



POST OFFICE LIMITED BOARD REPORT

Title:	Chief Executive's Report	Meeting Date:	24 th January 2023
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CEO Narrative

December was a difficult month for Post Office. Christmas did not happen. Where other retailers have reported positive Christmas Statements and the BRC have noted a 15% increase in high street footfall across the country, Post Office saw a [IRRELEVANT] year on year reduction in our mails business and an [IRRELEVANT] reduction in footfall. Overall mails performed [IRRELEVANT] than budget and our numbers were only partially flattered by a strong [IRRELEVANT] driving footfall into branches.

Industrial Action by Royal Mail workers over 7 days in December, resulted in a profound degradation in standard service. We had [IRRELEVANT]

IRRELEVANT

This was then [IRRELEVANT] distracted elsewhere. The post-Christmas picture is no better, indeed the cyber-attack at Royal Mail has stagnated the international business for over a week so far, at a further cost of [IRRELEVANT]. The outlook does not look encouraging, nothing that was said at the Select Committee hearing on Tuesday suggested a resolution was on the near term horizon. The implications for Postmasters is an [IRRELEVANT] in December remuneration and a year-end outlook that is [IRRELEVANT] and this is despite the [IRRELEVANT] intervention we made in August. The EBSS support of [IRRELEVANT] looks even more hollow against this backdrop particularly when you consider that [IRRELEVANT] by between [IRRELEVANT] in April. There is an [IRRELEVANT]

IRRELEVANT

This all poses a funding challenge for Post Office which, of course, goes far further. The third rephrasing of the Inquiry suggests a conservative end date of mid-2024. The oncost to Post Office will be in [IRRELEVANT] from the original budget. The intensity and implications of the Inquiry findings is also adding additional NBIT costs of a similar magnitude and the impact of IA at Royal Mail is [IRRELEVANT]

[IRRELEVANT] Conservatively this will be well in excess of [IRRELEVANT] over the funding period. As a consequence I wrote to the Permanent Secretary on 16th December outlining this predicament and advising that we will need a cash injection of [IRRELEVANT] immediately and it could be as much as [IRRELEVANT]. This is a shared problem and one which BEIS/UKGI will need much skill to address. The Treasury have made [IRRELEVANT] Policy Review and Strategic Plan. [IRRELEVANT]

IRRELEVANT

It was against this backdrop that I attended the BEIS Select Committee on Tuesday alongside Dave Ward and Simon Thompson. This was also on the back of Minister Hollinrake stating at a Westminster Hall debate last Thursday his commitment to 11,500



branches. Cake and eat it springs to mind. The session was lively and wide ranging but it was essential to remind the Select Committee of the importance of Post Office both commercially and socially as well as our Public Service ethos. It was important to play up the business, the societal role we fulfil and our critical impact within the Infrastructure of our nation. It is this that customer/constituents value us for.

Progress with compensation has been impressive. Simon Recaldin has done an extraordinary job and we were able to articulate this at the Compensation Hearing on 8th December. We met our targets and have delivered for Postmasters, although had you listened to the BEIS oral address at the hearing you could have been forgiven for thinking otherwise. They produced an inaccurate, inept and politically motivated response which was quite unacceptable. They claimed to be "disappointed" with progress. After a graceless period we eventually got them to write formally to the Inquiry and offer a full apology.

At an operational level I feel confident that compensation and the Inquiry – now led by Diane Wills – are in excellent hands. We have two leaders at the top of their game. NBIT on the other hand is more challenging. We had a workshop with KPMG at their Innovation/Ignition premises in Canary Wharf to road test our training and roll out plans and it was clear there is still more to do from a leadership, structure, governance and resource perspective and we will be working over the next 6 weeks on a 'plan for a plan'. We still have time but it will be tight and Belfast Exit and the Fujitsu relationship remain a continuing hangover.

Notwithstanding the above our focus for this year, as it was in 2022, remains Rebuilding Trust (and fixing the past), Branch Profitability and Transforming Technology. There is no doubt this will remain our focus for the next 18-24 months

REPORT

Finance

Financial Performance

- Trading profit of [IRRELEVANT] was [IRRELEVANT] than budget. As predicted, P9 was a [IRRELEVANT].
[IRRELEVANT] At [IRRELEVANT] Mails turnover in the month was [IRRELEVANT] than budget, [IRRELEVANT] than forecast and [IRRELEVANT] year-on-year.
- Total turnover was [IRRELEVANT] to budget, with the Mails shortfall partly offset by a strong payment services performance as the energy support schemes work through. Customer sessions of [IRRELEVANT] last year and [IRRELEVANT] 2019, flattered by the [IRRELEVANT]. Postmaster remuneration was [IRRELEVANT] [IRRELEVANT] budget, [IRRELEVANT] forecast and [IRRELEVANT] YoY.
- Staff costs were [IRRELEVANT] to budget due to the higher pay award accrual. Non-Staff Costs were [IRRELEVANT] to budget, due to Payout postage costs and a reclassification of CIO network costs from Capex to Opex. Postmaster losses of [IRRELEVANT] were broadly in line with budget but were artificially low in period due a significant transaction correction for one branch [IRRELEVANT]. We expect this to be materially [IRRELEVANT] to budget again in P10.
- We are updating our forecasts for the full year, taking into account Postmaster losses and the potential need for further provisioning. We need to decide if further Postmaster support will be paid: we are considering targeted support to commercially



important but struggling branches. BEIS is concerned that this may undermine our case for additional funding.

