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Post Office Limited
Meeting of the Board of Directors
Agenda

Date:	25 March 2024	Time	12:15 – 17:30 hrs	Location	100 Wood Street, London EC2V 7ER

Present		Other Attendees as per Agenda items	
• Ben Tidswell (SID)	• Nick Read (CEO)	• Alison Hoyland (Deputy Company Secretary)	• Asha Patel (FP&A Director)
• Saf Ismail (NED) (via Teams)	• Simon Jeffreys (NED)	• Kathryn Sherratt (Interim CFO) (Observer) (duration)	• Simon Recaldin (Remediation Unit Director)
• Lorna Gratton (NED)	• Elliot Jacobs (NED)	• Owen Woodley (Deputy CEO) (Observer) (duration)	• Diane Wills (Inquiry Director)
• Brian Gaunt (NED)	• Amanda Burton (NED)	• Tim McInnes (Strategy and Transformation Director)	• Liam Carroll (Procurement Director)*
• Andrew Darfoor (NED)		• Martin Hopcroft (Director of Health & Safety, Environment & Business Continuity)	• Simon Oldnall (Horizon and GLO IT Director)
Apologies: Al Cameron		• Sarah Bell (Partner, Grant Thornton)*	• Irina Velkova (Director, Grant Thornton)* (Via Teams)
		• Barbara Brannon (Product Portfolio Director)*	• Simon Parr (CEO, POI)*
		• Carl Roe (Head of IT and Change, POI)*	• Tom Lee (Group Financial Controller)
		• Zdravko Mladenov (Chief Digital Information Officer)	• Dan O'Mahoney (Inquiry Operations & Strategy Director)
		• Neil Davey (Remediation Unit Finance Director)	• Chrysanthy Pispinis (Chief of Staff)
		• Charlotte Johnson (Head of Customer Complaints)*	• Kelly Goodwin (Programme Director)*
		• Pete Marsh (Retail Operations Director)*	• Martin Roberts (Group Chief Retail Officer)
		• Rachel Scarrabelotti (Group Company Secretary)	• Patrick Bell (Senior Legal Counsel)*
		• The Rt Hon Kemi Badenoch MP*	• Christian Spelzini (Head of Legal)
• Jonathan Houston (Associate Director, Grant Thornton)* (via Teams for the duration) - observing as part of the Board Effectiveness Review.		• Martin Edwards (Network Strategy & Delivery Director)	

NB: All Board Members and Attendees listed above have Confidentiality Undertakings accepted by the Inquiry in place, save those marked with an *. Should the need to discuss confidential information in respect of the Inquiry arise, individuals without a Confidentiality Undertaking in place will need to be excused for the duration of the discussion.

Agenda Item		Action Requested	Lead	Timings
1.	**Nomination of Chair** **Welcome and Conflicts of Interest** **Inquiry Undertakings**	Approval Noting Noting	CoSec Chair Chair	12:15 – 12:20 hrs
2.	**Minutes** 1 March 2024 **Matters Arising**	 Approval Noting	Chair/ CoSec	12:20 – 12:25 hrs

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3.	**Committee reports (verbal)** • Remediation Committee • Audit, Risk and Compliance Committee • Remuneration Committee • Nominations Committee • Investment Committee	Noting	Chair/ Committee Chairs	12:25 – 13:00 hrs
4.	**CEO Report**	Noting	N Read	13:00 – 13:30 hrs
5. (a)	**Finance**			
	• FY2024/25 Business Plan	Approval	K Sherratt/ A Patel/ T McInnes	13:30 – 14:00 hrs
Attendance at the Board meeting by the Rt Hon Kemi Badenoch MP, Secretary of State for the Department for Business and Trade				14:00 – 14:30 hrs
5. (b)	**Finance (cont.)**			
	• Financial Performance Report • FY23/24 Outturn - Postmaster proposal • Short Term Facility Amendment	Noting Approval Approval	A Patel K Sherratt/ M Edwards T Lee	14:30 – 14:45 hrs
6.	**Payzone**			
	• Payzone Integration • Payzone Letter of Support	Approval Approval	B Brannon/ C Spelzini/ T Lee K Sherratt / T Lee	14:45 – 15:00 hrs
7.	**Contract and sourcing strategy matters**			
	• DXC EUC contract extension • Optima Health contract • Network consumables • TB Cardew contract	Approval Approval Approval Approval	S Oldnall M Hopcroft P Marsh/ M Roberts N Read [With L Carroll for all reports]	15:00 – 15:15 hrs
8.	**Transforming Technology**			
	• SPMP DBT Business Case Update • Fujitsu extension • SPMP Drawdown request • Second Device – Interim Business Case and Drawdown request	Noting Noting Approval Approval	T McInnes S Oldnall/ L Carroll/ P Bell K Goodwin Z Mladenov	15:15 – 15:45 hrs
9.	**GT Governance Review** (verbal)	Noting & Input	S Bell/ I Velkova / C Pispinis/ R Scarrabelotti	15:45 – 16:30 hrs
10.	**Rebuilding Trust**			
	• Inquiry Update • Inquiry FY24/25 Budget & Drawdown request • Sensitive Issues request and ISC ToR • RU Update • RU FY24/25 Budget & Drawdown request • RC ToR and Delegated Authorities Matrix	Noting Approval Approval Noting Approval Approval	D Wills/ D O'Mahoney/ N Davey S Recaldin	16:30 – 17:00 hrs

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11.	**Items with presentation**			
	• Group Customer Complaints Policy	Approval	C Johnson	17:00 – 17:05 hrs
	• Health & Safety Report	Noting	M Hopcroft	17:05 – 17:10 hrs
	• POI Accenture Managed Service Contract Extension	Approval	S Parr/ C Roe	17:10 – 17:15 hrs
12.	**Governance Items**			17:15 – 17:30 hrs
	• Board Effectiveness Review Update (verbal) • Annual Governance Report • Sealings Report • Nomination Committee membership • Future Meeting Dates • Forward Agenda	 Approval Approval Approval Noting Noting	CoSec	
13.	**Any Other Business** • Feedback on papers	 Noting	 Chair	
14.	**Date of next scheduled meeting:** 4 June 2024 11:15 – 17:00	Noting	Chair	
Papers to be taken as read, no presentation				
1. Technology Dashboard 2. Retail Performance Dashboard 3. Branch Layouts 4. Project Darwin: • Lesson learned Review • Business Transfer Update				

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POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

MINUTES OF AN ADDITIONAL MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON FRIDAY 01 MARCH 2024 AT 100 WOOD STREET, LONDON, EC2V 7ER AT 09:30 AM[1]

Present:	Ben Tidswell	Senior Independent Director **(BT)**
	Lorna Gratton	Non-Executive Director **(LG)**
	Saf Ismail	Non-Executive Director **(SI)**
	Elliot Jacobs	Non-Executive Director **(EJ)**
	Brian Gaunt	Non-Executive Director **(BG)**
	Simon Jeffreys	Non-Executive Director **(SJ)**
	Amanda Burton	Non-Executive Director **(AB)**
	Andrew Darfoor	Non-Executive Director **(AD)**
	Nick Read	Group Chief Executive Officer **(NR)**
In attendance:	Alison Hoyland	Deputy Company Secretary **(AH)**
	Owen Woodley	Deputy CEO (Observer) **(OW)**
	Kathryn Sherratt	Interim CFO (Observer) **(KS)**
	Asha Patel	Director of Strategic Financial Planning & Analysis **(AP)**
	Karen McEwan	Group Chief People Officer **(KMcE)**
	Christian Spelzini	Head of Legal Corporate, Banking and FS **(CS)**
	Gemma Ludgate	Inquiry Operations Director **(GL)**
	Tom Lee	Group Financial Controller **(TL)**
Apologies:	Alisdair Cameron	Group Chief Finance Officer **(AC)**

Action

1.1 Nomination of Chair

As provided for under paragraph 23 of the Articles of Association, the Board nominated BT to preside as Chair the meeting.

