The timing and nature of the additional assurance activity is closely aligned with the Inquiry timescales. We already use our own Internal Audit team (supported by Deloitte) to review all completed improvements and will set out a plan for any required additional assurance to meet the new Inquiry timescales in the coming month. • Of note, the GLO conformance work is also underpinning the overall assurance of completed actions and is due to complete in June 21.	Dan Zinner/ Gareth Clark

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GLO Conformance Update

UKGI00041682

Reminder of Intent for GLO Conformance work

- Post Office has started a process to formally review the actions and improvements delivered, comparing them to the requirements of the judgements and hence determining whether POL is now, or will be at a defined future point, fully GLO conformant.
- Board will be aware that over the course of the last few years there have been many reviews conducted, each rightly building on the last and drawing on improved Post Office understanding in the intervening time. Whilst each of these has delivered recommendations and reassurance on progress, none have formally compared changes with the original judgement to formally assess conformance.
- Following this short package of work, Post Office will :
  - Be able to make a determination on its current conformance position
  - Understand any remaining legal conformance gaps
  - Have the reassurance that plans are in place to close those gaps.
- For those at the Inquiry, this work will enable confidence in articulating our current position and clarity on the specific areas which are still in-flight to finalise conformance.
- The work focussed on the two judgements (CIJ and HIJ) and there are two parallel but closely couple workstreams delivering an overall view on GLO conformance
- The determination of GLO conformance will be made by POL staff. Whilst three external companies have been asked to support this work, they **will not** make the decision. They will only collate the required evidence and analysis upon which a decision can be taken.

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CIJ Conformance Progress update

- The **draft** CIJ report, which provides a view on legal conformance, is on track to be circulated to SteerCo for review by w/c 7th June 21.
- The report will provide an assessment of legal conformance against each of the CIJ themes and an overall view of conformance. The following ratings have been agreed by Steerco:

(a) Full conformance: It appears that POL has fully remediated the underlying reasons for an adverse CIJ finding such that the criticism no longer applies;

(b) Substantive conformance: It appears that POL has remediated the underlying reasons for the adverse finding subject to relatively minor deficiencies (i.e. which do not go to the root of the relevant criticism) which may be addressed to ensure 'full' conformance;

(c) On the path to substantive conformance: It appears POL is in the process of altering its practices to remediate the underlying reasons for an adverse CIJ finding, where: 1)the pending changes will, once implemented, achieve substantive conformance; and 2)substantive conformance will be achieved in a well-defined period of time;

(d) Need to develop a path to substantive conformance: It appears that POL has not remediated the reasons for the relevant criticism in the CIJ, and there is no evidence which suggests substantive conformance is likely to be achieved in a well-defined period of time, based on the information provided.

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Expected outcome from NRF CIJ report

REDACTION

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HIJ Conformance Progress update

[redacted]

REDACTION

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POST OFFICE

Annex A

Detriment flowcharts, branch trading statement examples and settle centrally flow charts.

11.2

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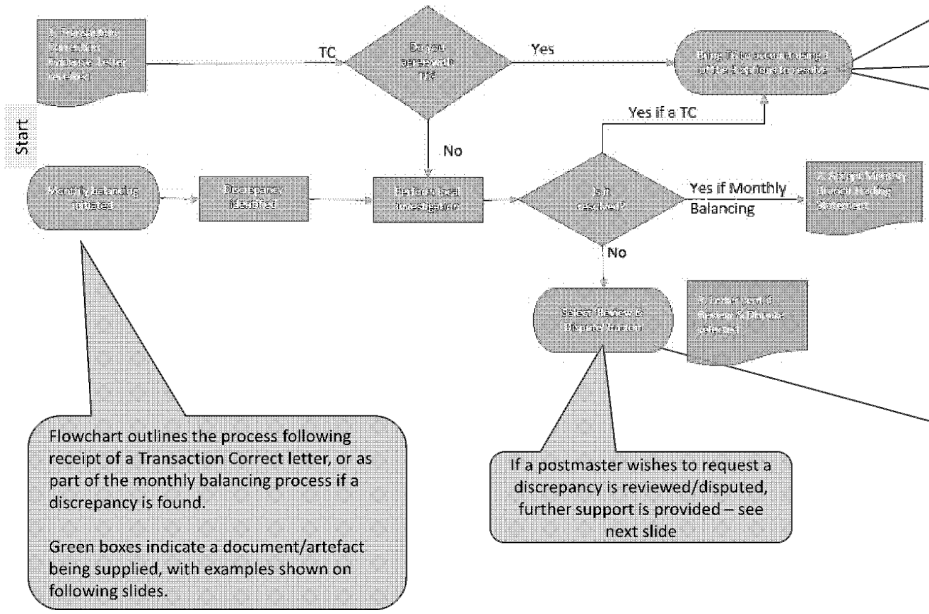
Introduction

- The material on the following slides has been provided by Post Office internal teams, and contains details around the full process that we follow.
- Given that the teams use this to guide their activities day to day, it is necessarily detailed and in places complex, using specific language and terms.
- The material has therefore been provided to Board to give an insight and the appropriate internal teams would welcome an opportunity to spend some time with Board to walk through any or all of these items to provide clarity and answer any questions.

UKGI00041682

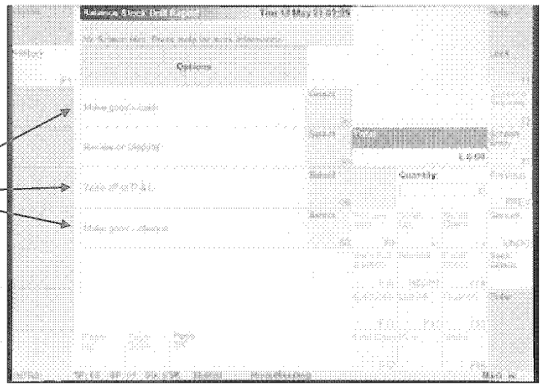
Postmaster Discrepancy Decision Tree

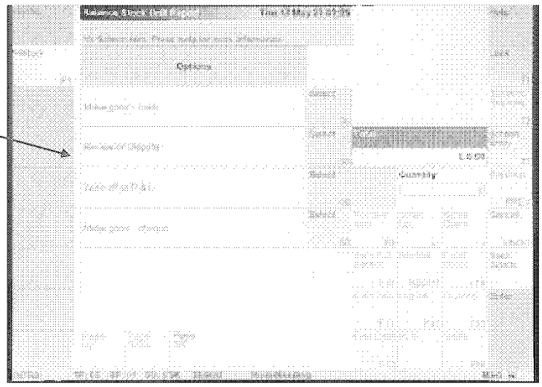


Flowchart outlines the process following receipt of a Transaction Correct letter, or as part of the monthly balancing process if a discrepancy is found.

Green boxes indicate a document/artefact being supplied, with examples shown on following slides.