Commercial

Mails and Parcels

5. Trading in P9 was materially impacted by industrial action, with the estimated impact of strike action standing at c. [IRRELEVANT] (W22-39). Last posting dates were brought forward and service guarantees on Special Delivery were removed between 8-28 December.
6. P9 income was [IRRELEVANT] YoY and [IRRELEVANT] to budget. Labels sales were [IRRELEVANT] against budget and [IRRELEVANT] YoY, while Special Delivery sales were [IRRELEVANT] YoY and [IRRELEVANT] to budget with a penetration rate of [IRRELEVANT] P9 2021 as customers sought a prioritised (although not guaranteed) delivery service in the run-up to Christmas.
7. Meanwhile, early indications are that in-branch acceptance of Royal Mail Tracked 24/48 is driving new income, generating [IRRELEVANT] of income and [IRRELEVANT] units since launch on 17 November. We are also progressing new products including; 'Labels2Go' by end of January and in-branch sales of Royal Mail Tracked in the new financial year.
8. PUDO weekly volumes rose to [IRRELEVANT] parcels [IRRELEVANT] vs. pre-peak average). YTD volumes and income are [IRRELEVANT] and [IRRELEVANT] respectively, generating [IRRELEVANT] of remuneration. While operationally ready, launch of the Mails acceptance trial ("Full PUDO") with DPD was postponed until w/c 9 January as DPD wished to stabilise its network after Christmas.
9. Since the launch of the EVRi trial, [IRRELEVANT] items have been accepted across 37 branches, of which [IRRELEVANT] were customer collections and [IRRELEVANT] customer drop-offs including [IRRELEVANT] in-branch sales. Volumes were in line with expectations, given the proximity of go-live to Christmas and low customer awareness. Looking ahead, DPD Ireland and DHL Express PUDO services will launch in Q4.

Banking, Payments and Transactional Products

10. Banking continues its strong YoY growth [IRRELEVANT] during P9. Deposits were significantly impacted by the disproportionate implementation of deposit limits by banks, in reaction to FCA pressure to tighten money laundering controls. Industrial action across [IRRELEVANT] for retail.
11. We continue to put pressure on the FCA to change its approach and reduce the impact of deposit limits. At our request, a full industry meeting chaired by the FCA was held in December where we sought to establish a clear exceptions processes for known good businesses. While some banks recognised the issue, others did not, and the FCA has passed the problem back to UK Finance. We have secured a follow-up industry meeting in January. Banks continue to seek alternative deposit schemes, driven by [IRRELEVANT]
12. There are now 28 Banking Hubs in the pipeline exclusively with PO, however, due to issues with the banks, just two went live in 2022. More Hubs are expected to be announced in this next quarter. The Enhanced Post Office concept is progressing well, with the aim to get up to [IRRELEVANT] running during the first half of 2023. We also intend to roll-out a further [IRRELEVANT] implementations by October 2023 in high-volume locations.
13. Meanwhile, Payments revenue continues to exceed budget [IRRELEVANT] in P9, [IRRELEVANT] YTD and [IRRELEVANT] YoY thanks to the Energy Bills Support Scheme (EBSS). Some 4m vouchers have been issued, with >75% redeemed, and we have exclusively secured



Northern Ireland EBSS payments from January-March 2023 (IRRELEVANT cash vouchers).

14. We have also identified 4,000 Postmasters to provide the new Western Union product but getting them to respond to HMRC licencing requirements is proving challenging. Lastly, the ATM replacement programme will be ramping up to a peak of c.100/month during 2023, before our completion deadline of October 2024.

Platform Products

15. P9 Trading across Platform products was (IRRELEVANT) on budget, with Travel Insurance sales (IRRELEVANT) ahead of last year. Meanwhile, Mortgages, Savings and Loans generated (IRRELEVANT) in November following the booking of HY and FY EIR adjustments in the mortgage account. This will be reported in February management accounts.
16. However, Credit Card sales will further (IRRELEVANT) in P10 as (IRRELEVANT) (IRRELEVANT) further in the current economic environment.
17. The Digital Identity team have entered a procurement process to provide the physical network solution for their new GDS one-login process (Verify replacement).

