
From: Minister HOLLINRAKE (DBT)[/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=3F131AB4A1E443368F392D196C626FAE-5B2AC667-8A]
Sent: Thur 23/11/2023 1:27:16 PM (UTC)
To: Secretary Of State INTERNATIONAL TRADE (DBT)[Badenoch@GRO]; Perm SEC (DBT)[perm.sec@GRO]; Sonia ZVEDENIUK (DBT)[Sonia.Zvedeniuk@GRO]; Daniel EL-GAMRY (DBT)[Daniel.ElGamry@GRO]; Spad SOS (DBT)[spad.badenoch@GRO]
Subject: Re: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Hi Rose

Sorry for the delay on this there's been a fair amount of back and forth.

Minister Hollinrake has now approved. He commented that he looks forward to seeing the headcount reduction numbers of senior management. He also commented that on the Banking Framework, we need to emphasise to management that we need to see all the improved remuneration going directly to the network.

v best,

Jamie

Jamie Lucas | Deputy Head of Office and Private Secretary to Kevin Hollinrake MP, Minister for Enterprise, Markets and Small Business |

Department for Business and Trade | Old Admiralty Building | London SW1A 2DY |

Tel: GRO

From: Secretary Of State INTERNATIONAL TRADE (DBT) <GRO>
Sent: 20 November 2023 12:36
To: Perm SEC (DBT) <GRO>; Minister HOLLINRAKE (DBT) <GRO>; Sonia ZVEDENIUK (DBT) <GRO>; Daniel EL-GAMRY (DBT) <GRO>; Spad SOS (DBT) <GRO>
Subject: RE: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Thank you. Jamie, I'll put to SoS once KH is content.

Best,

Rose



Rose Lasko-Skinner | Private Secretary to The Secretary of State
Department for Business and Trade | Old Admiralty Building |
London | SW1A 2BL

GRO

From: Perm SEC (DBT) <GRO>
Sent: Wednesday, November 15, 2023 2:26 PM
To: Secretary Of State INTERNATIONAL TRADE (DBT) <GRO> Minister
HOLLINRAKE (DBT) <GRO> Sonia ZVEDENIUKE (DBT)
> Daniel EL-GAMRY (DBT)
> Spad SOS (DBT)

GRO

Subject: RE: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL
CEO/CFO

Hi Rose,

Yes, after a bit of back and forth with the team (see attached), the Perm Sec signed this off.

Jasmine



Department for
Business & Trade

Jasmine Bossley | Private Secretary to the Per
Office Group
Department for Business and Trade | Old Adm
SW1A 2DY
Tel: <GRO> | E-mail: <Perm.Sec>
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GRO

*For more information about working with the Per
please click [here](#).*

Box Time: 12pm daily – please agree non-stand
Private Secretary.

Clearance: Routine clearance is 6 working days -
clearance with the relevant Private Secretary.

From: Secretary Of State INTERNATIONAL TRADE (DBT) <GRO>
Sent: Wednesday, November 15, 2023 2:01 PM
To: Minister HOLLINRAKE (DBT) <GRO> > Sonia ZVEDENIUKE (DBT)

GRO

> Daniel EL-GAMRY (DBT)
Spad SOS (DBT)
Perm SEC (DBT) <

GRO

Subject: RE: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Thanks Jamie – agreed. I'll box once Kevin is content with approach.

@Perm SEC (DBT) has Perm Sec opined on this?

Thanks all,

Rose



Rose Lasko-Skinner | Private Secretary to The Secretary of State
Department for Business and Trade | Old Admiralty Building |
London | SW1A 2BL **GRO**

From: Minister HOLLINRAKE (DBT) **GRO**
Sent: Wednesday, November 15, 2023 1:42 PM
To: Secretary Of State INTERNATIONAL TRADE (DBT) **GRO** >; Sonia ZVEDENIUUK (DBT) **GRO** Daniel EL-GAMRY (DBT)
GRO Spad SOS (DBT)
Subject: Re: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Thanks Rose - from my perspective I think it would be sensible to have SoS across this 1. given her interest in Post Office matters and 2. for more weight if, for want of a better phrasing, we need to tell them off about governance matters again.