1.2 Welcome and Conflicts of Interest

A quorum being present, the Chairman opened the meeting. The Chairman called for the Directors to disclose any conflicts of interest.

The following conflicts of interest were noted in relation to the matters to be considered at the meeting:

- NR was conflicted in relation to the agenda item on Rose 2: Board oversight and would recuse himself from the discussion; and
- SI and EJ were conflicted in relation to the agenda item on Postmaster Non-Executive Director Recruitment and would recuse themselves from the discussion.

The Directors otherwise 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.

In general declarations:

[1] Some attendees, including the Chair, participated in the meeting via Microsoft Teams and from their personal addresses. In such circumstances, the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the Chair'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.

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- SJ noted his Director role at CPS.
- EJ and SI noted their Postmaster role

The Board acknowledged the attendance of OW and KS as observers at the meeting. As observers, the Board was aware that all contributions made by OW and KS to the meeting were observations only, and did not constitute advice, recommendations, directions or instructions. The Board confirmed that it would take due care not to be unduly influenced solely by a contribution made by OW or KS and that it would reach its conclusions based on a balanced and diligent assessment of all the facts available to it.

1.3 Inquiry Confidentiality Undertakings

The Board noted that all attendees had confidentiality undertakings accepted by the Inquiry in place, hence no individuals would need to be excused from the meeting should the need to discuss information confidential to the Inquiry arise.

2. Minutes

TABLED and **NOTED** were draft Minutes from the Board Meeting of 30 January 2024. The Board **RESOLVED** that the Minutes of the Meeting held on 30 January be **APPROVED** as a correct record of the Meeting and be signed by the Chair.

The Board noted that a full review of Matters Arising would be reviewed at the next scheduled meeting of the Board on 25 March 2024. In the meantime, AB asked for an update on Project Boland. KS noted that the matter had been discussed at a high-level in the quarterly Ministerial meeting held the previous day. The update noted that good progress was being made in pulling together the analysis and had clarified that shortfalls and discrepancy challenges arose in the context of a number of different circumstances, not all of which would have resulted in a return of funds to POL's P&L. KS explained that the analysis would include a range of worked examples and that this would be shared with Minister Hollinrake and the Board, once finalised.

3a. People

3.1 People Structure and 3-year People Plan

TABLED and **NOTED** was a paper on 'People Structure and 3-year People Plan'.

People Structure

KMcE spoke to the paper and explained that a full review of the People team structure had been undertaken, with the support of an external People and Organisation Design consultant. The recommendations from the review on a proposed new structure for the People team were currently subject to consultation. Key issues being addressed included:

- Lack of capacity and capability.
- The inability of the People teams to partner the business effectively.
- Limited career progression.

KMcE noted that the restructure was fairly extensive and challenging as a result, but that it was necessary. Under the proposals, four new Director new roles would be introduced to support the areas of strategic importance identified in the Strategic People Plan, including

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Wellbeing, Equity, Diversity and Inclusivity and Leadership and Talent. Two of the four roles had been filled.

The proposed structure also sought to remove single points of failure and provide progression routes for talent. The aim was for the new People team structure to be in place towards the end of May.

The following key points were noted in the subsequent Board discussion:

- AD asked about the business partnering roles and KMcE noted that this was a necessary central capability while line management capability was developed and strengthened; KMcE noted that in a year to 18 months it should be possible to reduce, or remove, the central resource once line management capability was sufficiently mature.
- AB sought assurance on whether the new structure would also tackle people control and compliance failures; KMcE confirmed that it would and noted the People Strategy, due for discussion next, the first pillar of which was about laying the foundations and getting the basics right, which included core people processes, policies and systems etc.
- The Board noted the year 1 investment of IRRELEVANT and asked about the return on the investment and how this would be quantified; the Board was keen to understand the measures and metrics that would track progress and show the benefits.
- KMcE noted that the underinvestment in the People function and strategic plans to date and that the investment was overdue. Some benefits would be quantifiable, but in the medium term, rather than the short term, for example, those that would flow from future organisational restructure and from having the right capability in place to whom matters could be delegated, where currently they were taking up executive management time. Others would be more qualitative, for example, where anticipated outcomes included enhanced capability.
- LG added that as well as a set of qualitative and quantitative measures on output benefits, it would be helpful to have a milestone plan, against which progress could be tracked.

People Strategy

KMcE spoke to the paper on the Strategic Plan, which encompassed both the approach and the activities required to enable the People team to transform Post Office into 'a great place to work' over a three-year period, to April 2027. It was focussed on three priority 'or strategic intent' areas, each of which had a number of key deliverables:

- Colleague experience, including engagement, wellbeing, reward, core people processes, policies, systems and data and analytics – to transform what people felt and experienced throughout their time at Post Office.
- Capability, including leadership, talent development, attraction, performance management and organisation design – to reimagine the approach to talent and people capabilities to unlock the full potential of the organisation.
- Inclusion, a core priority that needed to be embedded across the entire organisation – to deepen POL's commitment and focus on equality, diversity and inclusion to become a truly inclusive and safe place for all.

The plan would be delivered across three phases – foundation, growth and sustainability. The foundational stage was about building trust and confidence in delivering the basics; the growth stage would be based on moving beyond the basics, where listening to feedback and responding and improving would be key; sustainability would be about consistency and reliability, where POL would be working at best practice standards in key areas. The phases

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were not consecutive, nor a reflection of how long some things would take, rather showed the level of maturity that would be achieved by each deliverable.

KMcE explained that the Strategic Plan would mean that POL would be more systematic in delivering the intentions, with clear milestones, owners and accountability.

As noted in the earlier discussion on the People team changes, it would be important to measure the effectiveness of intended deliverables. KMcE set out that there would be three overarching measures within the staff survey, against which the success of the delivery of three strategic priorities would be assessed:

- Colleague experience would be measured using colleague advocacy score.
- Capability would be assessed with reference to the results on people being held to account for their performance and behaviours.
- Inclusion would look at the scores on whether the Post Office is making a positive effort and working towards being a more inclusive workplace.

Targets would be set, once a detailed milestone plan for delivery had been agreed with the new People Leadership Team when it was in place.

The following key points were noted in the subsequent Board discussion:

- SI was fully supportive of the Strategic Plan as articulated, but he would want to better understand a few points of detail, including in relation to transforming the experience for Postmasters and what improvements were being targeted, noting that Postmasters they were not referenced explicitly in the Strategic Plan.
- KMcE stressed that Postmasters were very much a focus of the Strategic Plan, directly and indirectly; in the case of the latter, an example would be the benefits that would be derived from the improved capability of POL staff across a number of roles that impacted Postmasters. KMcE would ensure the Strategic Plan made direct references to Postmasters and that the People team would continue to join up with relevant colleagues in POL, for example, in the Retail and frontline teams, to ensure they fully understood Postmaster needs. EJ emphasised the need to make sure that the rationale and narrative for the Plan was understood by Postmasters and what would be improved and why.
- In relation to inclusion, SI noted that POL had some way to go, and cited by way of an example that a number of upcoming Postmaster events had been arranged during Ramadan. While the team had been responsive when this was raised and were rearranging the dates, the issue should not have arisen in the first place. EJ echoed the concerns in this regard.
- KMcE agreed the point; mitigating steps included the development of a diary of different festivals, holidays and observances and plans to nurture more joined up working and cohesion across the staff networks.
- LG observed that the example had highlighted the need for a shift in cultural mind-set, where those considerations had been a natural part of the planning because people cared.
- BT suggested that a broad discussion should come to the Board on cultural change.

