

OVERSIGHT COMMITTEE WORKING DOCUMENT

INTRODUCTION.....	2
Current situation.....	2
Aim.....	3
Purpose.....	3
Timeline.....	4
OVERSIGHT PROPOSAL.....	5
Who is on the Committee?.....	5
Meeting Frequency.....	6
Key Aims of the Oversight Committee.....	6
What the Committee will use as its foundation.....	6
What the Oversight Committee offers that isn't currently met.....	6
Suggested scope for oversight committee.....	7
Proposed hierarchy structure for oversight committee.....	7
Structure.....	8
Measuring success.....	8
CASE STUDY: BONUSGATE.....	9
CASE STUDY: BONUSGATE.....	10
Monitoring:.....	11
Identifying Support Needs:.....	11
Support Arrangements:.....	11
LEGALITIES.....	11
NEXT STEPS.....	11

INTRODUCTION

Current situation

There is a saying “culture eats strategy for breakfast”. No matter how good a strategy you devise, if the culture within the organisation is not right, that strategy will never be fulfilled.

A significant lack of trust towards the Post Office is felt by many postmasters due to the existing culture within the Post Office. It is believed there is very little oversight from the Government, even during the Horizon Inquiry. The Government continues to describe the Post Office as an “arm's length organisation” but has provided more than and counting, £2.5bn in taxpayers' funds to the Post Office since 2012.

The changing environment of the postal and banking sectors, and the need for greater scrutiny over the government subsidy, means that an open and transparent oversight is imperative. This could ensure that the investment of Postmasters and the Network are protected for future generations.

Under the Companies Act 2006, rules 172, 173 & 175, a Non-Executive Director has a duty to promote the interests of the company, exercise independent judgement and avoid conflicts of interest. This makes a strong legal case against an existing Postmaster being a Non-Executive Director of Post Office Ltd. Despite the many internal engagement forums orchestrated by Post Office Ltd, the relationship with Postmasters continues to erode, as is depicted via the 2023 Postmaster survey. The 2023 Postmasters survey showed:

- a 9% decrease on how Postmasters felt valued as a business partner of Post Office
- a 14% decrease on how supported a Postmasters feels by Post Office
- there was a 12% decrease in the number of Postmasters who believed Post Office were genuinely trying to improve the relationship
- a 9% decrease in whether Post Office interacts with Postmasters in a purposeful and engaging way.
- a 8% decrease in the perception on whether Post Office has the best interests of Postmasters at heart
- a 5% decrease in confidence about the business decisions Post Office make and how they impact Postmasters business

Despite these figures, Post Office rewarded senior management with bonuses which were greater, or in some cases double, the average Postmaster earnings. (*Should we add in here about the Horizon bonus that was paid?*) This cultural detachment only erodes confidence in Post Office from not only Postmasters but their own employees, who work hard but see little of the reward afforded to senior management.

Aim

The aim of this proposal is to expand on the existing Shareholder Relationship Framework that currently exists between the Government and Post Office, whilst retaining its social purpose.

It is also to ensure the environment within Post Office cannot engender a situation similar to the Horizon scandal so that it is never able to occur again, whilst securing the future of the network. It must be noted that Postmasters invest in the network via their retail businesses, which host a post office. However, their ability to understand or feed into the short and long-term strategy of Post Office Ltd is limited. *There remain questions over whether Government as the Shareholder and Post Office as the operator, make strategic decisions that safeguard the investment Postmasters make in the network or act in a manner that is actually to detriment to a Postmasters investment.*

As was discovered through the ongoing statutory inquiry, the lack of expertise, scrutiny and accountability were key elements of how this scandal continued for so many years. It is therefore the aim of this proposal to bring together a committee of people with specific Post Office knowledge, alongside those from a wider social perspective to ensure the social purpose of the Post Office remains key.

The culture surrounding the relationship between POL, Government, representative bodies and consumer groups needs greater transparency. It cannot be ignored that the reputation of the Post Office has been severely impacted by past and present events.