If a postmaster wishes to request a discrepancy is reviewed/disputed, further support is provided – see next slide





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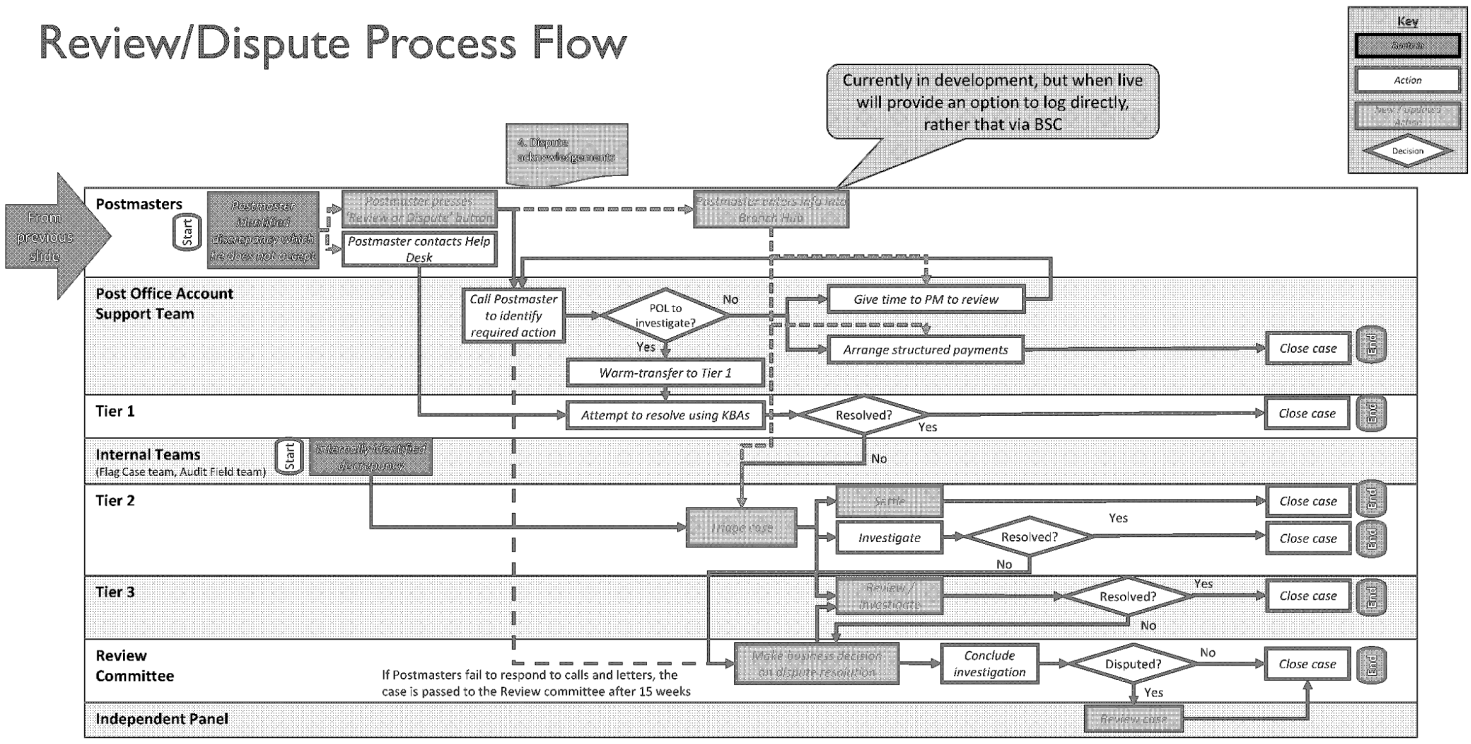
Review/Dispute Process Flow



UKGI00041682

1. Transaction Correction Evidence Letter - ATM

1. Transaction Correction Evidence Letter received

EVIDENCE TO SUPPORT BANK OF IRELAND ATM TRANSACTION CORRECTION

Linda Wright
Bank of Ireland ATM Team
2nd Floor West
No1 Future Walk
West Bars
Chesterfield
S49 1PF

Postmistress/Postmaster

Dear Sir/Madam

26 April 2021

Please see the attached evidence to support the credit gain Transaction Correction for £8,560 that was issued to your office on 26.04.2021 relating to (ATM).

The attached list only shows days that do not match your horizon figures to Bank of Irelands figures. All other days match and so are not shown

DISCREPANCY BETWEEN BOI DISPENSED FIGURE AND HORIZON ENTRIES

Reference Key 1	Doc. Date	*	Amount in local currency	Text
[redacted]	26.03.2021		13,310.00-	BOI FILE 26/03/2021
	26.03.2021	*	**13,310.00-**	
	28.03.2021		11,060.00-	BOI FILE 28/03/2021
	28.03.2021	*	**11,060.00-**	
	29.03.2021		32,700.00	HORIZON ENTRY
	29.03.2021	*	**32,700.00**	
	01.04.2021		16,800.00-	BOI FILE 01/04/2021
	01.04.2021	*	**16,800.00-**	
	12.04.2021		2,440.00-	BOI FILE 12/04/2021
	12.04.2021	*	**2,440.00-**	
	13.04.2021		5,430.00-	BOI FILE 13/04/2021
	13.04.2021	*	**5,430.00-**	
	14.04.2021		8,720.00-	BOI FILE 14/04/2021
	14.04.2021	*	**8,720.00-**	
	15.04.2021		16,500.00	HORIZON ENTRY
	15.04.2021	*	**16,500.00**	
			8,560.00	

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BREAKDOWN OF YOUR HORIZON ENTRIES

Transaction Date	Location PAD Code	Transaction Start Time (hh:mm:ss)	Amount	Quantity	Reversal Indicator	Item Long Name	Stock Unit ID	Employee ID	Session
26.03.2021	[redacted]	08:39:48	-2,880.00	-1.0		PO Self Fill ATAT1	[redacted]		578212
28.03.2021		08:39:30	-7,680.00	-1.0		PO Self Fill ATAT1			578212
29.03.2021		08:39:53	-5,530.00	-1.0		PO Self Fill ATAT1			578212
29.03.2021		08:39:57	-8,330.00	-1.0		PO Self Fill ATAT1			578212
29.03.2021		11:37:56	-8,330.00	-1.0		PO Self Fill ATAT1			576546
29.03.2021		11:38:01	-10,310.00	-1.0		PO Self Fill ATAT1			576546
29.03.2021		11:38:06	-11,060.00	-1.0		PO Self Fill ATAT1			576546
15.04.2021		14:28:44	-2,440.00	-1.0		PO Self Fill ATAT1			583183
15.04.2021		14:28:53	-5,430.00	-1.0		PO Self Fill ATAT1			583183
15.04.2021		14:28:57	-8,720.00	-1.0		PO Self Fill ATAT1			583183

£8,330 entered twice, on 26.03.21 and 29.03.21
£16,800 not entered for 01.04.21
£90 understated on 15.04.21

TOTAL DISCREPANCY OF £8,560 UNDERSTATED ON HORIZON

Please check your figures from your daily slip (this is your 16:30 to 16:30 figure) against the entry you have made on Horizon, to verify this difference.