Retail, Lottery & Government Services

18. Lottery is performing in line with budget (IRRELEVANT) YTD) and forecast with a small boost seen from (IRRELEVANT) Total sales are (IRRELEVANT) YoY due to (IRRELEVANT) (IRRELEVANT) Meanwhile, discussions are ongoing with both Camelot and Allwyn, with Allwyn's acquisition of Camelot expected to close in Q1 2023, subject to approvals.
19. Government Services is (IRRELEVANT) ahead of budget driven by strong performance from UK Visa & Immigration (IRRELEVANT) and (IRRELEVANT) (IRRELEVANT) performance has been consistently strong across its three main products at (IRRELEVANT) above budget. (IRRELEVANT) with (IRRELEVANT) considering a (IRRELEVANT) while the existing framework is in place.
20. This strong performance from (IRRELEVANT) (IRRELEVANT) which has (IRRELEVANT) YTD in advance of an anticipated passport surge in Q4. HMPO will raise passport fees from 1 February, but we have decided not to increase Check & Send charges. The risk remains that (IRRELEVANT) (IRRELEVANT) will accelerate in 2023.
21. Gift Cards are up (IRRELEVANT) YoY with strong trading over the peak (IRRELEVANT) vs budget and (IRRELEVANT) YoY) driven by (IRRELEVANT) of YTD sales were generated in P9 alone.

Customer Experience

22. The Christmas marketing campaign continued throughout December, informing customers of changes to posting dates via branch and digital media. Our (IRRELEVANT) incentive drove (IRRELEVANT) incremental remuneration for branches and (IRRELEVANT) for PO (after costs).
23. Looking ahead, we are finalising our 2023 Marketing Plan. Our marketing spend in Mails will increase to support new propositions. We are preparing to launch our second Drop & Go customer offer, where customers will receive vouchers of up to £200 based on usage.

Postmaster & Network

Network coverage and Drop & Collect roll-out



24. Having peaked at 11,703 in November (including 140 Drop & Collect locations), network numbers dropped to 11,671 in December as a result of the planned pause in new branch openings during peak. We are expecting overall numbers to remain stable at this level through to the end of the financial year, with the continued roll-out of Drop & Collect offsetting the normal increase in churn we see in Q4 (including the McColl's closures).

Remuneration & Branch Profitability

25. Overall remuneration for January (based on December trading) is expected to fall by c11% year-on-year, driven by the impact of Royal Mail industrial action and the associated Mails underperformance. We are now forecasting limited growth in overall remuneration for the financial year, up between 0 and 1% compared with 2021/22. While material rates increases are expected in April (including the CPI indexation and the flow-through of any RMG price increases), we are considering targeted support to critical branches during Q4.
26. Following the well-received pilots during Autumn, we are rolling out 'Branch Profitability MOTs' to 1k branches during Q4. These involve Area Managers providing data-driven insights on optimising staff scheduling and operating hours based.

Back Office Postmaster Service & Support

27. The BSC's SLAs were impacted in the first two weeks by **IRRELEVANT**
IRRELEVANT Performance recovered during the period, with 45% of calls answered within 60 seconds. 89% (84% in P7) of calls were answered and the average speed to answer was just under 3 minutes (vs. 4.5 minutes in P7). Five new starters joining in the final week helped support a very strong end to the period. The SLA averaged just over 66% in P9.
28. **IRRELEVANT** on last period with **IRRELEVANT** in P7)
IRRELEVANT This marks a **IRRELEVANT** from P5, when volumes
IRRELEVANT
29. Cases resolved within SLA performance remains strong at 76%. However the number of open cases at period end continues to grow, up 9% to 663. Cases assigned from branches using the review and dispute button and then failing to make contact, are a key driver of the increased volumes. Opportunities to improve compliance are being explored.

Postmaster Engagement

30. Following poor Christmas trading driven by the cost-of-living crisis and Royal Mail strikes in both their Post Office and Retail businesses, Postmasters concerns are focused largely on their own business viability. In early January we conducted a survey across our Regional Forum members to gain feedback on peak period performance. **IRRELEVANT** stated performance has declined versus last year, with 80% **IRRELEVANT** Data from the monthly NFSP member remuneration survey backs this up.
31. On a positive note, 75% of Postmasters surveyed stated that Christmas communications was the same or better than last year, 85% thought the amount of marketing and being able to choose their own 'point of sale' was good or better than last year and 83% said it was easier to order cash and stock than last year. More broadly, there is a sense across the network that Post Office are doing as much as



possible to support Postmasters during a challenging economic climate (e.g. lobbying of HMG on extended energy bill support).

- 32. Discussions are ongoing with the NFSP on the signing of the Grant Fund Agreement. The outstanding issue remains the treatment of VAT with both parties continuing to seek advice. A meeting took place with their CEO, Martin Roberts and Tracy Marshall to stress the importance of completing the revised agreements, with follow on meetings planned.
- 33. More widely, new Postmaster satisfaction with the onboarding journey remains above target at 83%. The average time taken to onboard a postmaster has remained at 145 days. Due to new legislation, suitability assessment completions have been taking longer, as manual checks of IDs are required, resulting in a drop in service levels from