The preferred option in terms of ownership of the Post Office is via mutualisation, however, the financial stability of the Post Office must be secured first to ensure feasibility. The secondary aim of this proposal is to prepare the ground for mutualisation.

Purpose

The purpose of this proposal is to set out a clear and manageable oversight structure, while ensuring the social purpose of the post office is met. *(Should we include aspects from the London Economic report into the social value of the PO here?)*

As set out in the Shareholder Relationship Framework document, the Oversight Committee will work with government to ensure that this social purpose is complied with. *(Input the link to the Shareholder Relationship Framework document here.)*

An Oversight Committee, is a key governance process that is common with the health sector, sits separate to, but can feed into the Board, and importantly challenges it to do better.

Examples of the role an Oversight Committee can play within the governance structure of an organisation, involve ensuring:

- Due diligence takes place before key decisions are made.
- Policies and strategies are being implemented as intended.
- Key risks are identified, monitored, and mitigated.
- Business processes and systems are working well.
- Expected results are being achieved.
- Value for money is obtained.
- Activities comply with policies, laws, regulations, and ethical standards.
- Developing areas of concern are being dealt with.
- Assets are being safeguarded.
- Continuous improvement is taking place.

One of the main purposes is to ensure the long-term strategy for POL is adhered to in line with the needs of stakeholders.

Finally, a key purpose of this proposal is to deal with the damaged brand and breakdown of trust of the organisation. Ultimately, this would begin with a 'fresh start', however the key to rebuilding confidence with all stakeholders would be to ensure thorough scrutiny of all decisions to ensure a similar incident to the Horizon Scandal could not ever occur.

Timeline

To present a proposal by March 2024

OVERSIGHT PROPOSAL

Committee to include representatives of all PO stakeholders.

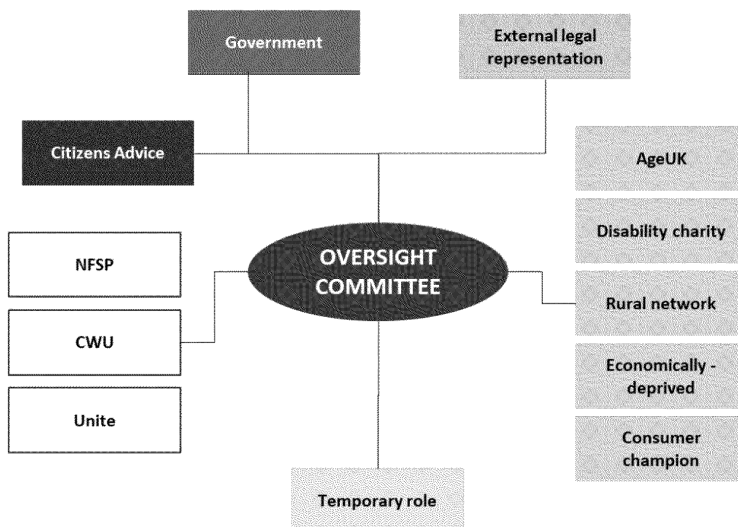
The Charity Governance Code proposes that a Board should comprise of between 5-12 trustees, however, given the number of stakeholder bodies, our proposal would be for a minimum of 12.

Who is on the Committee?

The members below are proposed to ensure a wide range of interests and views are represented.

- Government 1
- Membership bodies/unions (dependent on number represented)
 - NFSP 1
 - CWU 1
 - Unite 1
- External legal representation 1
- Representative bodies for
 - Older people 1
 - Those with disabilities 1
 - Rural network 1
 - Economically deprived 1
 - Consumer champion (CA) 1
- Temporary role 1

It is proposed to have one temporary role for individuals who could offer advice on specific issues pertinent to the agenda.