If you do not agree you have a misbalance to cover this TC, please contact the Post Office helpline on 0333 345 5567 and ask to speak to someone to help with your ATM balance.

Thank you
Linda Wright
GRO

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11.2

UKGI00041682

1. Transaction Correction Evidence Letter -Bill Payment

1. Transaction Correction Evidence Letter received

Post Office Limited
Service & Support
1 Future Walk, Chesterfield
S49 1PF
Reference: CAS- 1825277

FAO: The Postmaster

18.03.21

Dear Postmaster,

Please see the attached evidence which supports the transaction correction for £202.28 in connection with a Thames water bill done on the 06.03.2020 as requested.

Thank you very much for your support.

Yours faithfully

Wendy Smith

Enquiries Support Advisor
Service & Support
GRO

Post Office Ltd.
www.postoffice.co.uk

[redacted]

Session Id: 3-445553
Txn Id: 1
Client: Thames Water
Scheme: Fee Paid at the Counter Svc: 02
Token Type: BC Entry: 0
Ref: 9826927402900025068080
Amount: 202.28 Cash
Product No: 44116

Fee: 2.60

Withdraw cash over the counter
from your bank account
at any of our branches(selected banks)
It's free and easy

www.postoffice.co.uk/banking

We'd love your feedback
Share your opinion and you could win
a One4all Gift Card worth £100. Visit
postoffice.co.uk/feedback or call
us free on 0800 047 2322.

This is not a VAT receipt

11.2

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2. Branch Trading Statement

2. Accept Monthly Branch Trading Statement

[redacted]

Page 1

19:28 17/03/2021 TP 12

Final Branch Trading Statement - Office Copy From 22/02/21 To 17/03/21

	Branch Total	Suspense	SU 21	SU 00	SU 22
Cash On Hand B Fwd	55558.20		45206.04	7199.16	240.00
All Currencies Awaiting Collection B Fwd	0.00	0.00			
Suspense B Fwd	0.00	0.00			
Other MCP B Fwd	0.00		0.00	0.00	0.00
Forex B Fwd	7581.26		7559.26	0.00	0.00
Other Postage B Fwd	6901.00		6108.51	821.49	0.00
Remittances In Total	1371.00		1370.00	0.00	0.00
All Currency Rems from SUs	46110.00	46110.00			
Gains to/from Suspense	0.00	0.00	0.00	0.00	0.00
All Currency Pouches Despatched	46110.00		46110.00	0.00	0.00
Transfers In from other SUs	19169.60		12359.00	7361.60	0.00
Other Receipts	233402.04		175285.90	58116.14	0.00
Remittances Out Total	152482.76		151832.29	650.47	0.00
All Currency Pouches Despatched via Sus	46110.00	46110.00			
Losses to/from Suspense	0.00	0.00	0.00	0.00	0.00
All Currency Rems to Suspense	46110.00		46110.00	0.00	0.00
Transfers Out to other SUs	19169.60		7360.60	11809.00	0.00
Other Payments	124803.52		75367.52	49195.60	0.00
Cash On Hand C Fwd	55967.61		21409.37	5697.74	240.00
All Currencies Awaiting Collection C Fwd	0.00	0.00			
Suspense C Fwd	0.00	0.00			
Other MCP C Fwd	486.88		486.88	0.00	0.00
Forex C Fwd	6901.20		6901.20	0.00	0.00
Other Postage C Fwd	5954.82		5208.04	899.42	0.00
Total C Fwd	68310.22	0.00	34276.59	6597.26	240.00
Trading position (+/-)	0.00				
Discrepancy OVER Transferred	0.00				
Discrepancy SHORT Transferred	486.88				
Discrepancy OVER Resolved	0.00				
Discrepancy SHORT Resolved	486.88				
Total Branch Adjustments	486.88-				

[redacted]

19:28 17/03/2021 Reprint for 19:28 17/03/2021

Final Branch Trading Statement - Office Copy From 22/02/21 To 17/03/21

Stock Holdings at End of Period

DESCRIPTION	VOLUME	DESCRIPTION	VOLUME
First Day Env	130	2nd Class Lg w50	192
Stamp Card	20	1st Class s100	188
Pal Westminster£3k	1	1st Class Lg w50	79
Star Trek M5h	1	1st Class Sp Reg	202
Ebenezer M5h	1	Special £1.70	61
Apollo 18 M5h	1	Special £1.60	8
Sherlock M5h	1	2nd Class Sp Reg	84
End of WW1 M5h	1	Special £1.40	11
Coronation Sm£5k	1	Special £1.55	9
Pal Westminster PP	2	1st Class Lge w4	899
Star Trek PP	1	2nd Class Lge w4	192
Romantic Poets PP	1	1st Class £4 s12	404
Only Fools 4K PP	6	2nd Class £4 s12	147
Roman Britain PP	1	1st Class £4 s6	167
Super Star PP	1	New POTeleCard £8	2
Apollo 18 PP	2	NewPOTeleCard £10	12
King Arthur PP	2	NewPOTeleCard £20	12
UK Celebrate PP	2	£02s Cards	4
Brilliant Buys PP	1	New Camelot Chq	7
Only Fools 4K£5	5	New Postal Order	297
Queen £20k	8	Instants £8	63
RMSF 1st Class	251	Instants £1	432
1st Class Stmp	7040	Instants £5	87
RMSF 1st Large	210	Instants £2	188
1st Class Lge	5282		

Please press Help, then choose F7 Horizon Help and F1 for support with Branch Balancing & Discrepancies.

If you have followed the advice on Horizon Online Help and still need support please call BSC on 0333 345 5567.

I certify that the content of this balancing and trading statement is an accurate reflection of the cash and stock on hand at this branch.

Signature:

*** END OF REPORT ***

11.2

UKGI00041682

3. Letter sent if 'Review & Dispute' Button is selected

3. Letter sent if Review & Dispute selected

19 April 2021

Private and Confidential

BRANCH CODE: 297205
CUSTOMER ACCOUNT: 1037563

Dear

Discrepancy identified for

I'm writing to see if we can help you resolve a discrepancy of £33.05 which has been registered on your latest trading statement. Please find enclosed a statement showing the total amount of the discrepancy and a breakdown of how we believe the total has been reached.

Please get in touch with us by calling my team on GRO We'll start by giving you more information about the entries on your statement and should you require further help and support we'll make sure that this is made available to you.

Investigating the discrepancy

If you don't understand the reason for this discrepancy, we can help you to establish the likely cause of it.