I'll come back to you once Minister Hollinrake has taken a look at the answers provided by Lorna.

v best,

Jamie

Jamie Lucas | Deputy Head of Office and Private Secretary to Kevin Hollinrake MP, Minister for Enterprise, Markets and Small Business |
Department for Business and Trade | Old Admiralty Building | London SW1A 2DY |
Tel: **GRO**

From: Secretary Of State INTERNATIONAL TRADE (DBT) **GRO**
Sent: 15 November 2023 13:35
To: Minister HOLLINRAKE (DBT) **GRO** >; Sonia ZVEDENIUUK (DBT) **GRO** Daniel EL-GAMRY (DBT)

GRO

>; Spad SOS (DBT)

Subject: RE: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Hi Jamie,

Thanks v much for pushing these questions – @Spad SOS (DBT) this is one that deffo needs to be boxed for SpAds once @Minister HOLLINRAKE (DBT) is happy @Sonia ZVEDENIUK (DBT) from a Post Office PoV and @Daniel EL-GAMRY (DBT) from the corporate pov.

My sense is that it should also go to SoS given the upset with the last round of bonuses for the Post Office but Jamie keen to be led by you.

Many thanks,

Rose



Rose Lasko-Skinner | Private Secretary to The Secretary of State
Department for Business and Trade | Old Admiralty Building |
London | SW1A 2BL | **GRO**

From: Gratton, Lorna - UKGI <**GRO**>
Sent: Tuesday, November 14, 2023 9:27 PM
To: Minister HOLLINRAKE (DBT) <**GRO**>; Secretary Of State
INTERNATIONAL TRADE (DBT) <**GRO**>; Rajeswaran, Siv - UKGI
<**GRO**>; Spad SOS (DBT) <**GRO**>
Cc: Arasaratnam, Roshana - UKGI <**GRO**>; Kennedy, Benjamin - UKGI
<**GRO**>; Carl CRESWELL (DBT) <**GRO**>
Brooks-White Jobshare <**GRO**>; David BICKERTON (DBT)
<**GRO**>; Rebecca STOCKBRIDGE (DBT)
<**GRO**>
Subject: RE: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Jamie,

I agree this is extremely complicated. Amanda Burton (new Remco chair) and I have agreed that we will be dramatically simplifying it going forward. With regard to your specific questions, please see answers below.

Let us know if you need anything else.

Best wishes,

Lorna

Why are we only now approving an STIP covering 22/23 (ended March 23)?

The previous Remco Chair unfortunately took her eye off the ball and didn't get the 22/23 scheme into HMG for approval within the financial year. It was approved by Remco at the start of the financial year (FY22) and communicated to the wider Group Executive (so did act as an incentive for the management team), but the HMG STIP approval for the CEO/CFO was lost by the company amongst the other contentious pay approvals they tried to seek last year. They had initially sought to submit to HMG in March 22, but given the issue with bonuses and the annual accounts, the company then pulled the document from the approval process until that was resolved. It's clearly completely suboptimal and Amanda is clear that it won't happen again.

Please can I see basic salary and bonuses of CEO and CFO paid over last 3 years and projected OTE for next 3 years?

CEO

Year ending	2020	2021	2022	2023
	£000	£000	£000	£000
Total Remuneration	257	415	816	573
Of which:				
Salary	225*	415	415	436
TIS value			123 (66%) ⁵	
STIP value (% of max)	32 (32%) ¹	0 ³	163 (87%)	137 (70%)
LTIP value (% of max)	0 ²	0 ⁴	115 (76%)	0

*Pro-Rated Entitlement from September 2019

[1] the STIP Executive Directors was subject to a 50% reduction for 2019/20

[2] Nick Read was not eligible for LTIP2017/20 Scheme as he joined the organisation in September 2019

[3] The 2020-21 STIP was cancelled on account of the pandemic and replaced with a longer term TI Scheme of identical quantum paying out in FY21/22

[4]The 2018-21 LTIP did not pay out as performance did not reach the EBITDAS target threshold

(5) The TI Scheme figures are the same as the ARA and it should be noted that a subsequent voluntary gross repayment of £54,469 has been made by CEO.