Actions

– Quantitative and qualitative measures to be devised against which outputs and benefits could be tracked.	**KMcE (with KS support)**
– Milestone plan to be shared with the Board, once finalised, and periodic updates on progress to be tabled.	**KMcE**

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- Strategic Plan to be updated to reflect the discussion points, including to reference Postmasters explicitly. **KMcE**
- Board discussion on cultural change to be arranged. **KMcE**

3.2 Project Phoenix/Past Roles Review (verbal)

OW had followed up by email on an action he had taken from the January Board to provide an update on the two separate programmes of work – Project Phoenix (investigations into allegations by Postmasters of historical wrongdoing on the part of POL employees) and Past Roles (a review of current employees who had previously undertaken certain past roles that were involved in the investigation/prosecution of Postmasters to consider if any conflict or perception of conflicts arose in relation to the their current role). An agenda item had been added to the 1 March Board so that any developments since the update could be shared and to provide an opportunity for Board members to ask questions.

KMcE explained that there were no significant developments since OW's update, and that both pieces of work were ongoing. KMcE did, however, note significant well-being issues had arisen requiring very careful management.

The following key points were noted in the subsequent Board discussion, and were focused on Project Phoenix investigations:

- EJ asked about the criteria for determining if colleagues should be suspended while under investigation.
- KMcE explained that suspension would only be an appropriate step necessary for the proper conduct of an investigation and/or if a colleague's current role presented a direct conflict or risk; those criteria had not been met for any of the cases under investigation.
- LG asked if the investigations would take account of any current conduct and/or performance issues (including any concerns that might arise in the context of anyone giving evidence at the Horizon IT Inquiry); KMcE confirmed that any such issues or concerns would be taken into account.
- The Board noted that the current status of the investigations were as set out in OW's note and that the governance and decision-making arrangements now included a final step whereby OW and KMcE would decide on the appropriate action to be taken, where the Panel had concluded that there was a misconduct case to answer.

Action:

- Follow up note to be sent to the Board on the potential outcomes from the Phoenix investigations and the criteria against which the different outcomes would be assessed. **KMcE**

3b. Rebuilding Trust

3.3 Inquiry Unit and Remediation Unit liabilities: Shareholder Approval

CS and GL joined the meeting.

TABLED and **NOTED** was a paper on 'Retrospective spend approval'.

Further to the identification of the control failings at the January Board (which arose in the context of the submission of a request for retrospective Shareholder approval under Article 8.1(X) for SPMP spend), the procurement controls had been strengthened to include a

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specific step to check the Articles of Association and whether any relevant provisions were triggered. This new process had identified the need to seek retrospective approval for Inquiry and Remediation Unit spend to date and then to mid-May 2024. The approvals were in line with DBT funding agreements and any associated risks for the technical breach were deemed to be very low.

The following key points were noted in the subsequent Board discussion:

- BT suggested that it might be helpful to review of the Articles of Association and amend them so that they better reflected the circumstances where DBT funding had already been approved, for example.
- LG noted that work had begun on a review of the Shareholder Relationship Framework Document and that amendments to the Articles of Association would flow from that.

In wider matters, NR noted the Board's thanks to GL for her contribution, as her contract would soon be coming to an end.

The Board **RESOLVED** to **AGREE** that the following approval requests be made to the Shareholder under Article 8.3 of the Articles of Association:

i. Retrospective approval in respect of Inquiry Unit liabilities incurred to date (approximately IRRELEVANT
ii. Approval for an additional IRRELEVANT or Inquiry Unit spend (until mid-May 2024).
iii. Retrospective approval in respect of Remediation Unit liabilities incurred to date (approximately IRRELEVANT
iv. Approval for an additional IRRELEVANT for Remediation Unit spend (until mid-May 2024).

4. Finance

4.1 FY24/25 Budget and Product Profitability

AP and TMcI joined the meeting.

TABLED and **NOTED** was a paper on 'FY24-25 Budget and Product Profitability'.

In introductory comments, BT noted the Board was not being asked to make any decisions at this point in the budget cycle, rather it was asked to consider the competing challenges and share views on where the balance should be in relation to those competing challenges and to identify possible further opportunities, both to save and invest.

KS spoke to the papers and explained that the starting position had been to present a break-even budget, taking account of a number of different priorities, including the need to save costs, self-fund investment, generate revenue, increase Postmaster remuneration and operate in line with risk appetite and within the parameters of the working capital facility and security headroom.

The Investment Committee had undertaken an initial review of change spend at its meeting on 12 February and had advocated for more optionality and a clearer articulation between non-discretionary and discretionary spend, having taken the view that the plans were risk averse and that most of the change spend was non-discretionary in nature. LG had noted, in particular, the Shareholder's expectations in relation to DMB exits, the cost savings this would generate, and the need to ensure this was not deprioritised, as well as the opportunity to think more widely about investment funding opportunities. EJ had

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highlighted the importance of investing in automation for Postmasters as well as the need to for continuing innovation in relation to commercial and retail opportunities.

The following key points were noted in the subsequent Board discussion:

- The Board recognised the competing challenges and the prevailing context but felt that the plans were not expressed with POL's strategic intent sufficiently in mind and that it was mostly business as usual.
- NR noted the dependency of the Government's broader Policy Review and what that meant for strategic planning at this stage. While POL and DBT's engagement was constructive in this regard, there was no firm policy vision yet on which to base realistic longer-term planning. Once there was, the Board would be able to consider the longer-term vision and opportunities as part of its forward strategic planning.
- In relation to Postmasters, SI noted that he would be unable to support a budget that offered so little by way of automation and commercial opportunities looking ahead.
- Neither SI nor EJ felt that the Postmaster remuneration assumptions were ambitious enough, nor reflective of the commitment to future Postmaster profitability.
- In discussing the possible levers to increase Postmaster remuneration, in a sustainable way, and taking account of both the variable and fixed elements, it was agreed that the opportunities included increased automation and other wider initiatives which would deliver, among other things, a reduction in the cost to serve and other efficiencies and operating improvements. As such, the benefits and returns were likely to be realised beyond the 2024/25 financial year.
- With that in mind, it would be important to ensure that the narrative on the wider context was conveyed to Postmasters and that they were engaged and understood the plans for future Postmaster sustainability and profitability.
- On a point of detail, SI and EJ reflected that the ability for Postmasters to benefit from the Operational Excellence incentive arrangements, would require access to much better real time data and analysis.
- LG noted that there were opportunities to be less risk averse, reflecting the discussion at the Investment Committee, for example, in areas where cost savings and returns on investment had already been realised, and in the light of which it might be possible to engage Government further on the working capital facility and security headroom position. In noting particular areas that might then benefit from additional spend, LG noted that cyber security should be a priority.
- In noting AD's desire to see more investment in increased digital functionality and capability, OW observed that as well as funding constraints, there were also time and resource constraints, not least in the prevailing climate, that would impact the extent to which further digital innovation could be advanced.
- NR noted that the resource and capability constraints more generally would be addressed, in part, by the changes he had made to the leadership team, but that again, this would take time to embed and for the benefits to be realised while other priorities were the focus. NR noted the recent talk AB had given to the Strategic Executive Group on working through crisis which had been very well received and which had touched on the time it takes for organisations to recover from a crisis situation.
- The Board noted its earlier discussions on the People Strategy and the capability improvements that would be achieved, including in relation to organisational design, and from which further savings might well be achieved in due course.

KS was grateful for the Board's input which would inform the final plans and budget due to be presented for sign-off at the Board on 5 March. In the meantime, KS would welcome any further feedback from Board members.

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Actions:

- Budget and plans to be updated in the light of the Board feedback. **KS/AP/TMcI**
- Board members to follow up with KS on any other feedback/points of detail. **NEDs**

4.2 Corporation Tax – DBT Funding Offer

TL joined the meeting.

TABLED and **NOTED** was a paper, 'Corporation Tax – DBT Funding Offer'.

KS spoke to the paper which set out that POL had received a letter from the Parliamentary Undersecretary of State, Department of Business and Trade (DBT), Minister Hollinrake, outlining DBT's offer for funding to enable POL to settle corporation tax liabilities, should it accept HMRC's assessment of the tax treatment in relation to expenditure and funding for Remediation Matters up to the end of the 2023/24 financial year.