Please follow either of the options below, depending on whether we believe it is a Branch Discrepancy or a Transaction Correction.

a) Investigating or disputing a branch discrepancy

Your Branch Support Centre, on GRO is best placed to help you to investigate further to identify how the discrepancy happened.

If, between us, we can't agree on the reason why this discrepancy happened, your Branch Support Centre will be able to raise a dispute for you.

b) Investigating or disputing a transaction correction

When you received your transaction correction, the team that sent it will have provided you with their telephone number. If you have a query about the transaction correction, please contact that number.

Page 1

If you have already done this, and wish to dispute the transaction correction, the Transaction Corrections Disputes Team will be able to help. Please contact them at disputesteam@ or call them on GRO

Accepting the discrepancy

If, however, you understand and accept the discrepancy, please contact my team on GRO or at postmasteraccount@ GRO to discuss the best course of action for you:

- arranging payment, or a refund, of the amount;
- arranging a deduction from your remuneration/fees to cover the amount;
- arranging an instalment plan.

Remember, we're here to help. Contacting us as soon as possible makes it much easier for us to support you with your discrepancy, so please get in touch as soon as you can, and ideally within the next seven days.

Yours sincerely,

GRO

Michelle Stevens

Postmaster Account Support Manager

Enclosures:

Statement

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UKGI00041682

4. Dispute Acknowledgments Letter Templates (1)

4. Dispute acknowledgements

1 Future Walk
Chesterfield
S49 1PF
0333 665 1019

Your reference: FAD
Our reference: CAS REF

Name and address

Date

Dear Name

Product - £Amount

Thank you for contacting us regarding the Branch Discrepancy, which was caused by the acceptance of the debit loss Transaction Correction listed above.

Whilst your dispute is being investigated, we will not contact you regarding the amount on your account.

We'll aim respond to you within 14 days, but if it looks as if we may need more time, we'll let you know.

Yours sincerely

Signature

Name
Transaction Correction Disputes Team
disputesteam@postoffice.co.uk
@postofficenews

Dispute acknowledgement a result of Accepting a TC

1 Future Walk
Chesterfield
S49 1PF
0333 665 1019

Your reference: FAD
Our reference: CAS REF

Recipient name
Address line 1
Address line 2
Town/City
Postcode

Date

Dear xxx

Product - £Amount

Thank you for contacting us regarding the Transaction Correction above

We'll aim respond to you within 14 days, but if it looks as if we may need more time, we'll let you know.

Yours sincerely

Name
Transaction Correction Disputes Team
disputesteam@postoffice.co.uk
@postofficenews

Dispute acknowledgement due to a Transaction correction

UKGI00041682

4. Dispute Acknowledgments Letter Templates (2)

4. Dispute acknowledgements

1 Future Walk
Chesterfield
S49 1PF
0333 665 1019

Your reference : fad code
Our reference : case ref

Recipient name
Address line 1
Address line 2
Town/City
Postcode

Date

Dear xxx

Product - £Amount

Thank you for contacting us for help regarding the Transaction Correction above.

Whilst we investigate, I have arranged for a credit gain transaction correction to be issued to your branch to compensate the debit loss transaction correction that is in dispute.

We'll aim respond to you within 14 days, but if it looks as if we may need more time, we'll let you know.

Yours sincerely

Name
Transaction Correction Disputes Team
disputesteam@postoffice.co.uk
@postofficenews

Dispute acknowledgement while under investigation and a credit gain is issued

1 Future Walk
Chesterfield
S49 1PF
0333 665 1019

Your reference : fad code
Our reference : case ref

Recipient name
Address line 1
Address line 2
Town/City
Postcode

Date

Dear xxx

Product - £Amount

Thank you for contacting us regarding the Transaction Correction above.

Whilst your dispute is being investigated, we will not contact you regarding the amount on your account.

We'll aim respond to you within 14 days, but if it looks as if we may need more time, we'll let you know.

Yours sincerely

Name
Transaction Correction Disputes Team
disputesteam@postoffice.co.uk
@postofficenews

Dispute acknowledgement while under investigation

UKGI00041682

POST OFFICE

Annex B

Side-by-side versions of Inquiry supporting narratives

11.2

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Introduction

- At the last Board session, we agreed to reformat the narrative slides to consider a side-by-side layout. Accordingly, we've amended the slides and an example for the Area Managers is provided on the next slides

11.2

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New Format

Area Managers

Relevant Judgement Narrative

The CIJ implied a term obliging POL to provide adequate training and support to Operators.

The Judge also highlighted the need for POL support for Operators throughout the life of the contract, with reference in particular to when new working practices are implemented, and new systems adopted.

What was it like before

Previously, we only supported the top c3500 branches, typically Mains branches via support from an Area Sales Manager or Mains Sales Manager. This was further supported by a team of Telephone Support Advisors who made outbound calls to branches in-between visits. Most of the network received no face-to-face support from Post Office and had no dedicated contact when they needed help or support; other than the Network Business Support Centre (now BSC).

This led to a poor relationship/experience between Postmaster and Post Office, and often Postmasters would feel isolated and unsupported. There was no POL support around business development, growing the Postmasters business, retail support, advice on branch standards and customer experience; or support when things go wrong. Postmasters didn't like the fact that some branches had a dedicated support from Post Office and others didn't, it almost felt elitist based on the type of branch they operated (i.e., Mains).

In contrast, the larger branches that did get face to face support (typically Mains) would get a monthly visit from an Area Manager, and the smaller branches a quarterly visit from a Mains Sales Manger. The roles would very much focus on supporting their business in relation to Mails, Travel, Banking, Financial Services and Telecoms. In addition to in branch support, these branches would also be invited to regional and area training events to further support capability development of Postmasters and their teams.

So as far as a postmaster was concerned the support, they received was a bit of a lottery depending on the size of the branch and their appetite to promote mainly telephony and financial services (this was the emphasis at the time).

How has it changed?

Area Manager team increased 94 in April 2019. Every Postmaster now has an Area Manager dedicated to their branch. In addition, a Business Support Manager role has been created to provide early days support for the first 6 months after they are on-boarded.

A partnership approach in ways of working has been adopted between Area Managers and Postmaster with Postmasters driving a large part of the agenda, and activities they wish to cover in session. 'We're Listening' events have been introduced with area networking evenings, where Postmasters are invited for dinner alongside other Postmasters, Area managers, Regional Manager and senior POL leaders to proactively discuss and listen to challenge face, which also enables peer-to-peer networking.

Different methods of communication has been actively encouraged between AMs and postmasters including the use of WhatsApp, Facebook etc.

For any new ways of working or changes to products, transaction and remuneration the field teams now work together to communicate to all postmaster in the way and time that best suits them either face-to-face or using Microsoft Teams.

All field teams are now informed of all operational changes in advance and are routinely included and asked to provide feedback on the nature of the change and what support will be required to fully embed.