IRRELEVANT

Retail Field Teams

- 34. The key focus during the last period was very much around maximising peak trade and managing the impact of RMG industrial action. As part of this, Area Managers were focused on our 'Let's Talk Mails' initiative which saw 8,400 visits made between October and December to 5,500 key Mails branches. Branches that were visited have consistently delivered an increase in penetration rates compared to non-visited branches.
- 35. Operationally, we managed the impact of six days of RMG industrial action during December well, with a minimal number of branches bulking out as a result of excess mail, and Royal Mail continued to collect from 2k critical Mails branches. Action short of a strike continues in our DMB network, with the CWU communicating a work to rule and sales boycott to members. So far this has had minimal impact commercially or on customers.
- 36. We are managing the impact of the McColl's branch closures. Out of the 56 branches (incl. one BAU closure), we have interest from 25 potential new Postmasters, 23 of which have commenced onboarding, with two due to start soon. There is potential interest in 7 branches from our strategic partners, with one branch proceeding so far. AMs are supporting branches nearby to closed McColl's locations where there is additional footfall.
- 37. As we move into Q4, the focus for the field team is on supporting branch profitability and completing Operation Reset to re-establish retail standards in our branches. AMs will complete reviews in c.1,000 branches, covering staffing efficiencies and growing income.

Strategic Partnerships (SPs)

- 38. P9 income was **IRRELEVANT** Most retailers are showing higher sales YoY but with inflation-based price rises, **IRRELEVANT**

IRRELEVANT

- 39. NBIT planning is a key priority and several workshops are set up for January where we will begin the requirements capture for deployment with encouragement for SPs to self-deploy where possible. This will be linked to counter rationalisation and future

IRRELEVANT



40. Contract negotiations are continuing with the first batch of SPs. These are proving

IRRELEVANT

41. Morrisons continue in their announced store closure programme where over 100 stores have already been closed including 22 PO branches (as at 06/01) the remaining 33 stores with PO branches will close throughout January. We continue to work

IRRELEVANT

Supply Chain

42. Weekly average of cash inflows this financial year are now **IRRELEVANT** per week. P9 averaged **IRRELEVANT** per week which was impacted by industrial action and energy rebate payments. P10 is forecast to be the highest volume period of the year – NatWest are supporting with cash processing during this peak and G4S for CIT services.

43. 96.7% of available deposits were processed on Day A in cash centres YTD – ahead of the 95% target. Meanwhile, CIT achieved Quality of Service Stats of 87.2% a decline of 2% on last period. High volumes, action short of strike and staff absence are presenting challenges.

44.

IRRELEVANT

45. Call Centre grade of service was 38% (target: 70%) as high call volumes due to **IRRELEVANT**

IRRELEVANT

Strategy & Transformation

BEIS Strategy Review

46. In early December, BEIS informed us that Ministers had decided to not proceed with a public policy review, given the perceived risk associated with an announcement and the lack of any intent to make significant changes to BEIS policy in the near term. Although this does not mean work on the review (now a "strategy review") has been stopped, the scope has shifted and the level of ambition is reduced. **IRRELEVANT**

IRRELEVANT

47. Notwithstanding this, the KPMG-run 'Ignition Session' with BEIS and UKGI still took place in mid-December. This was a useful exercise to continue building the two teams' understanding of our business, the challenges we face and the fact that this is a shared problem. The workshop concluded with a constructive discussion involving me, our Chair and CFO as well as Carl Creswell and Tom Cooper on funding, where we set out the component parts of a **IRRELEVANT** and the uncertainties around this.

48. We also reached agreement on three key next steps: (i) an early letter to the Perm Sec signalling our need for funding, and outlining a preliminary near-term funding ask; (ii) to engage with Minister Hollinrake on POL's proposed Network Strategy, and



the phases of implementation of this; and (iii) to work with BEIS to build a robust investment case for POL funding, to assist medium-term discussions with HMT.

49. We sent a letter to the Perm Sec shortly before Christmas and we are awaiting feedback, and I will be meeting Minister Hollinrake to discuss Network Strategy in late January. While we do not intend to seek the Minister's approval for the actions we want to take, we are keen to ensure he is sighted on what we will be doing. Work on building a robust investment case for POL funding is ongoing with BEIS and UKGI as the teams, structures and activities stood up for the policy review still exist. We continue to run workshops for BEIS on policy, network and commercial topics to develop their thinking and we expect this phase of work to complete in March, with BEIS officials putting advice to Ministers.

Change & Transformation

50. At the end of November (P8) our YTD change spend for active projects was **IRRELEVANT** (excl. HMU Settlement), **IRRELEVANT** below our budget, due to various movements across the portfolios, many of which represent phasing of spend rather than savings. The largest YTD variances were in the Legal and Historical Matters, People and Technology portfolios. P8 YTD incremental benefits for active projects was **IRRELEVANT** above budget.

