



Department for Business and Trade

26 July 2024

Dear Minister Thomas,

Re: Post Office Governance

Ahead of our meeting, to be confirmed, I wanted to raise the issue of governance within the Post Office (PO) Network. I believe a two-step solution could address concerns and will set out these proposals on the following page.

The reason for the concern over PO governance is as an active core participant in the Inquiry, recent evidence has shown just how Post Office Ltd (PO) misled so many individuals about the robustness of Horizon, including stating that no remote access to Horizon was possible and that court convictions were sound. This consistent approach by POL on Horizon extended to Postmasters, their representative body, Government departments, MPs and Ministers.

Given the time period covered by the Inquiry, and the extent of harm inflicted onto Postmasters, assistants of Postmasters and Crown office employees, governance of the Post Office needs urgent review and improvement. It is now some five years since Justice Fraser (now Lord Justice Fraser) gave his ruling and yet some of the victims still do not have their convictions quashed nor the financial redress they deserve.

Possible Governance Solution:

Ownership of the Post Office will be of interest to you as the Postal Affairs Minister, and due to your keen interest in mutuals. The PO, as you will be aware, can either

be owned by the state or via a mutual model, as set out under the Postal Service Act 2011.

Sir Ed Davey in his witness statement to the Inquiry this month, made it clear that the mutual model originated from the NFSP back in 2010, and the idea encouraged many colleagues to agree to Network Transformation in 2011, at our Annual Conference following a speech by Sir Ed to delegates.

Mutualisation is still our goal, however for a mutual to work, both the financial position of the business and its market must be in a stable and healthy position. Sadly, at this point, neither the financial position nor the postal market are in stable or healthy positions. As such, we are holding off on a request to mutualise. However, it is obvious governance of the Post Office must change.

The NFSP would like to propose two methods to change PO governance:

1. Oversight Committee

Before mutualisation can be reached, trust needs to be rebuilt in the management of the Post Office. The NFSP believes at this point that a good solution is an Oversight Committee (working draft enclosed). There are a number of reasons for an Oversight Committee and these are:

- Ownership does not change
- Greater accountability
- Given the social purpose of the PO, enable consumer champions to be involved
- Enable disparate groups to work together ahead of mutualisation
- It affords a pragmatic evolution towards mutualisation when the conditions are right
- Bring greater openness and transparency to the business
- Improve the Shareholder Relationship Framework
- Cost

Given the way Postmasters have seen their income decline over the last two decades, in real terms, the NFSP believes ultimately it is imperative that Postmasters, as investors in the network, are given a proper say in how their investment is protected, along with their ability to generate a viable income from that investment.

As the representative body for self-employed Postmasters, and to quote one of our founding fathers back in 1897, the NFSP seek to work collaboratively and constructively with His Majesty's Government "to improve the conditions under which Subpostmasters labour, and to undertake the advancement of our cause by all legitimate and honourable means."

2. The Shareholder Relationship Agreement

In 2020, the Shareholder Relationship Framework document was agreed between the Department, UKGI and Post Office Ltd. The Framework explained the ownership and legal framework along with how the PO is classified as a Public Non-Financial Corporation.

The Framework also outlined its overall aims, which are:

- To maintain, during the term of the Funding Agreement, a network of post offices beyond its optimal commercial size as detailed in the Entrustment Letter. A specific minimum branch threshold of 11,500 is specified by the Secretary of State in the Funding Agreement;
 - In so doing, meet the minimum access requirements specified for this network of post offices as detailed in the Entrustment Letter
 - Provide this network of post offices to make available the services of general economic interest (SGEI) detailed in Annex A of the Entrustment Letter
- From time to time, the Shareholder may write to the Chair of the PO Board to:
 - Provide clarity over the Shareholder's shorter-term aspirations for PO; and
 - Ask PO to ensure strategic alignment with wider BEIS or Government policy objectives, where PO's business is relevant to such policy, such as financial inclusion or the rural economy.

The Framework requires PO to develop a strategic plan covering at least three years. It is important at this juncture to note Postmasters as joint investors in the network, have not been provided with clarity over the current strategic plan or the potential impact on their investment or their ability to generate a return from that investment. Added to this, Postmasters are still not included in the development of such a plan.

With this in mind, the NFSP is keen to work with both His Majesty's Government and Post Office to enable the Shareholder Relationship Framework is as strong as possible so that Postmasters can be reassured that their investment is central to that plan.

The NFSP wishes once again to congratulate you on your Ministerial appointment. We look forward to constructive dialogue over the coming months to help improve conditions for Postmasters, and the culture within the PO. If this is achieved we will start to see a more positive relationship between the business and its investors.

Yours sincerely,

Calum Greenhow
NFSP, CEO