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New format

Area Managers

Further changes planned " to put postmasters at the heart of everything we do"

- Develop AM/BSMs retail development skills further in order to ensure that we continue to provide best in class support to the whole of the Postmasters business, not just Post Office.
- An improved CRM system detailing all Postmaster touch points, allowing for an even greater Postmaster experience.
- Being more data driven to target the right level of support at the right time, to ensure that we pre-empt any potential issues.
- Further evolve the 'Playbook', to ensure that all field teams have the right tools needed to support all Postmasters to thrive.
- Horizon training and annual refresher training for all Area Managers, ensuring that we are always able to offer technical support in person where needed.
- Postmaster Support Guide under refresh to ensure its relevant and up to date.
- Going forward, we will continue to evolve ways of working by learning from other franchise businesses to understand best practice in terms of how other franchisees are supported to succeed.
- We will continue to understand the needs and demands of Postmasters to endure that we are adapting to meet this in terms of our team structures and deployment.

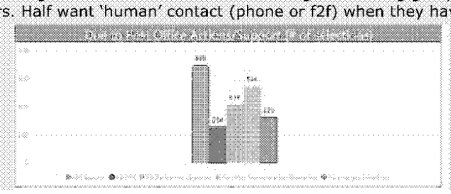
The Postmaster Experience – Now (and to be)

- Overwhelmingly, Postmasters value the support provided by their Area Manager. They have someone to support them to grow and drive their business forward. Provide support with their retail proposition and overall customer experience, as well as someone to turn to when they need help or support working in the true spirit or partnership.
- Area Managers also support Postmasters to get things right first time when it comes to conformance, ensuring that we always trade in a compliant and customer centric way.
- Area Managers are data driven to ensure that Postmasters have the right support at the right time, e.g. if indicators show that a Postmaster needs additional support when it comes to cash management, the Area Manager can target support quickly and in a proactive fashion.
- Within the regional structures, we now have the ability to deploy additional resource based on Postmaster need, e.g. BSM/Onsite Trainer

Postmaster Consultation 2021

One of the most positive feedback in the survey was the strong support provided by Area Managers Over half have expressed an interest in being more involved in decision making via working groups or local engagement with Area Managers. Half want 'human' contact (phone or f2f) when they have an urgent issue

The graph below shows the important Part that Area Managers played in supporting Postmasters to keep their branches open during the CV-19 Pandemic.



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Previous Format

Area Managers - *Before*

Relevant Judgement Narrative	What was it like before
The CIJ implied a term obliging POL to provide adequate training and support to Operators. The Judge also highlighted the need for POL support for Operators throughout the life of the contract, with reference in particular to when new working practices are implemented and new systems adopted.	Previously, we only supported the top c3500 branches, typically Mains branches via support from an Area Sales Manager or Mains Sales Manager. This was further supported by a team of Telephone Support Advisors who made outbound calls to branches in-between visits. The vast majority of the network received no face to face support from Post Office and had no dedicated contact when they needed help or support; other than the Network Business Support Centre (now BSC). This led to a poor relationship/experience between Postmaster and Post Office, and often Postmasters would feel isolated and unsupported. There was no POL support around business development, growing the Postmasters business, retail support, advice on branch standards and customer experience; or support when things go wrong. Postmasters didn't like the fact that some branches had a dedicated support from Post Office and others didn't, it almost felt elitist based on the type of branch they operated (i.e. Mains). In contrast, the larger branches that did get face to face support (typically Mains) would get a monthly visit from an Area Manager, and the smaller branches a quarterly visit from a Mains Sales Manger. The roles would very much focus on supporting their business in relation to Mails, Travel, Banking, Financial Services and Telecoms. In addition to in branch support, these branches would also be invited to regional and area training events to further support capability development of Postmasters and their teams. So as far as a postmaster was concerned the support they received was a bit of a lottery depending on the size of the branch and their appetite to promote mainly telephony and financial services (this was the emphasis at the time).

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Previous format

Area Managers - *After*

Changes

- Area Manager team increased to 94 Area Managers in April 2019. Every Postmaster now has an Area Manager dedicated to their branch.
- BSM role created to provide early days support (6 months post go live)
- Partnership approach adopted in terms of ways of working with Postmasters driving a large part of the agenda
- Adopted an approach of 'We're Listening' via area networking evenings, where Postmasters would be invited for dinner alongside other PMs, AM, RM and senior POL leaders to listen to challenge, but also allowing for peer to peer networking.
- New ways of encouraging multi level communication between AMs and postmasters have been actively implemented, these include tools like WhatsApp, Facebook etc.
- When we have new ways of working or changes to products, transaction and remuneration the field teams now work together to communicate to all postmaster in the way and time that best suits them (i.e. f2f, teams etc)
- Field teams are now informed of all operational changes in advance

Future Vision " to put postmasters at the heart of everything we do"

- Develop AM/BSMs retail development skills further in order to ensure that we continue to provide best in class support to the whole of the Postmasters business, not just Post Office.
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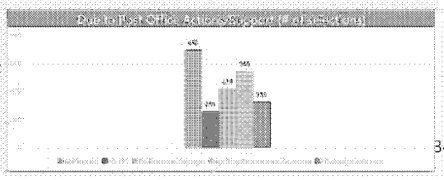
- Within the regional structures, we now have the ability to deploy additional resource based on Postmaster need, e.g. BSM/Onsite Trainer

Metric/Data/Surveys

Postmaster Consultation 2021
One of the most positive feedback in the survey was the strong support provided by Area Managers
Over half have expressed an interest in being more involved in decision making via working groups or local engagement with Area Managers. Half want 'human' contact (phone or f2f) when they have an urgent issue

The graph below shows the important Part that Area Managers played in supporting Postmasters to keep their branches open during the CV-19 Pandemic.



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Annex C

Complaints Update

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More detail around postmaster complaint handling

We are taking a number of actions to support our postmasters with their complaints:

- A new postmaster compliant handling policy has been created. A copy is available to all Post Office employees and training has been provided to all teams who handle complaints
- We are encouraging postmasters to raise their complaints with us through regular comms therefore we have ensured we have the right resource in place to handle any volume increases

What happens with the feedback?