CFO

Year ending	2020	2021	2022	2023
	£000	£000	£000	£000
Total Remuneration	512	316	627	400

Of which:				
Salary	245	245	245	245
Benefits	71	71	71	71
TIS value (% of max)			80 (49%)	
STIP value (% of max)	48 (32%)	0	99 (61%)	85 (52%)
LTIP value (% of max)	148 (86%)	0	133 (78%)	0

The out-turns for the 21/24, 22/25 LTIP aren't yet known. The metrics for assessment (as set by Remco) were set out in the sub. The 23/26 LTIP will come to the shareholder shortly. Some additional observations:

- 21/24 LTIP:
 - 40% of the pay out is based on a financial metric that will not be met due to the overspend on the IT system
 - 15% of the pay out is based on a Horizon replacement implementation metric that will not be met
- 22/25 LTIP:
 - 25% of the pay out is based on a Horizon implementation metric that will not be met

Can we confirm that there are no remuneration incentives for anything to do with the inquiry or compensation schemes/ payments and that the overall package has been reduced as a result rather than the incentive being spread over other targets.

All Inquiry metrics have been removed – the total quantum available has been reduced as a result (worth 4% of the scheme). There was an HSS metric in the 22/23 STIP (worth 6% of the scheme). This is was to make 95% of offers by 1 Dec 2022. This was marked by Remco as not met as 94.52% of offers were made by this date, and therefore Remco has declined to pay. You could decline to approve the HSS metric in the scheme. This would not change the quantum of the award to any member of POL staff, but it would mean that the metric did not appear in the table in the annual accounts and instead would be noted as having been removed.

What are the metrics and incentives in here to reduce central office headcount and overheads. Please can we show cost cuts for DMBs separately from management team cuts.

STIP 23/24 includes a cost challenge, which the interim CFO of POL is coming to present to you at the beginning of December. The cost challenge is for £15.9m of savings against budget within the financial year. The target was for a total savings number, rather than specified line-by-line by Remco, in order to provide management with the opportunity to balance savings within year. However, the

company has provided a breakdown of how they expect to make the savings (shown below), and Remco has made clear that they will take a view on whether particular savings are appropriate to include depending on the quality of the saving (e.g. recurrent/one-off, genuine savings as opposed to delayed cost). Of the £15.9m target £1.7m was expected to be DMB exits, which will be missed, and therefore additional savings will need to be found from other line items to hit the target.

Cost challenges of this kind are (very surprisingly) new to POL and not well embedded in the culture of the organisation. This is beginning to change and the current challenge is being taken very seriously by management. The current challenge, in the terms specified below has been worked on by management for the last 7 months. Clearly the 23/24 STIP should have come to HMG for approval earlier in the year (it was, like the 22/23 STIP, delayed due to the bonus issue from last year's accounts). It will be difficult for management to change course on the line items in the savings at this stage, but the company (and Remco) will be receptive to taking your steer on specifics for next year.

IRRELEVANT

Lorna Gratton | Director

UK Government Investments

1 Victoria Street, London, SW1H 0ET

T

GRO

GRO

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PA: Georgia Leppenweli

GRO

From: Minister HOLLINRAKE (DBT)

GRO

Sent: 14 November 2023 08:41

To: Secretary Of State INTERNATIONAL TRADE (DBT)

GRO

Gratton, Lorna - UKGI

GRO

Rajeswaran, Siv - UKGI

GRO

Spad SOS (DBT)

GRO

Cc: Arasaratnam, Roshana - UKGI

GRO

Kennedy, Benjamin - UKGI

GRO

>; Carl CRESWELL (DBT)

GRO

Brooks-White Jobshare <

GRO

David BICKERTON (DBT)

GRO

>; Rebecca STOCKBRIDGE (DBT)

GRO

Subject: Re: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Hi team

Afraid Minister Hollinrake has a lot of comments, could you get back to me with answers so I can put this back to him.

Comments:

Must be the most complicated remuneration package I've ever seen and the brief really doesn't make it any clearer.