The Board noted that the financial exposure was significant, with liabilities up to c. £70m to the end of the 2023/24 financial year, with further liabilities arising beyond this period. The Board agreed that, on balance, it should accept the DBT offer, but as SJ noted, the opportunity to explain POL's position, and the complexities at play, should be taken as part of the Annual Report and Account disclosures that would be made.

The Board:

- **NOTED** the corporation tax risks and current status.
- **AGREED** that DBT's funding should be accepted.

5. Governance Items

5.1 Articles of Association

TABLED and **NOTED** was a paper on 'Amendments to the Articles of Association'.

AH explained that since the paper was submitted, UKGI colleagues had indicated that they would like to reflect further on the draft amendments.

The Board was:

- **SUPPORTIVE** of the direction of travel as currently drafted and **AGREED** that the proposed amendments, once agreed with UKGI colleagues, should come to the Board on 25 March when it would be asked agree the changes for submission to the Shareholder for approval by way of special resolution.

5.2 Remuneration Committee Terms of Reference

TABLED and **NOTED** were papers on:

(i) 'Remuneration Committee Terms of Reference Amendments';
(ii) 'Remuneration Committee Terms of Reference – Tracked Changes'; and
(iii) 'Remuneration Committee Terms of Reference – Clean'.

The Remuneration Committee had undertaken an annual review of its Terms of Reference and proposed to make a number of amendments to reflect:

- The recommendations in the DBT Simmons & Simmons Report, as well as the A Burton Report.

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- Managing public money responsibilities and remuneration guidance, as set out in the Shareholder Relationship Framework Document.
- Changes to the Group Chief Executive Officer's executive direct reports and the establishment of a Strategic Executive Group.

The Board took the opportunity to note its thanks to AB for the work she had done since her appointment as Chair of the Committee and the considerable improvements that had been to strengthen the governance and oversight of remuneration matters.

The Board:
– **RESOLVED** that the amendments to the Remuneration Committee ToR be, and are hereby, **APPROVED**.

5.3 Rose 2: Board Oversight: confidential and legally privileged.

NR recused himself from the meeting.

TABLED and **NOTED** was a paper, 'Rose 2'.

AB set out the background, which involved a 'Speak Up' referral, subsequent to which an Employment Tribunal (ET) Claim had been served. The investigation of the 'Speak Up' referral was being conducted by an external Barrister and was expected to be concluded at the end of March/early April. The response to the ET claim was due on 4 March 2024.

An Investigation Steering Group, comprising AB and LG, provided governance oversight in relation to the 'Speak Up' referral. The lawyers who were supporting POL in relation to the 'Speak Up' investigation had been instructed to represent POL in the ET claim and they had advised on the approach and the governance arrangements. In relation to the latter, and the governance arrangements, it was proposed that that in light of AB and LG's involvement in the 'Speak Up' Investigation, and that were not conflicted in the matter, they (alongside the Chief People Officer) should be authorised to make material decisions and provide instructions on behalf of POL in respect of the ET Claim.

In related matters, the Board noted the Business and Trade Select Committee's interest in the matter and the requests that it had made for certain documentation.

Noting NR's earlier recusal, the Board **RESOLVED** to **APPROVE**:
– the recommended approach not to run a "reasonable steps" defence.
– the recommended approach for POL's lawyers to represent both POL and POL's Chief Executive Officer (CEO), (subject to CEO's agreement)
– the information sharing and governance arrangements proposed by POL's lawyers.

6. Any Other Business

Nominations Committee Membership

BT provided an update on the current position in relation to the membership of the Committee, in the light of the former Chair's departure, and against the provisions of the 2018 UK Corporate Governance Code and the Committee's ToR.

BT noted that while membership of all the Board sub-committees would need to be reviewed in due course to reflect upcoming Board changes, including the appointment of an interim Chair, the membership of the Nominations Committee would need to be addressed

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in the nearer term. Both SJ and AB noted that they would be willing to join the Committee and agreed to discuss the matter and follow up with BT. Thereafter, the Nominations Committee would be asked to agree a recommendation to the Board for approval.

Postmaster Non-Executive Director recruitment

Before stepping out of the meeting due to their conflict of interest in the matter, BT noted the representations that both EJ and SI had made in relation to the current context in which POL was operating, the need for continuity and the time it takes for new Non-Executive Directors to get up to speed.

EJ and SI recused themselves from the meeting.

BT noted that at its meeting on 27 February 2024, the Nominations Committee had agreed that the terms of the current Postmaster Non-Executive Directors should be extended, one by 3 months, and one by 12 months. It also agreed that a discussion on which Postmaster Non-Executive Director would step down in September 2024, and which would step down in June 2025, should be tabled at the 1 March 2024 Board.

The Board discussed the various dependencies and the balance of the issues and considerations involved. It concluded that it was supportive of the Nominations Committee's decision on the duration of the term extensions and the sequencing. In relation to when each Postmaster Non-Executive Director should step down, the Board agreed that this should be based on an 'in the round' view, and take account of each of the Postmaster Non-Executive Director's performance in role and their ability to continue to contribute to the Board in the light of knowledge, skills and experience required.

The Board agreed that in the interest of fairness and to give the discussion appropriate time, the discussion would need to be carried over and that an informal meeting of non-conflicted Directors of the Board should be arranged in the coming days.

In related matters, AB noted that further consideration should be given to what 'transitional' support might be provided to Postmaster Non-Executive Directors' as they stepped down from the Board.

Action:

- An informal meeting of non-conflicted Directors of the Board to be arranged. **Secretariat**
- Further consideration to be given to 'transitional' support to departing Postmaster Non-Executive Directors. **All**

Board/SEG dinner

Action:

- A Board/SEG dinner to be arranged in the coming months, once some of the competing priorities were resolved. **Secretariat**

There being no other business the Chair declared the meeting closed at 12.16.

7. Date of next scheduled meeting

25 March 2024 12:15 – 17:30

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Chair Date

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Post Office Limited Board Actions as at 15.03.2024

Action No.	MINUTE REFERENCE	ACTION	ACTION OWNER	DUE DATE	STATUS	OPEN/ CLOSED
	Board Meeting 11 July 2023					
1.	**7. Transforming Technology: Horizon Replacement Update b)**	BT queried how accurate the costs estimated for cash counts in branch at the time of NBIT migration were and what analysis had been undertaken. ZM advised that further analysis could be undertaken.	Zdravko Mladenov/ Melanie Park	~~**January**~~ **December 2024**	14/09/2023: This action is in progress. 12/10/2023: This action remains in progress. It's worth reflecting that the cash count process is being pushed out 12+ months under the new timelines, thus giving a lot more time to respond to this query. Given that, changing the due date to just '2024' might make sense. 14/11/2023: An action update will be provided in December 2024 on cash counts if/ when they have been completed.	**Open**
2.	**7. Transforming Technology: Horizon Replacement Update d)**	EJ noted that stamps could be printed on SSKs at present and shared his view that some sort of automation for selling stamps by way of the Postmaster printing these as required would be the way forward. ZM thought this could be achieved subject to contractual arrangements and undertook to come back on this point with options.	Zdravko Mladenov	~~**December 2023**~~ **December 2024**	14/09/2023: Similarly, to the above (action 7. Transforming Technology: Horizon Replacement Update c), as part of the next NBIT scope discussion with the Board, the team will offer options to the stamp stock management. 12/10/2023: This action remains in progress. 11/01/2024: The action remains in progress and will only be addressed later in 2024, as part of the wider scope review for NBIT. 19/02/2024: The question of stamps is likely going to be part of the wider NBIT discussions, which means this action won't be resolved until later in the year.	**Open**
3.	**7. Transforming Technology: Horizon Replacement Update e)**	The Chair asked that ZM meet with EJ and SI to assess whether there were any other items within the NBIT proposed product mix that could potentially be removed	~~Zdravko Mladenov/~~ Kelly Goodwin	~~**December 2023**~~ **2024**	14/09/2023: The NBIT team plans to have the engagement with EJ and SI on this topic in late October/early November, after the NBIT Diagnostic is completed. The results will be reported to the Board in December 2023/January 2024.	**Ongoing**