- Data from the case management tool is extracted to produce a live Postmaster Issues and Complaints dashboard
- Each business area has access to the dashboard and can drill into their area of accountability
- Service levels are closely monitored along with complaint volumes
- Each area of the business is being held to account to ensure they are giving best possible service to postmasters
- Trends are discussed at the monthly Voice of the Postmaster meeting and opportunities identified to fix root causes of issues

Key metrics:

- In P1, 85% of complaints resolved were resolved within the 10-business day SLA (vs. target 80%)
- There are 209 complaints currently open which are over SLA[1.]
  - The majority over SLA are due to the nature of the enquiries coming through the Adopt an Area (AaA) channel – some of these are not complaints but requests or suggestions, e.g., asking to be able to track letters and parcels on Horizon for customers, asking to be able to sell special stamps (in an outreach branch)
  - We are considering how we can separate complaints from AaA vs suggestions to ensure feedback is handled through the most effective channel and to avoid distorting complaints reporting

1. As of date of analysis: 17/05/21

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Postmaster Issues and Complaints

Data source: Dynamics SNOW
Data refreshed: 26/05/2021
Produced by: Service and Support Insights Team

% complaints resolved within SLA*
75%
Goal: 80%

Open
309
Same day last week: 301 (+8 , +3%)

Open over SLA - 10 working days
205

Whistleblowing - Current period total
0
Last period: 3

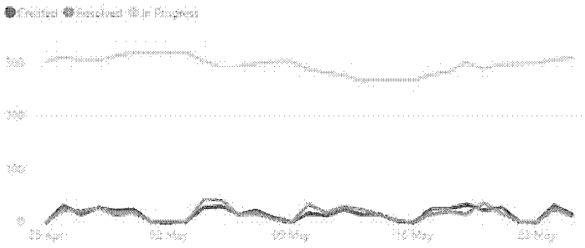
Created in last 7 days
135
(+24 , +22%)

Resolved in last 7 days
109
(+0 , +0%)

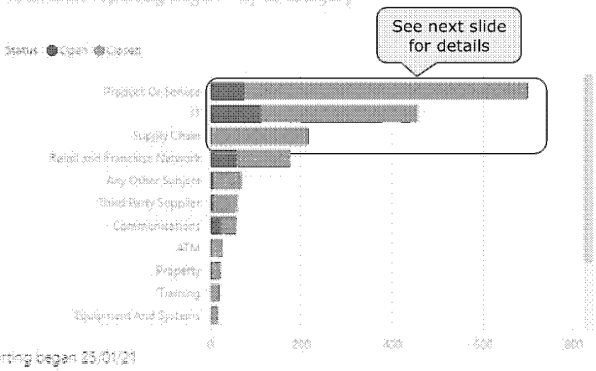
Avg days to resolve*
10.4
Prev. 7 days: 5.65

% resolved same day*
41%
Prev. 7 days: 44%

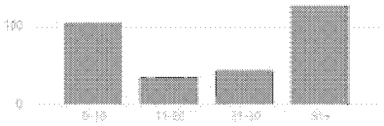
Complaints over time



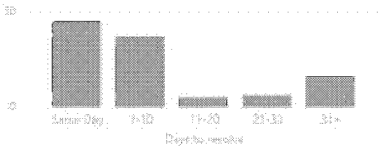
Total since reporting began** by L2 category



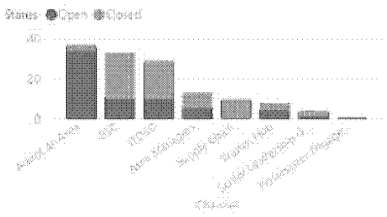
Age of open complaints



Complaints resolved in the last 7 days by no. of days to resolve



Complaints created in the last 7 days by channel



*For complaints resolved in the last 7 days. ** Since reporting began 25/01/21

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Actions from Insight Review at Voice of the Postmaster Session

Area	Key insights	Actions assigned
Product	>50% are Royal Mail or Parcelforce failed or missed collections	• RMG/PF SLAs and contractual obligations to be reviewed if meeting obligations • Weekly communication with RM Complaints link now issued • Reinstate Power BI missed collections log to validate against RM/PF view • Service Management meeting with RMG to be held (including complaint review).
IT	>40% Printer issues of which 66% caused by dust & debris. Historical data indicates these will continue to rise.	• RMG have agreed to make changes to reduce dust and debris when manufacturing and packaging the Queens Head Label • New counter printer QR code deployed which takes postmaster straight to the printer cleaning video. Data to be analysed to see if this reduces incident volumes. • Additional counter printers to be supplied to Remote, Rural and Outreach branches as part of our remote spares plan • Engineering supplier to carry out proactive maintenance • Specialist cleaning swabs are being piloted. • To explore whether SPM device strategy can be accelerated • Confirm likely requirements of new printing devices and assess impact of integrating with Horizon with FJ to bring implementation forward • Explore options to design out printing with Product owners e.g., email receipts (in Horizon Improvements phase 2).
Supply chain	20% YTD relate to Stock ordering of which 35% emergency orders	• Work is underway to reduce lead-times between branch ordering and receiving stock, target to reduce by 1 day for all branch types. • Bank holiday ordering trial underway, previously branches that routine order day fell on a bank holiday, orders were rolled over to the next scheduled day, therefore missing an ordering period. • Additional comms to be provided to PMs when stock delivery dates change. • Better forecasting of spikes in emergency orders e.g Stamp price increase. • Christmas Planning underway.

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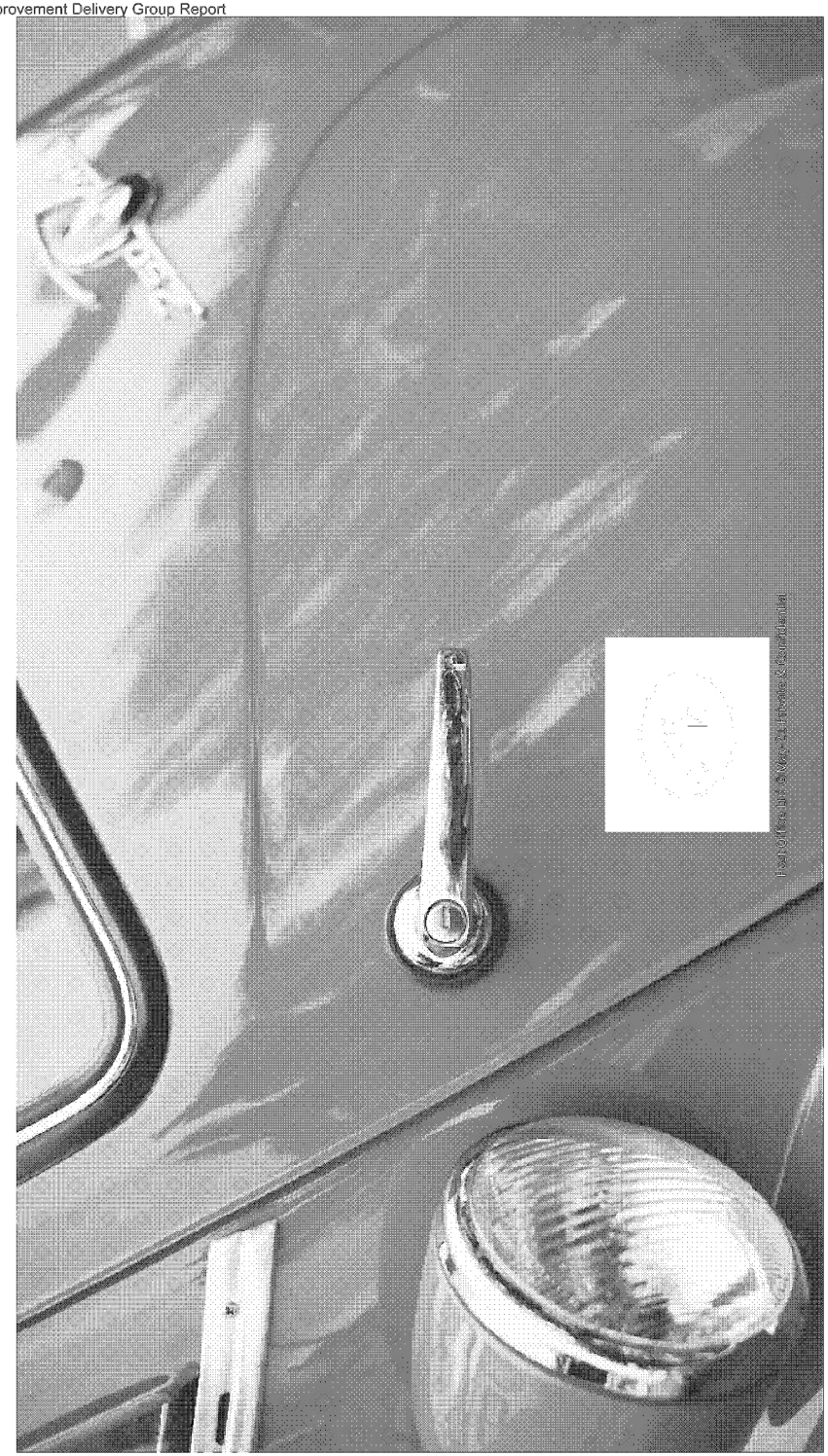