Meeting Frequency

- **Quarterly** to scrutinise the outcomes and decisions of the two PO Board meetings
- **Annually** to ensure alignment to Group Strategic Plan and to oversee bonus process
- **By Exception** when issues arise such as Inquiry non-disclosure and bonusgate

Key Aims of the Oversight Committee

- Challenge the strategy of the PO
- To work with Government and Post Office to secure the future of the network
- To enhance the role of the Government as sole shareholder
- To prove that a diverse group of people can work together for the needs of the network prior to mutualisation
- To ensure the Government uses the powers it has to improve the culture at the PO and rebuild trust in the Post Office brand
- To ensure POL achieves the goals of the long-term strategy
- To improve transparency and corporate accountability
- Ensure the Post Office's IT system is externally audited and that any improvement recommendations are implemented

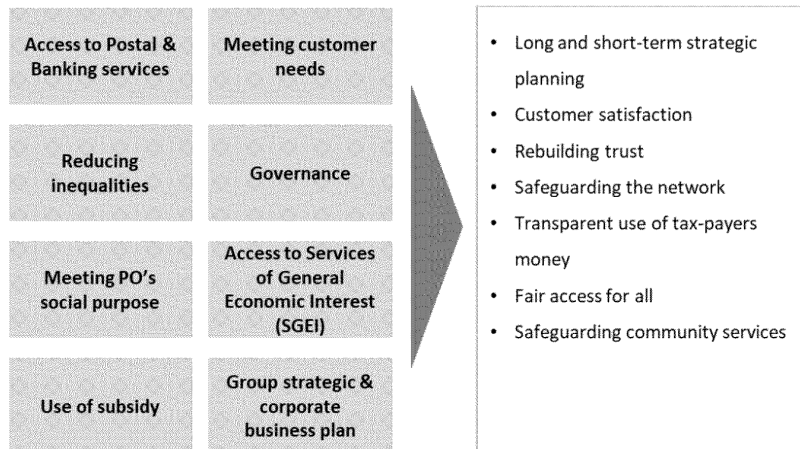
What the Committee will use as its foundation

- Equalities laws
- Access to cash legislation
- Access Criteria
- Postal Services Act 2000 and 2011
- Ofcom and regulatory bodies annual workplan
- Post Office's Business Plan
- Government subsidy
- Social purpose of the Post Office
- Services of General Public Interest

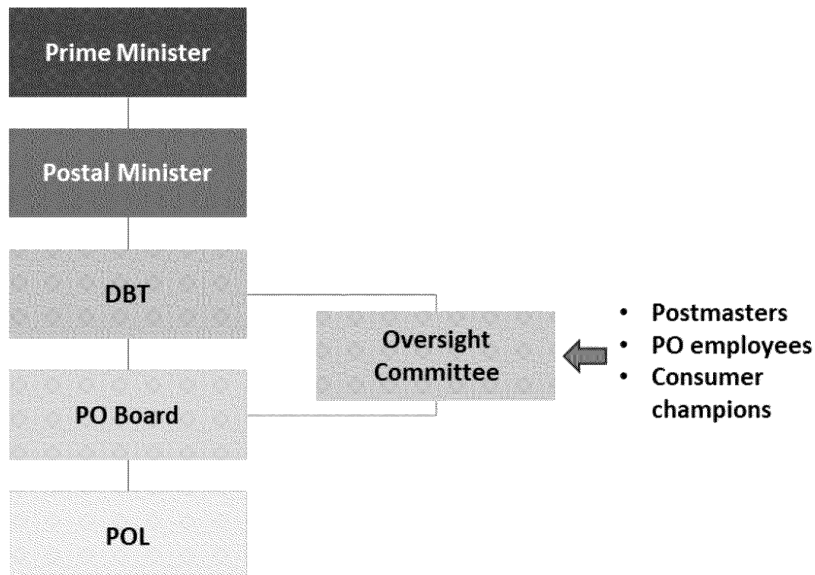
What the Oversight Committee offers that isn't currently met