- *Why are we only now approving an STIP covering 22/23 (ended March 23)?*
- *Please can I see basic salary and bonuses of CEO and CFO paid over last 3 years and projected OTE for next 3 years?*
- *Can we confirm that there are no remuneration incentives for anything to do with the inquiry or compensation schemes/ payments and that the overall package has been reduced as a result rather than the incentive being spread over other targets*
- *What are the metrics and incentives in here to reduce central office headcount and overheads. Please can we show cost cuts for DMBs separately from management team cuts*

@Secretary Of State INTERNATIONAL TRADE (DBT)Rose, suggest you hold off putting it to SoS as these are quite hefty questions.

v best,

Jamie

Jamie Lucas | Deputy Head of Office and Private Secretary to Kevin Hollinrake MP, Minister for Enterprise, Markets and Small Business|

Department for Business and Trade | Old Admiralty Building | London SW1A 2DY |

Tel: **GRO**

From: Secretary Of State INTERNATIONAL TRADE (DBT) <**GRO**>

Sent: 09 November 2023 10:01

To: Minister HOLLINRAKE (DBT) <**GRO**> Gratton, Lorna - UKGI
GRO; Rajeswaran, Siv - UKGI <**GRO**> Spad SOS (DBT)

Cc: Arasaratnam, Roshana - UKGI <**GRO**> Kennedy, Benjamin - UKGI
GRO; Carl CRESWELL (DBT) <**GRO**>

Brooks-White Jobshare <**GRO**> David BICKERTON (DBT)
GRO; Rebecca STOCKBRIDGE (DBT)

Subject: RE: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Thanks Jamie – deffo something worth flagging to SoS given the issues with the previous ones, which SoS wrote to Nick Read about recently.

Will box once Minister Hollinrake has comment/read out.

Many thanks,

Rose



Rose Lasko-Skinner | Private Secretary to The Secretary of State
Department for Business and Trade | Old Admiralty Building |
London | SW1A 2BL **GRO**

From: Minister HOLLINRAKE (DBT) <**GRO**>

Sent: Monday, November 6, 2023 12:53 PM

To: Gratton, Lorna - UKGI <**GRO**> Rajeswaran, Siv - UKGI

GRO; Spad SOS (DBT) <**GRO**>

Secretary Of State INTERNATIONAL TRADE (DBT) <**GRO**>

Cc: Arasaratnam, Roshana - UKGI <**GRO**> Kennedy, Benjamin - UKGI

GRO; Carl CRESWELL (DBT) <**GRO**>

Brooks-White Jobshare <**GRO**> David BICKERTON (DBT)

GRO; Rebecca STOCKBRIDGE (DBT)

Subject: Re: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Taking off DESNZ SpAd office again, can we make sure not to copy them in. Adding DBT SpAds office and SoS office.

Thanks for this, I've copied SoS office due to the interest SoS has shown in Post Office recently. @Secretary Of State INTERNATIONAL TRADE (DBT) Rose, let me know if this is something SoS may be interested in.

I'll box this soon.

thanks,

Jamie

Jamie Lucas | Deputy Head of Office and Private Secretary to Kevin Hollinrake MP, Minister for Enterprise, Markets and Small Business |

Department for Business and Trade | Old Admiralty Building | London SW1A 2DY |

Tel: **GRO**

From: Gratton, Lorna - UKGI <**GRO**>
Sent: 06 November 2023 12:22
To: Rajeswaran, Siv - UKGI <**GRO**>; SpAds Office (Private Office)
GRO; Minister HOLLINRAKE (DBT) <**GRO**>
Cc: Arasaratnam, Roshana - UKGI <**GRO**>; Kennedy, Benjamin - UKGI
GRO; Carl CRESWELL (DBT) <**GRO**>
Brooks-White Jobshare <**GRO**>; David BICKERTON (DBT)
GRO; Rebecca STOCKBRIDGE (DBT)
GRO
Subject: RE: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Jamie,

Just to add to the below. The submission (and Siv's email) refer to the Post Office having not set a target for the cash flow metric for the LTIP 21/24 (and hence no value is defined in the letter sent to the minister by Amanda Burton). After much trawling through paper, POL have now found the number (from Nov 21) that the committee intended to set as the target, but which was never submitted to the committee for approval.