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					12/10/2023: Propose to move this action to Kelly Goodwin. It's worth reflecting that the timeline for developing other products has moved out indefinitely, thus giving a lot more time to respond to this query. Given that, changing the due date to just '2024' might make sense. 14/11/2023: No further update. 08/03/2024: As an update we are now reviewing scope options as outlined in the new funding request with the Commercial and Retail teams and commit to presenting the conclusions to Saf and Elliot in June 2024.	
4.	**11.3 RMU Update b)**	Restorative justice meetings continued, and SR would be returning to Board to request additional funding for a wider restorative justice program.	Simon Recaldin/ Evelyn Hocking	**June 2024**	20/10/2023: Paper on next steps and funding request being presented to HMC on 24th October for current RJ process and wider program plan being considered. 19/01/2024: Kevin Hollinrake confirmed in a letter of 5th January 2024, that Government would not fund Restorative Justice meetings. RU are considering how the RJ process should continue across POL and will present to GE in February on proposals and next steps. 11/03/2024: RJ meetings continue to be held, predominantly by the RU Director, and assisted by SEG colleagues when possible. The current uncertainty surrounding the ongoing involvement of POL in the Remediation process, alongside other Government decisions that are awaited, mean that decisions on the future shape and funding of RJ cannot be made at this time. RU will report to the next Board.	**Ongoing**
	Board Meeting 26 September 2023					
5.	**10.1 Copper Stop Sell**	SI queried whether the Wi-Fi which would accompany the conversion to fibre would be	~~Chris Brocklesby/~~ Zdravko Mladenov/	**December 2023**	12/10/2023: This action is in progress and targeting a Board update before the end of	**To close**

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		made available to the Postmaster. ZM replied that a decision had not been taken on this as yet however would revert with timing for the decision.	Paula Jenner		the calendar year. Given that, changing the due date to December 2023 might make sense. Please assign the action to Zdravko Mladenov / Paula Jenner. 10/01/2024: We are looking at this – unfortunately the team haven't had time to fully bottom this out. In theory, yes the Wifi can be made available to PM but there are a number of architectural, service and security challenges we, as a Tech function, need to discuss and agree e.g. how do we protect Point of Sale transactions within the bandwidth, what security controls do we need. These are alongside producing a high-level timeline and potential cost based on the answers. Once we have this we will come back to Board for review. 19/02/2024: We are still exploring the options for WiFi provision, but it has not been a priority compared to getting the overall programme on track. 29/02/2024: Extensive consideration is given to the option of enabling Post Office-provided Wifi connectivity for Postmasters to use for their own needs. While this is certainly technically possible, it also poses challenges and associated new costs, which are summarised below: - Ensuring sufficient bandwidth is available for Post Office uses, while still leaving meaningful bandwidth for Postmasters. This drives additional OPEX cost of est. IRRELEVANT er annum. - Ensuring appropriate cyber security controls are in place, which includes additional capabilities around	

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					segregation and further authentication of traffic, new access controls, etc. We currently don't have a solution for these new requirements, which will drive a one time cost of est. IRRELEVANT CAPEX and est IRRELEVANT in new OPEX per year. - Ensuring Post Office has the capability and resource to manage a WiFi service to Postmasters on a day-to-day basis. This will create additional OPEX cost of est. IRRELEVANT per year. - A one-time cost to architecturally design, test and implement in a controlled manner, which will likely be a CAPEX cost of IRRELEVANT In total, we anticipate providing WiFi for Postmaster consumption in branch to add est IRRELEVANT in new annual OPEX. Given the wider budget challenges, we currently do not plan to explore this option further, but can certainly change course if directed by the Board.	
	Board Meeting 31 October 2023					
6.	**3.1 Remediation Committee a)**	SJ queried preparedness to deal with potential media attention on this. NR took the point and advised that at the next Board meeting he would return with details of what management saw as the media term strategy on this point and as against the coming phases of the Inquiry.	Patrick Bourke/ Richard Taylor	~~**January 2024**~~ **Deferred to March 2024**	14/11/2023: A media strategy paper will be submitted to the Board meeting in January 2024. Before then, Patrick and Richard will arrange to hold individual meetings with Amanda Burton, Andrew Darfoor, Simon Jeffreys and Henry Staunton to discuss the media handling of the Inquiry. 16/02/2024: The meetings were all held, on the back of which there is no need for a media paper.	**To close**

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7.	**4. CEO Report** **b)**	BG advised that he had spoken to N O'Sullivan last night and they had discussed whether Postmasters could be provided with an ability to offer customers a discount in cases of volume. OW advised that he would pick up this point with N O'Sullivan.	Owen Woodley/ Neill O'Sullivan		In progress. Update in action log to be provided for January Board. 19/01/2024: Two parts to this answer: i) As part of the development of D&G we are considering how/if discounts can be offered by PMs for non-RM and RM products. ii) We are also answering the Q raised at Board whether discounts can be offered by PMs on RM products. POL currently lacks the functionality to offer discounts to specific customer groups, necessitating technical development. The next steps involve defining and developing a potential 'Loyalty scheme programme' tailored to incentivise and reward Drop & Go/ High-Volume customers. 08/03/2024: No further update available currently. D&G still under review.	**Ongoing**
8.	**4. CEO Report** **c)**	EJ noted the diminished levels of international mail and queried the possibility of customs paperwork being completed ahead of customers coming into branch. OW advised that he would pick this up with N O'Sullivan.	Owen Woodley/ Neill O'Sullivan		In progress. Update in action log to be provided for January Board. 19/01/2024: Phase 3 of ICDC includes the ability to pre-populate your customs information online for Royal Mail international services, to allow a quick transaction in branch via transfer of data to Horizon via a QR code. This functionality will also be integrated on the Drop & Go online manifest. The next phase of development of ICDC will be making it a multicarrier carrier solution. Given customs information only make up some of the transaction, we'll be exploring	**Ongoing**

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					the functionality to start a transaction online by choosing a service, and completing all the information needed, so that all that needs to happen in branch is payment. This functionality would be more profitable for Postmasters as opposed to customers buying postage online. 08/03/2024: Looking further forward we are exploring how to offer the 'omni-channel experience' beyond solely the customs details which offers particularly exciting opportunities for repeat customers (especially in Drop & Go).	
9.	**4. CEO Report g)**	SI queried anticipated volumes from the sale of Evri and DPD products in branch. NR advised that a national forecast of anticipated volumes could be shared.	Owen Woodley/ Neill O'Sullivan		In progress. Update in action log to be provided for January Board. 19/01/2024: In progress: Buy-in-Branch forecasts are being reviewed as part of the budget process and will be finalised mid-January. In addition, a weekly trading report for Buy-in-Branch is under final review. The report (target date to go live w/c 29/01) will detail volume and income trading by product sold, by carrier rolled up from a branch. The weekly report will likely form part of the weekly trading pack. 08/03/2024: BiB volumes and income produced for Budget. MI report built and in use for KPIs including income and volume by carrier, product, branch etc and reviewed weekly at Trading meeting.	**To close**
10.	**5.1 Financial Performance Report a)**	OW advised that details could be provided to the Board setting out anticipated categories of cost savings for FY24/25. LG advised that this would be helpful as LG was interested to see whether all cost savings that could be made without investment had been taken out.	Kathryn Sherratt		18/11/2023: Action in progress. Verbal update can be provided at the Board meeting on 28/11/2023 as material is being prepared for the meeting with the Minister on 5/12/2023 to address this topic.	**Open**