- To prepare for mutualisation or similar
- To ensure the transparent distribution of subsidy is where the network most needs it
- To ensure future viability of the network
- To offer a solution to the findings to be shared by Sir Wyn in 2024
- Scrutiny of the daily running of POL – currently only strategy and financials
- To protect the investment made by Postmasters
- To offer key invaluable insight from those at operational level, which can be fed into short / medium term strategy

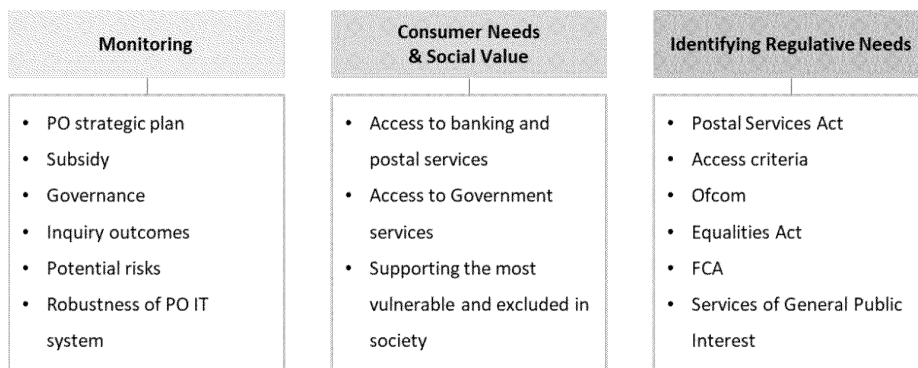
Suggested scope for oversight committee



Proposed hierarchy structure for oversight committee



Structure



- From the private sector they have two-tier boards etc, organisations such as the BBC, NHS, Schools Board etc have different corporate structures (Public Corporation under the 1969 Act)

Measuring success

A key outcome of successful implementation will be early identification of issues and concerns throughout the network.

As success is subjective, it is important to establish what success looks like to stakeholders when it comes to the Post Office.

As Post Office has social purpose at its core, any measurement of success must include this as a key performance indicator. This social purpose has to include the Post Office's ability to maintain a nationwide network providing services of general public interest (SGPI's). These SGPI's include:

- Mails – At present this is a provision of access to postal services which the Universal Service Obligation (USO) provider is required to provide via both legal and regulatory conditions and directions. This needs to expand beyond the USO to ensure a national access to a broad range of mails services, especially in rural locations
- Banking – whilst at present, banking services are limited to basic community facilities such as cash withdrawals and depositing of cash and cheques. It is important that the needs of consumers around the country, in terms of wider banking services are met.
- Bill payments – those who rely on cash on a day to day basis, or the digitally-excluded require an easily accessible face to face provision
- Government and Local Authority services – all demographics require access to government and local provision within their locality

An improved culture within the PO towards Postmasters is beneficial for all. A recent incident involving senior management awarding themselves large bonuses, #Bonusgate, further eroded Postmaster and the public's confidence in the institution, in part due to a proportion of the bonuses triggered by helping the Horizon Inquiry, and for an improved relationship with Postmasters, which was measured off two survey questions.