Communications, Corporate Affairs & Brand

Energy Bill Relief Scheme

51. In September 2022, Government announced the Energy Bill Relief Scheme and the Review which would determine the scope of its continuation beyond March 2023. We began to work up a campaign to ensure Postmasters continue to benefit from the Scheme beyond March 2023 and demonstrate that we will fight for Postmasters' interests.
52. Over three months, we generated 822 pieces of broadcast coverage, 35 pieces of regional coverage, and 45 national stories. We helped Postmasters send 2,000+ letters, which were received by 492 different MPs, generating pressure on Ministers as they made decisions.
53. Although HMG has extended support at a much lower level than desired, our collective effort made an impact. This is the first time we have partnered with Postmasters in a joint campaign and our message resonated clearly with MPs, many of who made it clear it had landed well with them too:
- i. **Reinforce post offices' vital contribution to the UK:** We secured widespread coverage which underscored that post offices are a vital part of the social and economic fabric of this country, and communities would suffer without them;
 - ii. **Ensure extended and inclusive support:** The Chancellor had initially suggested that any future support would be limited to a small number of industries. Our campaigning ensured that post offices were not overlooked; and
 - iii. **Demonstrate that Post Office is on postmasters' side:** The campaign demonstrated to Postmasters that the Post Office is on their side, fighting on the issues that matter to them and celebrating the vital role they play.
54. Despite the far less generous EBDS now having been announced, we will continue to apply pressure on Government in the run up to the March Budget. We will also engage with Ofgem in an effort to ensure that suppliers demonstrate flexibility for SMEs



(including Postmasters) who may have concluded longer term contracts at peak prices.

Historical Matters Unit (HMU)

Inquiry Compensation Hearing

55. POL attended the Inquiry Hearing on Compensation on 8th December and HM Legal have subsequently collated a summary of arising actions, and a paper was presented to HRC on 15th December outlining the range of issues raised at the Inquiry. The required actions will be tracked and actioned within HMU. Sir Wyn issued his response to the hearing, electing not to issue an interim report, but did challenge the delay generally and the Late Applications approach. He has scheduled a compensation hearing in April later this year.
56. POL have constructively challenged statements made in the BEIS oral submission and on reflection BEIS agreed to write to the Inquiry to provide clarity of their submission.

Overtaken Historical Convictions (OHC)

57. In December, Board approved the remediation-based compensation process for pecuniary claims. Work is underway to draft principles that can be shared with third party legal firms, and internal guidelines for each key "Head of Loss" (HoL). The principles will be presented to HRC for approval in January. Meanwhile non-pecuniary claims continue to be settled.

Criminal

58. One appeal opposed in the Court of Appeal Criminal Division (CACD) was heard in December, with judgment expected in early 2023. Another appeal was referred by the Criminal Court Review Commission (CCRC) to the Crown Court, which may be a public interest only case. The Public Prosecution Service NI (PPSNI) expect to concede an appeal in January. Potential Future Appellant (PFA) triage continues, due to complete in February. We anticipate the Met Police will start seeking production orders soon.

Historical Shortfall Scheme (HSS)

59. POL achieved its target to issue 95% of offers on 8th December 2022. Attention now turns to the remaining 130 claims, including claims for Malicious Prosecution and those where the shortfall led to the claimant becoming insolvent/bankrupt. The development of Case Assessment Principles for these two remaining HoLs are progressing.
60. BEIS funding for Late Applications was agreed and a plan has been circulated showing the expected flow of Late Applications Offers, with an ambitious target of 100 Offers by the end of March 2023. So far, 93 qualified Late Applications have been received.

Postmaster Detriment: Suspension Payments

61. Funding of **IRRELEVANT** (for Postmaster legal fees to be agreed separately) has now been approved by BEIS. However, the funding period within which claims will be paid is yet to be agreed with BEIS, noting that the removal of the funding end date of 31st March 2024 (a late notification from BEIS) from the letter is not negotiable. We have argued for an extension as we believe funding will be required until at least September 2024. An additional form of words has been agreed to temper the end date and to ensure that if funding is required beyond this date, both UKGI and BEIS will support. Board will be required to agree the wording prior to initial letters being sent to Postmasters.
62. A Board Paper for offline resolution was circulated in December. The first letters to confirm identity were sent to the first cohort of Postmasters, prior to the BEIS Select



Committee on 17th January 2024. Additional tranches of letters will be sent soon, with offers then expected to follow swiftly.

Postmaster Detriment: Outstanding Balances

63. HMU continues to work with BEIS on the business case for [IRRELEVANT] of funding alongside obtaining a commitment to fund additional areas of Detriment, should they arise. At December Board, it was decided that payments being made by Postmasters towards outstanding balances should be paused. The project team are now assessing the root cause of each outstanding balance. In cases where there has not been any admission of misappropriation, payments will be paused.