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					22/01/2024: The first view of the business plan will be presented to February Board which shall provide an update on this.	
11.	**8.1 Procurement Requests a)**	[Horizon Data Centre Operations and Central Network Services plus HNG-X Test Rigs] SO advised that the IRRELEVANT would sustain operations until circa IRRELEVANT and the test environments for a IRRELEVANT. AB queried further whether the costs would be accounted for over a number of years. KS advised that she would consider whether the costs could be capitalised.	Kathryn Sherratt/ Tom Lee		18/11/2023: This is under current review. 22/01/2024: Finance will revisit this question as part of the ongoing review of the business plan ahead of February Board. 21/02/2024: The business decisions around this activity are not sufficiently progressed to enable accounting decisions to be made. The accounting position will be assessed once the business decisions progress.	**To close**
12.	**9.1 Disclosure of Evidence to Support Police Investigations**	BT suggested that it could be valuable for Postmasters to look at the policies and process in place and perhaps for a mock case to be run under these. LG suggested that the Postmaster director could participate.	Ben Foat/ John Bartlett/ Sarah Gray		11/12/2023: John is drafting a new policy to incorporate two existing policies and some guidance which will include proposing a new approach to handling the newest form of Horizon data. Aiming to get this to Board in January 2024. 11/01/2024: Disclosure of Evidence to Support Police Investigations will be on the Board agenda for 25th March 2024. 08/03/2024: Priority has been on Inquiry matters, including drafting a statement for the Inquiry. The report will be submitted to the Monthly SEG Meeting on 22nd May and Board meeting on 04th June instead.	**Ongoing**
13.	**10.2 Post Office Brand**	The Chairman noted that the online aggregator could assist with attracting the younger generation. SM agreed and noted that the establishment of the online aggregator as an app could assist. SI agreed. OW advised that this would need to be costed and funds found.	Owen Woodley~~/ Chris Brocklesby~~/ Neill O'Sullivan/ Laura Joseph		15/11/2023: The Digital Customer Channels (CX) have just delivered the Mails Online platform and are finalising build on new Travel App. The Customer Experience Team will co-ordinate with Commercial on costs and plan. 14/12/2023: Digital have provided a breakdown of options & recommendations to the Mails team for consideration. Neill and	**Ongoing**

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					Owen to determine timings and next steps once they have had an opportunity to review. 08/03/2024: No further update. Under review and consolidation with other Mails initiatives.	
	Board Meeting 28 November 2023					
14.	**2. Minutes and Matters Arising**	queried the status of Action item 25 as a deep dive on the Swindon deal had been anticipated. OW advised that a presentation would be brought to the January 2024 Board in relation to this.	Owen Woodley/ Tim Perkins		11/12/2023: Swindon deal Deepdive included on the January Board agenda. 23/01/2024: The finalised paper on the outsourcing of Swindon has not been included for noting at the January Board as we want to take some of the individual Board members who raised concerns about the process through the findings before sharing with the whole Board. Given the impacts of recent events on Board members' time, we have not felt able to do this, but plan to do so over February. As soon as we have completed these individual meetings, we will share the paper with the whole Board, certainly prior to the February Board papers being issued. 08/03/2024: 'Project Darwin, lessons learned' report submitted for noting to the Monthly SEG Meeting on 13th March and Board meeting on 25th March.	**To close**
15.	**4. CEO Report b)**	SI shared his view that awareness in relation to the Company's relationship with Monzo needed to be increased. AB queried whether there were some targeted communications that could be undertaken for example with the universities. OW advised that he would reflect on this.	Owen Woodley		19/01/2024: On Monzo, we are confirming the exact go-live date with the bank and suppliers as we rely on them to implement before we can go-live. This looks likely to be the end of March due to some delays. We are starting discussions with the bank on launch communications and aim to maximise the opportunity (subject to the banks agreement to do so). 19/01/2024 onwards: With the recent media attention following the ITV drama we are	**Ongoing**

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					waiting to time our more detailed discussions on this topic as we risk them not wanting to be associated with the brand in the current environment.	
16.	**11.2 Ethos Programme**	OW noted work in relation to executive accountabilities was on-going and advised that this would be reported back on to the Board in March.	Owen Woodley	**June 2024**	19/01/2024: The work is due to complete in March, and so the Board will need to be updated post. Added to the Board Forward Planner for June 2024.	**Ongoing**
17.	**13. Any Other Business**	RS to arrange revised meeting dates and times.	Rachel Scarrabelotti/ Diane Blanchard		January 2024: In progress. 15/02/2024: The revised invites for the ARC, RemCo and NomCo meetings have been sent out.	**To close**
	Board Meeting 30 January 2024					
18.	**1. Minutes**	BG noted the discussion under the update on the work of the Nominations Committee and the question that had arisen in relation to whether a NED should be selected for employee engagement. BG was of the view that this might be a useful appointment, not least in the current climate. NR and KMcE were both comfortable that the current arrangements were appropriate but undertook to keep the position under review and to revert on the matter, if the prevailing context changed.	Nick Read/ Karen McEwan		08/03/2024: No further action. The position will remain under review (including against Board membership changes and the views of the Interim Chair) and to revert on the matter, if the prevailing context changed. The action is to be marked as closed.	**To close**
19.	**1. Actions** **a) DMB Exits**	LG queried the status of Action 28 on DMB exits, which had been marked for closure; LG noted the imperative in relation to cost savings and against that imperative the need to be more ambitious on timelines. KS noted the funding implications that arose, and that further consideration would be given as part of the business planning; a new action would be noted.	Kathryn Sherratt/ Secretariat		19/02/2024: Included within the business plan is a view of the cost and benefits associated with an increase level of DMB closure in 24/25.	**To close**
20.	**1. Actions** **b) Branch layouts**	LG queried the status of Action 32 on capturing branch information on things like layout and any lessons learned from previous initiatives, for	Owen Woodley	**June 2024**	12/03/2024: Plans for developing a central branch repository paper is being taken to the 13th March SEG meeting by Martin Roberts	**Ongoing**

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		reference in support of efficient and effective future works/initiatives, not least NBIT. OW noted the update may not have captured the work in hand to maintain a central repository, but he would follow up with relevant colleagues so a more meaningful update could be provided on what was being done and/or what needed to be done.			and Pete Marsh and the 25th March POL Board meeting. Following an initial meeting on 7th March led by Martin Roberts and Chris Brocklesby, members of the IT, SPM, and Retail teams will have a follow up meeting within the next 4 weeks to discuss the proposed improvements in more detail, assign an accountable owner, understand resource and budget implications and agree broad timelines. A more detailed plan, scope and timelines will be presented back to SEG in June 2024 to include resource and tooling requirements in more detail.	
21.	**1. Actions** **c) Digital strategy**	AD noted the Board's interest in better understanding POL's digital strategy in the medium to longer term (including how that supported the commercial and retail plans and strategies going forward); AD did not think that Action 38 necessarily captured that interest; OW agreed that insufficient time had been allocated to Board discussion on the topic and he would arrange a 'teach-in' session for Board members.	Owen Woodley/ Secretariat	**June 2024**	08/03/2024: Jonathan Coleman and James Parker from Customer Experience met with Owen on 05/03/2024. It was agreed that engagement via SEG would be in May with a view to taking this to Board on June 4th. The scope of this update is a teach-in on where we are with Digital customer development, our priorities for 2024 and Phase 1 of the Digital customer strategy development (what and why). This will then be complemented by a follow up session later this year to cover Phase 2 (the how). Owen also mentioned to Jonathan and James that they should engage with a couple of the Board members directly in early May (Andrew Darfoor and one other). Diane Blanchard was emailed on 07/03 asking her to help to set up a teach in with the NEDs. 11/03/2024 – Diane Blanchard has	**Ongoing**