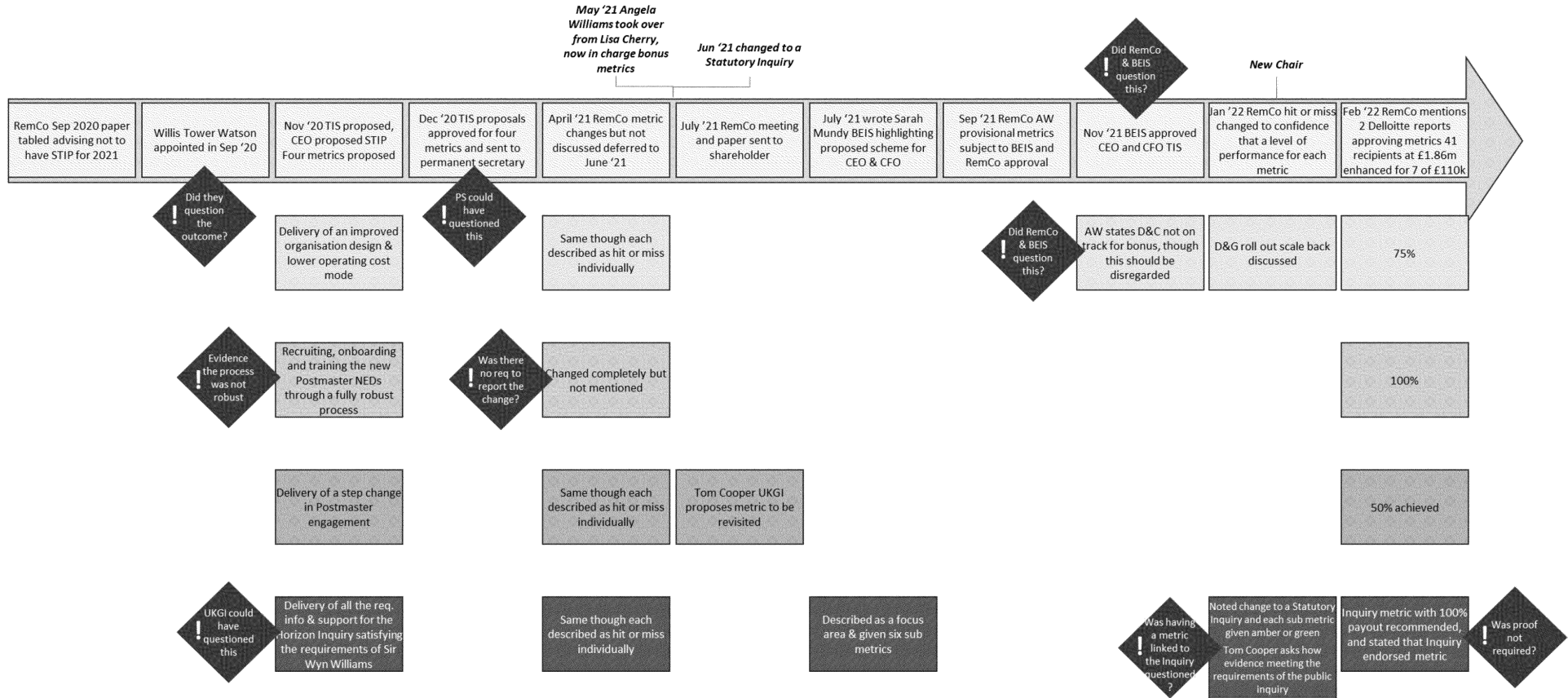
The moral and ethical argument of basing bonus metrics on helping a statutory Inquiry dealing with the mistakes of the Post Office would be apparent to most, yet these metrics were approved during a lengthy review process. The image below shows a process map of how the bonus metrics were approved, alongside possible missed opportunities to flag these.

As highlighted by the 'Mr Bates Vs The Post Office' programme, the overall trust in Post Office Ltd as an organisation by the general public and those who operate the Horizon system could not be lower. The implications endured by the victims over such a long period of time is reprehensible. The fact that it took so long for the truth to emerge, due to obfuscation by all those involved, implores a different way in which the Post Office is governed to be brought to the fore. This should be to ensure that nothing like these events could ever happen again within PO Ltd, and that trust in business from both the general public and those who have a contract with PO Ltd, can be enabled.

The image below that shows the proposed oversight committee process, where a number of stakeholders have the opportunity to review and make recommendations before final sign off.