Inquiry

Phase 2 Reflections

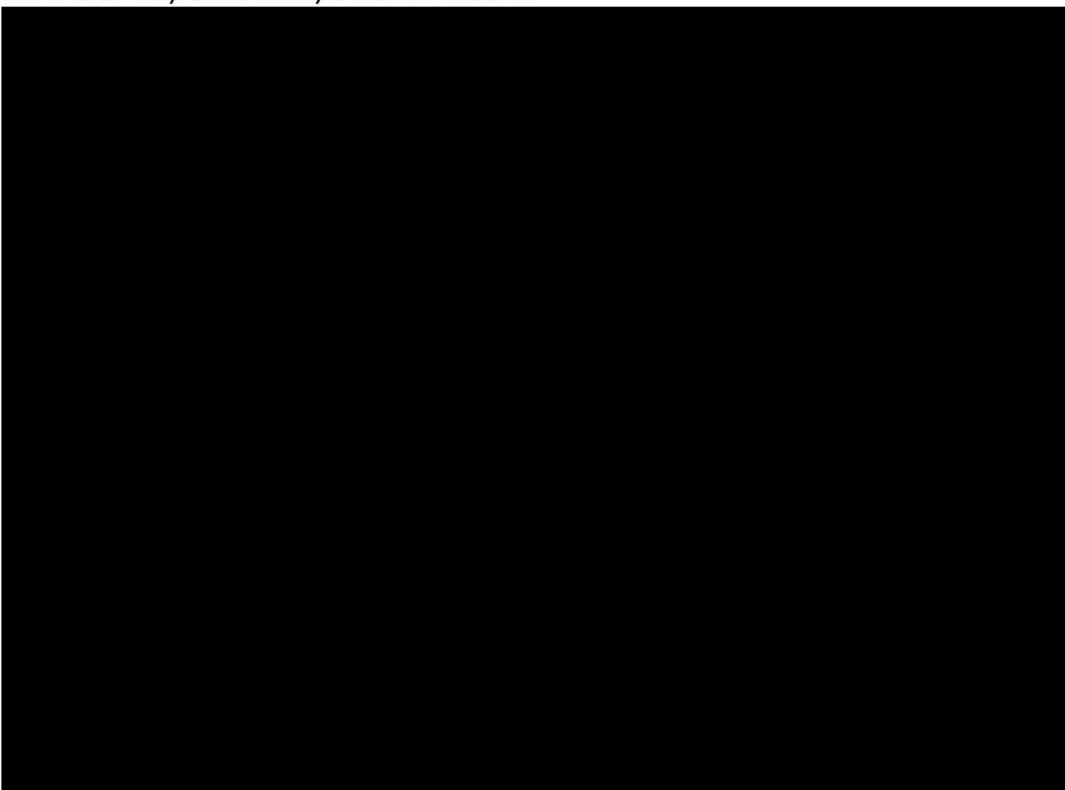
64. There were four key take-aways from Phase 2:

i.

ii.

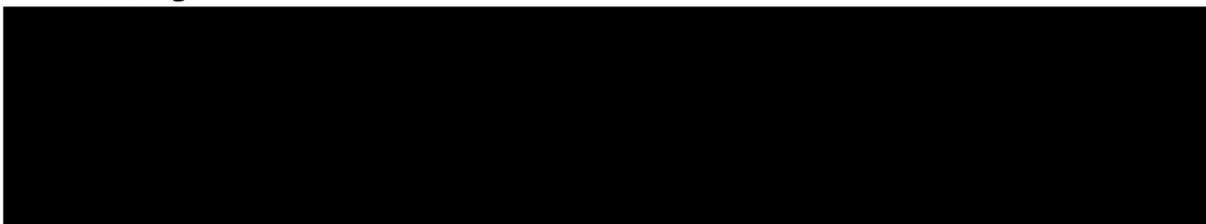
iii.

iv.



Phase 3 Hearings

65.



66. The Inquiry has so far only published a witness list for these first two weeks. No current employees have been called to give oral evidence, however we anticipate that current employees will be called later in Phase 3. We have requested the Retail Team, led by Martin Roberts, put forward team members to observe each day of evidence, so



that their insights as subject matter experts can be taken into account. In order to demonstrate our engagement, the POL Inquiry team also continue to encourage members of GE and Board to attend the hearings. It remains important to have our Postmaster NEDs attend.

Wider Updates

67. **Leadership of the POL Inquiry Team:** Diane Wills began her role as the Post Office Inquiry Director supported by Gemma Ludgate, Inquiry Operations & Strategy Director.
68. **Disclosure Updates:** The hardcopy data reassurance work is underway. Forensic searches of Finsbury Dials took place on 19 and 20 December and will begin again in January. Initial review of the material identified suggests that there are some documents which may be relevant to later phases of the Inquiry, but early indications are that the majority will be duplicates. The work highlights the need for further investment to better manage POL's hardcopy and digital data. The failure to address these issues has resulted in significant increase to legal costs and will continue to drive costs if it is not resolved.
69. **Budget Restrictions:** The lifetime cost options paper will be presented at the Board meeting on 24th January. We are currently working with HSF to identify further savings and conducting pre-market engagement with alternative legal firms.
70. **Legal Representation:** Whilst HSF is not aware of any conflict of interest, the Inquiry will examine the post-April 2019 period, including decisions taken in relation to the structure and operation of HSS to date. HSF consider it prudent not to provide support for Phase 5 and the executive recommendation is to appoint a new firm from Phase 5 onwards.