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					emailed the NEDS to ask if they want a further session. Action is ongoing whilst the teach in session is being organised and pending a paper coming back to the SEG in May and the Board in June.	
22.	**2.2 Audit, Risk and Compliance Committee** **a) Fujitsu: audit engagement**	In noting the position in relation to Fujitsu and issues that had arisen in the context of Internal Audit, the Board noted that a review of Internal Audit access rights was being undertaken and senior colleague engagement as between POL and Fujitsu would remain an option if the matter could not be resolved.	Internal Audit/ Chris Brockelsby		08/03/2024: Having discussed the matter with Simon Oldnall, it is management's view that the Deloitte audit report, combined with the ISAE3402 report issued by Fujitsu's auditors, will provide sufficient assurance over privileged access management. Thus, there is no further need for internal audit access to Fujitsu systems at this stage. Action is proposed for closure.	**To close**
23.	**2.2 Audit, Risk and Compliance Committee** **b) Staff engagement**	The next staff engagement survey was due to launch on 19 February and close in early March; the Board agreed that the timing would allow for the Board to review a collated view of the headline results, ahead of Phase 7 of the Horizon IT Inquiry.	Karen McEwan		08/03/2024: Oral updates will be provided to the Board on emerging feedback and themes and reviews tabled at Remco/Board (as appropriate), ahead of Phase 7 of the Inquiry. 12/03/2024: The colleague engagement survey launched on 21 February and is open until 13 March. As of 12th March response rates were at 80%. The first draft of the core results will be shared on 9 April, with the final report due on 23 April.	**To close**
24.	**2.3 Remuneration Committee** **a) Grant Thornton Review**	LG asked for a contact at Grant Thornton, with whom UKGI colleagues could engage on matters in relation to the Shareholder NED role and appointment terms.	Rachel Scarrabelotti/ Chrysanthy Pispinis		UKGI has followed up with Grant Thornton.	**To close**
25.	**2.3 Remuneration Committee** **b) LTIP communications**	AB asked about the alternative LTIP 2021-24 and whether this had now been communicated to participating staff; KMcE undertook to check the point and provide an update.	Karen McEwan		Completed. An update was provided at the Remuneration Committee on 7 February 2024. Verbal cascade w/c 12th Feb followed by written confirmation issued to all eligible participants w/c 19th Feb.	**To close**

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26.	**3. CEO Report** **a) Duty of Care to Postmasters**	The Board noted the duty of care owed by POL and EJ emphasised the importance of ensuring that relevant guidance and support materials were available to Postmasters, noting the need to provide that in hard copy, as well as through electronic means, such as Branch Hub.	Karen McEwan/ Tracy Marshall			**Open**
27.	**3. CEO Report** **b) Postmasters as spokespeople.**	The Board welcomed the prospect of Postmasters having a greater role as spokespeople. EJ and SI offered to support the initiative and help identify potential spokespeople from across a regional spread; consideration would also be given to the likely support Postmasters may need, including media training.	Martin Roberts/ Tracy Marshall/ Comms, with support from Elliot Jacobs/ Saf Ismail/ Martin Hopcroft		<u>15/03/2024:</u> Two key strands of activity have been undertaken to date: 1) We have identified a group of circa 30 postmasters who we will be using from time to time to be spokespeople and appear on social media in support of key campaigns. This is part of our 'postmaster centric' approach to communications. 2) In addition, we have been working with a group of postmasters who have expressed an interest in undertaking their own campaign on social media to promote the importance of PO on the high street and have agreed the following key messages with that group, that we will prmote through a series of videos. These are expected to launch in late March/early April. **<u>Key messages:</u>** • **OVERARCHING MESSAGE: Post Offices are independent small businesses** run by Postmasters to be there for their communities. We're only paid by the transactions carried out. If customers don't come in, we earn nothing.	**To close**

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					• **Postmasters and their branches are important contributors to local economies:** We are community champions, business owners, employ local staff and collectively make up a major employer in the UK. • **Essential role of Postmasters:** We are proud to provide the essential services communities need. There are a lot of people who feel more comfortable doing transactions in person rather than online, so Postmasters play not only an important role but an essential one. • **Post Offices are friendly places to visit:** Our branches are welcoming places to visit and somewhere the public find helpful and friendly faces to answer any questions. • **Shop local to support your local branch so it doesn't disappear:** Help your communities thrive by shopping locally. Without local branches millions of people could be cut off from these vital services.	
28.	**4.1 Financial Performance Report** **a) 2024/25 Budget**	AD noted the different imperatives at play and the difficult choices that would need to be made and suggested that it would be helpful to engage NEDs ahead of the Budget discussions at the February Board.	Kathryn Sherratt/ Asha Patel		19/02/2024: NEDs engaged ahead of February Board meeting and NED briefings are in the diary. Unable to schedule sessions with Ben T and Elliot due to NED availability, but they are welcome to join the below sessions. Thursday 22/02 - Andrew Darfoor Friday 23/02 - Amanda Burton, Simon Jeffreys Monday 26/02 am - Saf Ismail, Brian Gaunt Monday 26/02 pm - Lorna Gratton	**To close**

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29.	**4.1 Financial Performance Report b)**	EJ noted the position in relation to branch numbers and that branch closures were forecast to rise in the coming months; AP noted this was against a rise over the Christmas peak period, but that finance would keep this under review for signs of a continuing downward trajectory.	Kathryn Sherratt/ Asha Patel		19/02/2024: The decrease in network numbers follows a peak after the Christmas trading period and is expected to decrease gradually for the remainder of this financial year in line with the network optimisation strategy. The current forecast from January suggests a closing network count in March-24 at a similar level to March-23 (11,684). FY24/25 currently assumes 400 D&C openings however since the January Board we understand there is increased risk to these with increasing RM competition. This will be flagged within the FY24/25 Business Plan.	**To close**
30.	**5.1 Project Rosebowl and Duty of Care to Postmasters a)**	SI suggested that it may be helpful to engage Postmasters on a thematic basis, differentiating for example, support in the event of a robbery, or support for mental well-being; AB added Modern Slavery.	Martin Roberts/ Tracy Marshall/ Martin Hopcroft		15/03/2024: Engaging with postmasters on a thematic basis has been built into our onwards communications campaign following collaboration with the communications team. From later in March we will start to rotate the focus on support available and use our communications channels, including the Thursday email that is sent by Martin Roberts, as a means of signposting what is available. Modern Slavery has been added to this activity.	**To close**
31.	**5.1 Project Rosebowl and Duty of Care to Postmasters b)**	AD asked about how success and outcomes would be measured and TM noted that it would be important to be able to assess if processes had been deployed and utilised as intended; the means to track these measures would need to be in place. TM noted that Postmaster feedback would continue to provide an important	Martin Roberts/ Tracy Marshall/ Martin Hopcroft		15/03/2024: This is an ongoing action and something that we will continue to measure once new initiatives are implemented.	**Ongoing**

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		qualitative understanding.				
32.	**6.1 Banking Framework 4 a)**	SI noted the need for further consideration in relation to additional security costs against the prospect of Post Offices holding more cash. RB noted that automation should help, but recognised the point and it would be included in the ongoing planning and considerations.	Saf Ismail/ Ross Borkett		01/03/2024: This has been noted in the deal development and additional funding has been included within the deal focused on branch enhancements for our busiest banking branches.	**To close**
33.	**6.1 Banking Framework 4 b)**	EJ noted that further thought would need to be given to the return on investment and offered to speak to RB offline.	Elliot Jacobs/ Ross Borkett			**Open**
34.	**8.4 Witness funding a)**	LG asked about whether there were any clawback provisions and if so, in what circumstances.	Diane Wills		Briefing note on Clawback provisions appended to the action log.	**To close**
35.	**8.4 Witness funding b)**	LG and BT asked for a note on the funding provided to date.	Diane Wills/ Hannah Gledhill		See Appendix 1.	**To close**
36.	**8.5 Inquiry Funding Request**	BG noted that it would be helpful to see an at- a-glance tracker as part of the updates on Inquiry Spend.	~~Gemma Ludgate/~~ Kathryn Sherratt/ Neil Davey		See Appendix 2.	**To close**
37.	**9.1 NBIT a) Contract/procurement controls**	AB noted the control failures and the Board noted their disappointment and asked for a note on the background and lessons learned and mitigating steps that would be put in place. EJ further noted that the matter had not been flagged at the Investment Committee.	Owen Woodley		OW sent a note to the Board on 31/01/2024.	**To close**
38.	**9.1 NBIT b) Shareholder engagement**	LG noted that DBT/Shareholder engagement should be prioritised so that there was an understanding ahead of any retrospective approval request on the context, including the considerations that had been given on whether the spend was a Relevant Transaction for the purposes of the Articles of Association and Shareholder approval.	Chris Brocklesby/ Liam Carroll		29/02/2024: We have received an email from Ben Kennedy, UKGI commercial lead, confirming DBT approval of the NBIT development partner spend with Coforge and Accenture under the DCF. The approval covers the projected spend until the end of June 2024 IRRELEVANT; this is the IRRELEVANT projected to the end of March 2024 and a further IRRELEVANT per month spend with both Coforge and Accenture until the end of June 2024 when the new framework should	**To close**