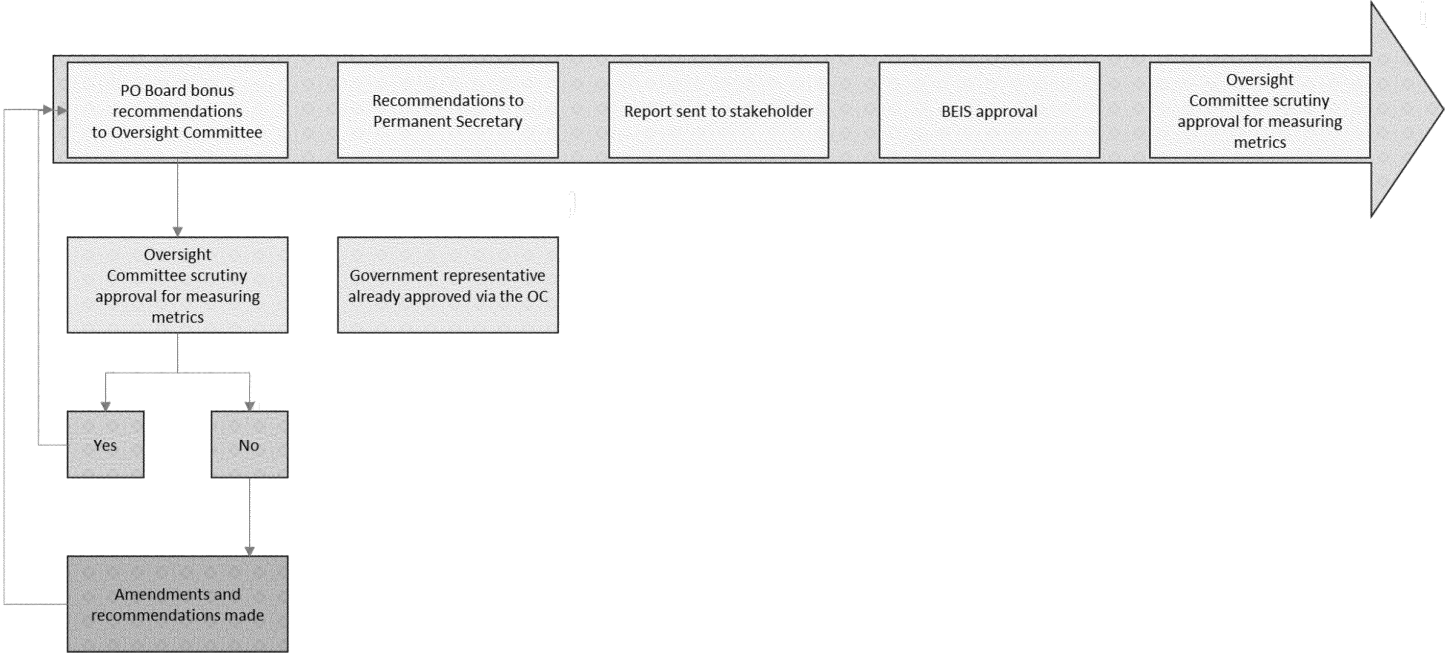
CASE STUDY: BONUSGATE

Current process using #Bonusgate case study



CASE STUDY: BONUSGATE

Process using Oversight Committee proposal: #Bonusgate case study



MONITORING:

- *Sub-groups for:*
 - *Finance*
 - *Operations and culture*
 - *Strategy*
 - *Stakeholder and social value needs*
- *Key Performance Indicators against strategy*
- *Support identification and allocation of resources*

LEGALITIES

Shareholder relationship framework document (March 2020)

Changing the POs shareholder relationship

The NFSP has sought legal advice regarding the formation of an Oversight Committee and believe the process of forming an Oversight Committee would start with the Government placing the PO into administration by way of Members Voluntary Liquidation. This would require the board to agree and the consent of the Secretary of State for Business and Trade.

A new body would then be required to be created, with the business / staff / assets then transferring to that new body, or taken in-house to the Government.

NEXT STEPS

- Future of the PO network - mutualisation