LCG

Legal

71. **Payzone:** The Central Investigations Unit (CIU) have produced an interim investigation report on PZ, which has been circulated to GE. As part of this assessment, Legal need to summarise the existing legal issues for PZ, the legal issues arising from legal integration and the impact legal integration would have.
72. **Project Assurance:** RMPP Pension Trustee has requested that POL enters into a "standstill" agreement by mid Jan 2023 to preserve its limitation date (which the Trustee believes falls in February 2023) to sue POL for a contribution towards its costs, which it puts at [IRRELEVANT]. [REDACTED]. POL has instructed Kings Counsel to advise. Separately, Trustees will write to members in Q4 to advise them of the extent to which their pension will be corrected (typically downwards), potentially generating adverse press, claims and complaints to the ombudsman.

Compliance

73. End December POL received an additional 30 DSARS from Howe & Co. The majority are party to the GLO and precludes the GLO Payment Scheme going live. The initial 10 were responded to within agreed timeframes. To ensure POL meet statutory deadlines, we have moved 6 Data Protection FTE to process these requests. In addition, we have started activities to ensure there is a sustainable HMU Data Disclosure Team to deal with supporting BEIS in the GLO compensation scheme and long-term disclosure activities.



74. Historical Matters Assurance activities will be refocused this month to pick up speed and coverage on HIJ and CIJ Inquiry readiness.

Governance

75. [REDACTED] S
[REDACTED]. The Shareholder Relationship Framework Agreement is due for review in March. A preliminary meeting is scheduled for 18 January between UKGI and POL to determine the review process.
76. As part of our ongoing improvements to Corporate Governance, the Retail and the Technology GE sub-committees have been established. These Committees are due to hold their first meetings shortly and dashboard reporting on key business metrics will be provided to the GE and Board in due course.

Technology

Core Service Performance

77. On printing issues, ticket volumes remain lower than historically seen, after the execution of our recovery plan. Meanwhile, [REDACTED] IRRELEVANT
[REDACTED] IRRELEVANT
78. [REDACTED] IRRELEVANT
[REDACTED] P
was also an [REDACTED] IRRELEVANT
79. Lastly, December saw the start of the new dedicated Level 2 support team, which has contributed to the good results above. The Technology function now has 4 support agents responsible for the management of complex or multi-supplier incidents.

Technology Service Desk (ITSD) Performance

80. Calls to the Technology Service Desk were down 29% compared to November, which correlates with the success stories above. Average wait times for December 2022 were the best for a number of years, at 5 mins 47 seconds on average.
81. Digital platform contacts (Branch Hub and Colleague Portal) have declined in line with the overall decline in calls. Unfortunately, that suggests we did not make progress in December in shifting demand to digital and self-service channels.
82. Resourcing the desk and agent retention remains an ongoing challenge. There are 3 new starters in January, which will help improving the first-time fix rate, but the size and quality remains below where it needs to be. However, engagement with CWU has concluded and we have agreement for a higher starting salary to be more competitive for attracting staff.

Cyber Security

83. There were 1048 security incidents in December, none of which remain open. The average time to resolve was [REDACTED] IRRELEVANT which is well in excess of industry standards, but reflects the limited working hours of the Security Operations Centre.
84. As an update to the major security incident in November (a so-called 'brute force' attack on our Office 365 domain), there has been no evidence of a breach. The possible mitigations are in place to guard against similar attacks in the future and monitoring remains ongoing.



85. Additional highlights from the Cyber Security space: (i) A dedicated Security Task Force was established to tackle an **IRRELEVANT** emerging on the early versions of NBIT (ii) Work with Fujitsu has been completed to reduce its privileges to Horizon counters – a key HIJ requirement. Rollout began in December and will complete in early 2023 (iii) Following ARC engagement, Disaster Recovery testing for the Belfast Data Centres is now in-flight. Progress will be reported to the Board regularly.

Horizon Operations

86. Overall, the performance of the Horizon system remains stable. While our field service supplier **IRRELEVANT** **IRRELEVANT** than with the previous supplier.
87. Discussions with Fujitsu are ongoing around extension of Data Centre Operations beyond March '23 with formal agreements to be reached in January. Fujitsu change delivery remains poor with protracted timelines to respond to requests for change driven by internal Fujitsu governance steps, to be discussed at monthly account governance meeting.
88. The primary scope and funding has been agreed for the next phase of HIJ Remediation, while additional scope remains under discussion. Progress across all workstreams in line with plan (though some challenges with Fujitsu delivery as highlighted above). Several narratives on HIJ remediation progress now in draft to support Phase 6/7 preparation.

NBIT/ SPM

89. Overall, the programme remains on track to complete the technology solution in 2023 and start rollout in 2024. The programme **IRRELEVANT** **IRRELEVANT** until 2024. The main focus in the next months is the release in live environment (i.e. serving customers live) of the second counter prototype, which will include payment capability and many mails/banking products. Release 2 remains scheduled for April 2023, in line with the programme plan.
90. The programme estimates that c.90% of activity planned for the last approved period (Oct-Jan) has taken place, with 83% of the deliverables on track to complete in full. Of the deliverables reported as 'missed', several will be largely completed by the end of January.
91. The main immediate risks for the technology delivery relate to the development of the

IRRELEVANT

Branch Hub

92. Over the last quarter, Branch Hub adoption by Postmasters continued to surge. Visits to our digital portal for the quarter totalled 170K, which is more than twice the same figure for last year. Usage of the newly created mobile app continues to increase as well.
93. Branch Hub will release its next and last series of features in early 2023, including the ability to view remuneration statements on Branch Hub and the launch of Branch Hub on Horizon terminals. Unfortunately, the programme funding runs out in March 2023, so no further improvements are currently planned, except for continued integration



with NBIT. A small BAU team will remain to support the platform, while continuing to push adoption.