UKGI00041682

POST OFFICE LIMITED
BOARD REPORT

Title:	Sealings Report	Meeting Date:	03rd June 2021
Author:	Rubia Khanom, Company Secretariat Apprentice	Sponsor:	Veronica Branton, Company Secretary

Input Sought: Approval

The Directors are invited to consider the Register of Sealings and to approve the affixing of the Common Seal of the Company to the documents set out against items number 2057 to 2070 inclusive in the Register of Sealings.

Executive Summary

For the Directors to resolve that the affixing of the Common Seal of the Company to the documents set out against items numbered 2057 to 2070 inclusive in the Sealings Register is hereby confirmed.

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POST OFFICE

Date Created
26/05/2021

Post Office Limited
Register of Sealings

Company Number
2154540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
2057 / Power of Attorney	12/03/2021	12/03/2021	Power of Attorney granted by Post Office Limited under UK law as a deed, entrusting Beijing Sunhope Intellectual Property Limited to act as its agent in relation to trademark number 7207238 for renewal of registration and recordal of modification of licensor/licensee. This Power of Attorney allows an Agent to act on our behalf in renewing a registered trademark in China – this is not a licence to use our brand. Authorised in eCAF1276. Web3 reference: C100960. Executed as a deed under the common seal of Post Office Limited - this is a Power of Attorney so no counter-signature required.	Sarah Koniarski, Senior Assistant Company Secretary	Web3 C100960
2058 / Transfer of title	23/03/2021	12/03/2021	Transfer in respect of Sale of Freehold - Ammanford Post Office, 4A Queen Street SA18 3DE between Post Office Limited (Transferor) and Sumankaran Suntharamoorthy (Transferee). Executed under electronic signature coordinated by Womble Bond Dickinson due to Covid-19 pandemic.	Veronica Branton (Company Secretary) and Alisdair Cameron (Director)	Womble Bond Dickinson
2059 / Leasehold Surrender	23/03/2021	17/03/2021	Leasehold Surrender relating to 67-70 North Hill, Colchester, Essex CO1 1PX between Post Office Limited (Tenant title number EX838549) and Firouzi Investments Limited (Landlord TITLE NUMBER EX587025). Executed under electronic signature coordinated by Womble Bond Dickinson due to Covid-19 pandemic.	Veronica Branton, Company Secretary and Alisdair Cameron, Company Director	Womble Bond Dickinson
2060 / Deed	24/03/2021	24/03/2021	Agreement to surrender a lease of premises at Post Office premises at Crown Street, Darlington, DL1 1AB between Newriver Retail (Darlington) Limited (Landlord) and Post Office Limited (Tenant). Executed via e-signature during Covid-19 pandemic and returned direct to WBD. Note letter of non-crystallisation relating to the same.	Sarah Koniarski, Senior Assistant Company Secretary	WBD – Returned Direct
2061 / Transfer	24/03/2021	24/03/2021	Transfer of title relating to Head Post Office, Crown Street, Darlington, DL1 1AB. Executed via e-signature during Covid-19 pandemic and returned direct to WBD.	Sarah Koniarski, Senior Assistant Company Secretary	WBD – Returned Direct
2062 / Licence to occupy	31/03/2021	02/03/2021	Licence to occupy on short term basis - relating To The Area Known As 38-40 West Street Rochford Essex SS4 1AJ between ROCHFORD FINANCIAL HUB COMMUNITY INTEREST COMPANY (licensor) and POST OFFICE LIMITED (licensee). Executed using DocuSign coordinated by WBD during the pandemic.	Rebecca Whibley, Senior Assistant Company Secretary	WBD
2063 / Transfer of title	23/04/2021	22/04/2021	Transfer of title - TR1: Surrender of Leasehold Property - Units 9 and 10 (Postal Nos 45-46) Queens Arcade, Queen Street, Cardiff CF10 2BY - between POL (Transferor) and Sapphire QAC Holding S.E.N.C. a society en nom collectif constituted under the laws of the Grand Duchy of Luxembourg with number B159592 whose registered address is 1 Alleé Sheffer, L-2520, Luxembourg . Executed under e-signature during Covid 19 pandemic.	Veronica Branton, Company Secretary and Alisdair Cameron, Director	Karima Karger, Legal
2069 / Disposition (Sale)	25/04/2021	22/04/2021	DISPOSITION by POST OFFICE LIMITED in favour of 83 S LTD incorporated in Scotland (Registered Number SC105694) and having their Registered Office at 28 Melville Street, Edinburgh, EH3 7HA (Purchaser) in respect of 265 Morningside Road, Edinburgh, in the County of Midlothian. (Recorded under seal entry 2069.) Executed under signature of an authorised signatory and witnessed. Note: Letter of non-	Sarah Koniarski, Senior Assistant Company Secretary	Karima Karger, Legal