There was a special Remco to discuss this (and some other items) this morning. The committee resolved to adopt the target as had been intended in Nov 21. However, as there have been such significant overspends on all investment spend (the IT programme, the Inquiry, and business as usual investment spend) – the target has been comprehensively missed, and the committee was clear that no payment would be made for it.

We therefore suggest that for audit purposes, the minister approve the schemes in full, without declining to approve the cash-flow metric as we initially suggested. This will have no impact on the amount paid to any POL staff (as they will still receive no payment for it), but will mean that when the time comes, it will be clear in the annual accounts that they had a target and they missed it. It we don't approve it at all, then it will not appear in the annual account as having ever been set.

If it helps, and if the minister agrees, it would be fine to note in your read out that the minister has approved the schemes on the understanding that the numbers used by Remco for the cash flow metric for LTIP 21/24 are such that the target has not been met and therefore will not be paid.

Happy to have a quick call to discuss if any of this isn't clear.

Thanks,

Lorna

Lorna Gratton | Director

UK Government Investments

1 Victoria Street, London, SW1H 0ET

T: [REDACTED] GRO

[REDACTED] GRO

www.ukgi.org.uk

PA: Georgia Leppenwell

[REDACTED] GRO

From: Rajeswaran, Siv - UKGI <[REDACTED]>

[REDACTED] GRO

Sent: 03 November 2023 11:56

To: SpAds Office (Private Office) <[REDACTED]> Minister HOLLINRAKE (DBT)

[REDACTED] GRO

Cc: Arasaratnam, Roshana - UKGI <[REDACTED]> Kennedy, Benjamin - UKGI

[REDACTED] GRO

Gratton, Lorna - UKGI <[REDACTED]>

[REDACTED] GRO

Partner

Organisation Pay <[REDACTED]> CPO Office <[REDACTED]> Perm SEC

(DBT) <[REDACTED]> Carl CRESWELL (DBT)

[REDACTED] GRO

brooks-white@[REDACTED]

[REDACTED] GRO

David

BICKERTON (DBT) [REDACTED] GRO rebecca.stockbridge

[REDACTED] GRO

Subject: OS PERSONAL [FOR DECISION] FY22/23 and FY 23/24 Annual Bonus Schemes for POL CEO/CFO

Dear Jamie,

Amanda Burton, Post Office Remuneration Committee (RemCo) Chair has written to the Minister, seeking shareholder approval for a number of Post Office Incentive Schemes. These include the:

- Short-Term Incentive Plan (STIP) 2022-23;
- STIP 2023-24;
- Long-Term Incentive Plan (LTIP) 2021-24; and
- LTIP 2022-25.

Background

Shareholder approval is required for changes to the targets and structure of performance pay for Post Office Limited's CEO and CFO.

Following the recent Select Committee hearing and internal and external reviews into the awarding of

payments relating to the Transformation Incentive (TI) Scheme, Post Office has taken several steps, in advance of submitting these schemes for approval, to ensure its annual performance schemes are robust and appropriate.

It is clearly suboptimal that the company is coming for approval for schemes for which the reporting period has closed, or nearly closed. The new RemCo Chair is dealing with a legacy of poor performance and is adamant that this will not happen again.

Recommendation

UKGI officials are recommending that the Minister approve the Schemes subject to a significant 40% haircut to LTIP 21-24 (worth around £80k in potential payments to both the CEO and CFO) as well as several caveats including that Post Office meet in full their commitments to the Shareholder following the Simmons review into RemCo Governance and RemCo agreeing that all future schemes metrics commencing FY 24/25 will not be re-opened once set.

Next Steps

Please see attached the submission for the above schemes for the Minister's clearance. We would be grateful if this could be put on the Minister's agenda for consideration at the earliest opportunity.

The submission and recommendations have been discussed with, and cleared by the DBT Permanent Secretary, Gareth Davies; UKGI Director and Post Office Shareholder NED, Lorna Gratton; and the DBT DG, David Bickerton. **Please let us know if the Minister would like a call with Lorna and David to discuss the submission.**

Thanks for all your help. Please let me know if any questions.

Best,

Siv

Siv Rajeswaran | Manager

UK Government Investments

1 Victoria Street, London, SW1H 0ET

M: **GRO**

www.ukgi.org.uk

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