People

Culture & Wellbeing

94. A deep dive review on the culture change programme is taking place, with a review on the behaviours and the recommendations from the Horizon Issue Judgements. An analysis on the 'real' change being made to behaviours will be produced, looking at impact on colleagues as well as Postmaster engagement. The latter will be shared with the GE, with a proposed overarching action plan supported by local department plans. A campaign to act on engagement feedback will be implemented from February, with monthly updates.
95. The Culture Club is making progress. Monthly Culture Conversations with external experts are commencing from 25th January with speakers focussing on culture change to inspire colleagues. Postmaster engagement plans will be reviewed and brought into the culture programme. Meanwhile, an engagement campaign for the new office in Wood Street starts on 16th January to educate and excite colleagues.
96. On wellbeing, Optima Health continues to support potential witnesses (and their dependants) who are required to respond to the Inquiry with 121 support. We will review our wellbeing strategy with support from the newly appointed lead Occupational Health Adviser and will support a launch of Optima's new wellbeing portal with a spring campaign.

Talent, Diversity & Inclusion

97. We are recommencing Leading to Serve training, with the programme on target to deliver Module 2 to all Senior Leadership Group by the end of March, whilst also completing roll out of Module 1 to 300 GE-2 colleagues by end of April. A full review on our leadership interventions will be undertaken, aiming to have a plan of activities over 12 months.
98. Succession Planning and Talent Development will be reviewed in the coming month, with a view to launching a clear process at the beginning of the next financial year. Meanwhile the Leadership Behaviour framework is currently being developed which will be shared with the GE and built into the 360-feedback process, PDRs and ongoing team development. An in-depth GE talent and succession review is taking place.
99. Following on from the successful launch of the Diversity and Inclusion Playbook, we have been working with our partner, Diversity in Retail, to create an interactive workshop. This will bring to life and embed the playbook recommendations into our teams, to engage and to help overcome unconscious bias. 6 workshops will be held over January and February.

Organisational Design

100. Pat Quinn has joined the team this month, with a view to reviewing the headcount/organisational cost base. The intention is to work with each member of the GE to draw up a consolidated view of short/medium/longer term actions. We will also review the current Terms & Conditions of employment, with a view to putting in place 'modernisation' to reflect benchmark organisations. Some small-scale organisation change is due to be executed within our central risk team in January.

Other items

101. **Rewards:** CEO Retention Bonuses were paid to 52 colleagues in December. STIP metrics have been communicated via the SLG and a plan to formally communicate will be agreed at the next RemCo in February (and LTIP plans will also be confirmed). The



23/24 STIP plans and the out-turn of the 22/23 is likely to be dealt with in one communication.

102. **CWU Pay Dispute:** An agreement looks unlikely, and we are prepared for more strike action. We are using ACAS to try to get clarity on CWU demands, following which we can decide whether a deal is affordable. We still believe our offer is the best we can afford.
103. **POL NED Search:** A candidate has been identified for the ARC Chair position and due diligence is taking place to allow for Ministerial approval to be sought ahead of an offer being made. The recruitment process for the NED Remuneration Chair and Senior Independent Chair provides us with an opportunity for more diversity on the Board.
104. **Contractor Managed Service Provider:** During December we transferred c140 contractors from Intelligent Resource (IR) to Morson International, as we stood up the contract for our new managed service provision. We faced some challenges around contractual terms which meant that contractors had to be moved at short notice and with little opportunity to engage the business. c140 contractors will be remaining with IR for payroll due to conduct regulations. Lessons learnt have been reviewed to prevent similar challenges in four years' time.

Conclusion

105. Finally I would like to finish by highlighting a major risk for Post Office as we ramp up the compensation process for OHC and the 555. Yesterday I met with Alison Henderson and her husband. She, along with Jo Hamilton, are the first two Post Masters to have formally 'settled' since their cases were overturned in April 2021. She achieved a settlement of [IRRELEVANT] Jo Hamilton achieved [IRRELEVANT] This was a difficult and harrowing meeting. 12 years on from her conviction she is still visibly distressed, unable to open communication from POL – all emails and letters were opened and actioned by her very capable husband. She talked of the humiliation of her community service and the mental stress that forced her to move village. She also described the impersonal way she has been treated through the reconciliation process. The brutality and lack of trust displayed by HSF and the 'trauma' of attempting to recover compensation. Our culture and whether or not we have 'changed' will be a big issue in the later phases of the Inquiry. On this evidence it will be difficult to suggest it has. We need to think more carefully how we can demonstrably show we have changed – Truth and Reconciliation meetings or something similar. We are not doing enough.