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Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
			crystallisation regarding POL debentures in favour of BEIS and Santander accompanying disposition.		
2064 / Agreement for Sale	29/04/2021	20/04/2021	Agreement for the Sale of Leasehold Land with vacant possession Relating to Post Office Premises at 1 Church Street, Exmouth EX8 1AA between Post Office Limited (Seller) and Wolfhead Limited (Buyer). Executed under e-signature during the Covid-19 Pandemic.	Veronica Branton (Company Secretary) and Alisdair Cameron (Director)	Karima Karger, Legal
2065 / Transfer of title	29/04/2021	20/04/2021	Transfer of Title for Post Office Premises at 1 Church Street, Exmouth EX8 1AA between POL (Transferor) and Wolfhead Limited (Transferee) Seal 2065 (Note: Capital Allowances Election also provided.) Executed under e-signature during the Covid-19 Pandemic.	Veronica Branton (Company Secretary) and Alisdair Cameron (Director)	Karima Karger, Legal
2066 / Underlease	29/04/2021	27/04/2021	Underlease relating to part of the land known as Unit 20 Nursling Industrial Estate, Majestic Road, Nursling, Southampton SO16 0YT between Loomis UK Limited (Landlord) and Post Office Limited (Tenant) Seal 2066. Executed under e-signature during the Covid-19 Pandemic.	Veronica Branton (Company Secretary) and Alisdair Cameron (Director)	Karima Karger, Legal
2067 / Licence to underlet	29/04/2021	27/04/2021	Licence to underlet relating to Part of Unit 20 Nursling Industrial Estate Southampton SO16 0YT between AVIVA LIFE & PENSIONS UK LIMITED (Landlord) LOOMIS UK LIMITED (Tenant) and POST OFFICE LIMITED (Undertenant) Seal 2067 Executed under e-signature during the Covid-19 Pandemic.	Veronica Branton (Company Secretary) and Alisdair Cameron (Director)	Karima Karger, Legal
2068 / Transfer of Titke	29/04/2021	27/04/2021	Transfer of whole registered title with limited title guarantee relating to Post Office Premises at 117 West Street, Fareham, PO16 0AA between Post Office Limited (Transferor) and City Centric Limited (Transferee) Seal 2068. Executed under e-signature during the Covid-19 Pandemic.	Veronica Branton (Company Secretary) and Alisdair Cameron (Director)	Karima Karger, Legal
2070 / Lease	29/04/2021	29/04/2021	Underlease of whole until 2026 in respect of 117 Stockport Road, Manchester M12 6AB between Post Office Limited (Landlord) and Arif Matadar (Tenant) Executed under e-signature during the Covid-19 Pandemic.	Veronica Branton (Company Secretary) and Alisdair Cameron (Director)	Karima Karger, Legal

UKGI00041682

POST OFFICE LIMITED
BOARD REPORT

Title:	Future Meeting Dates	Meeting Date:	03rd June 2021
Author:	Rubia Khanom, Company Secretariat Apprentice	Sponsor:	Veronica Branton, Company Secretary

Input Sought: Noting

The Directors are requested to note the future meetings dates scheduled in respect of Post Office Limited Board and Committee meetings.

2021

Date			Time	Meeting
Thursday	03 June	2021	10.05 – 11.50	Board (Part 1)
Thursday	03 June	2021	14.15 – 17.15	Board (Part 2)
Thursday	10 June	2021	15.00 – 16.30	Weekly CCRC Board Call*
Tuesday	29 June	2021	10.00 – 12.00	Additional ARC (for ARA)
Thursday	01 July	2021	15:00 -18:00	Remuneration Committee
Monday	26 July	2021	09.00 – 11.30	ARC
Tuesday	27 July	2021	09.30 – 13.00	Board
Tuesday	27 July	2021	13.30 – 18.00	Board Strategy Away Day – 1
Wednesday	28 July	2021	08.30 – 16.30	Board Strategy Away Day – 2
Tuesday	28 September	2021	09.00 – 11.30	ARC
Tuesday	28 September	2021	11.45 – 16.15	Board
Tuesday	28 September	2021	16.15 – 16.45	Nominations Committee
Tuesday	28 September	2021	16.45 – 17.30	Remuneration Committee
Tuesday	26 October	2021	09.00 – 14.00	Board
Tuesday	30 November	2021	09.00 – 11.30	ARC
Tuesday	30 November	2021	11.45 – 16.15	Board
Tuesday	30 November	2021	16.15 – 16.45	Nominations Committee
Tuesday	30 November	2021	16.45 – 17.30	Remuneration Committee

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*As agreed at the CCRC Meeting on 02 April 2020, this Board call is being set up as a reoccurring meeting every Thursday at 15.00hrs.

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2022

Date			Time	Meeting
Monday	24 January	2022	15.00 – 17.30	ARC
Tuesday	25 January	2022	12.30 – 17.00	Board
Tuesday	15 February	2022	10.00 – 11.00	Nominations Committee
Tuesday	15 February	2022	11.00 – 12.00	Remuneration Committee
Tuesday	29 March	2022	09.00 – 11.30	ARC
Tuesday	29 March	2022	11.45 – 17.00	Board

11.4

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Board Meeting Table 2021

26 January 2021	30 March 2021	03 June 2021
• CEO Report • Financial Performance Report • Solvency Paper • Draft Budget 2021/22 • SPM • Network Strategy update • PUDO • Postmaster Experience • Health & Safety Report – including security/ safety review • Noting and Governance items Non-Executive Meeting	• CEO Report • Finance: Solvency, Budget 2021/22, Financial Performance Report • Network Strategy update • Postmaster Programme update/ Postmaster Journey Project • Mails Regulation discussion paper • Starling update • People Update • Independently facilitated Board Evaluation Report • Historical Matter Business Unit report • Annual Governance Report • Noting and Governance items (incl. Microsoft Enterprise Agreement 2021 -24)	• CEO Report • Financial Performance Report • Strategic Plan • Banking Framework 3 Pricing Framework • SPM Multi-Year Business Case • Starling update • Historical Matter Business Unit report • Approvals: External Auditor Fees & Scope of Engagement (2020/21); Post Office Operating Model Funding; PUDO funding; Matters Reserved and ToRs • Noting and Governance items
27 July 2021	**Strategy sessions - 27 & 28 July 2021**	**28 September 2021**
• CEO Report • Financial Performance Report • Independently facilitated Board review actions • PUDO integration • PUDO update • Belfast Exit Plan: external consultancy • Historical Matter Business Unit report • Modern Slavery Statement • Noting and Governance items Non-Executive meeting	• Digital Identity The agendas for the strategy days are being drafted by Tim McInnes, Transformation and Strategy Director	• CEO Report • Financial Performance Report • Belfast Exit Plan: delivery progress and next steps • Historical Matter Business Unit report • Noting and Governance items Non-Executive meeting
26 October 2021	**30 November 2021**	**25th January 2022**
• CEO Report • Financial Performance Report • Historical Matter Business Unit report • Noting and Governance items	• CEO Report • Financial Performance Report • Historical Matter Business Unit report • Noting and Governance items • Annual Report and Accounts 2020/21 Non-Executive meeting	• CEO Report • Financial Performance Report • Historical Matter Business Unit report • Noting and Governance items • Approval: Code of Business Standards

Key: Yellow = Pending item (where the item is needed but the date must be confirmed)