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					be in place. Board approved an uplift to the value of lot 5 of the DCF in November 2023 to cover additional spend with Accenture. We have a slot at the BET CAAG on 13 March to seek approval to go to market for the replacement development framework. 08/03/2024: Retrospective approval has been received on the SPM Development Partner spend from DBT. On the new development partner procurement, we will be presenting to the DBT CAAG on the 13th March for approval to go to market. We then expect to return for a further approval before contract award.	
39.	**9.1 NBIT** **c) Contract/Procurement controls**	BG noted that ARC should have a role in providing assurance oversight.	Simon Jeffreys/ Marie Molloy		Simon Jeffreys confirmed this would be followed up at ARC.	**To close**
40.	**12. AOB** **a)**	[Past Roles Review and Project Phoenix] NR set out the current considerations, explaining the distinction between the two processes and the difficult nuances involved. NR explained that on Project Phoenix, GE was considering the position in relation to the criteria against which potential outcomes might be assessed; it had not yet settled its view. The Board asked to have a summary note, which may need to be subject to Legal Professional Privilege, once the position was settled; LG noted the need to consider the cultural impact versus the key risks.	Owen Woodley/ Karen McEwan		OW sent a note to the Board on 9 February 2024. Tabled for discussion at the Board on 27 February 2024.	**To close**
41.	**12. AOB** **b)**	[Articles of Association (AoA): Written Resolutions] Against the context of the current position, where it was not possible currently for the Board to do business by way of Written Resolutions, as the AoA required the unanimous approval of Directors, LG proposed that the	Secretariat		Tabled for discussion at the Board on 27 February 2024.	**To close**

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Post Office Limited Board Actions as at 15.03.2024

		provision should be amended to facilitate effective ways of working. The Secretariat would take this forward with UKGI colleagues.				

Appendix 1

To date, POL has paid out approx. IRRELEVANT to cover legal costs incurred by witnesses to the Inquiry. There are approx. IRRELEVANT in invoices outstanding which are being progressed through our approvals process and being assessed for reasonableness. These outstanding invoices relate to six witnesses. The precise figures are set out in the table below. The Inquiry team, working with BSFf, will continue to seek to secure recovery of at least some of these costs from the relevant D&O insurers.

Costs incurred to date (inc. VAT)	Paid costs (inc. VAT)	Outstanding costs (inc. VAT)
IRRELEVANT		

Appendix 2

The following tracker has been put together focusing initially on tracking against the IRRELEVANT t will be included in the supporting Finance pack for the Board Meeting on 25th March and then in the Inquiry update papers afterwards.

Inquiry Spend Tracker (£m)

	Tracker vs IRRELEVANT Government Funding (Apr 23 - Mar 25)						Lifetime
	Spend from Apr 23			When will we reach?		Original	Current Projected	Spend to Date
	Actual Spend to Date	Planned Spend to Date	Var	IRRELEVANT funding	IRRELEVANT inc Cont'gny)	Apr23-Mar25	Apr23-Mar25	Actual Spend to Date
Inquiry	IRRELEVANT							
RU								
Total								

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Briefing Note – Clawback provisions in the Deed of Indemnity for the Board

From: Christian Spelzini, Head of Legal – Corporate, Banking & Financial Services

Date: 4 March 2024

Capitalised terms used, but not otherwise defined, shall have the meaning given to them in the Deed of Indemnity.

Executive Summary

Clawback Provisions

The Deeds of Indemnity provided to the Board of Directors from March 2022 onwards were drafted to include a clawback provision such that, in the event POL made a payment in respect of a Liability or Claim, and it was subsequently determined that the Liability or Claim arose out of or was attributable to the Director's Misconduct, the Director would be required to immediately repay such amount.

In order for the clawback provision to apply, a court, tribunal or regulatory authority must have determined the Director's Misconduct (defined as any fraud, wilful default, wilful misconduct, reckless conduct, dishonesty or act of bad faith).

Clawback and the Inquiry

The costs paid under the Deed of Indemnity for the Horizon IT Inquiry are for 'reasonable legal costs and expenses' properly incurred and therefore not considered 'Liabilities' or a 'Claim' under the Deed of Indemnity. The clawback provision does therefore not extend to costs paid out for the Horizon IT Inquiry.

Furthermore I understand from the Inquiry team that, under the Inquiries Act, an Inquiry Chair is prohibited from making any determination as to a person's civil or criminal liability and therefore even if there were an argument to be made that the clawback provision could extend to legal costs and expenses paid out under the Deed of Indemnity, any determination made by the Inquiry would not be considered as a 'court, tribunal or regulatory authority' determination and therefore the clawback provision would not bite.

POL Legal BAU were not involved in the decision-making process in respect of funding for those Directors without a Deed of Indemnity, employees and contractors and we therefore cannot comment on the provisions or terms that might have been put in place to govern that funding.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Chief Executive's Report	**Meeting Date:**	25 March 2024
Author:	Nick Read, Group CEO	**Sponsor:**	N/A

Input Sought: Noting

This has been an extraordinarily challenging and turbulent period for the business, with heightened political and media attention following the ITV drama *Mr Bates Vs. The Post Office*, the February Business Select Committee and subsequent follow-up requests. Undoubtedly there will be more negative publicity and intense scrutiny to come, including when Phases 5 and 6 of the Inquiry commence after Easter.

This has also been a very bumpy period for me personally, but it is very important to me that the integrity of all processes such as the ongoing investigations are observed. These are complex matters and where conflict might arise, decisions relating to disclosure on documents (e.g., FOI SteerCo escalations) and Select Committee requests sit with the Deputy CEO.

We continue to operate in a crisis environment; this has invariably impacted the timelines for implementing our refreshed operating model. That said, and in addition to the Deputy CEO and CPO stepping into broader matters to support me, we are continuing to evolve how we operate to manage the ongoing crisis. Amanda Burton very helpfully shared her experiences at Ratners with the SEG; the Chief of Staff is leading a central co-ordination stand-up with leaders across the business to ensure our stakeholder management (Postmasters, Colleagues, Customers, Commercial Partners, Media) is robust and consistent; that actions taken have clear owners, deadlines are met, and effort is not duplicated; any early signs of issues get managed as required. Prioritisation continues, though this is challenging in an environment with so many urgent matters. There are still gaps; immediate efforts are focused on recruiting an Interim Communications Director. This crisis environment is likely to continue for some time and the level of management resource is limited, with a recognition that the current approach is not sustainable for the long term. We are working through options to address this.

I remain unwavering in my commitment to achieving the earliest possible redress and restorative justice for victims of the Horizon Scandal, and to ensuring that the culture of the Post Office continues to change so that the things that happened in the past can never happen again. I therefore welcome the Government's announcement on legislation to enable the mass-quashing of Post Office and CPS convictions for fraud, theft, and false accounting in relation to the Horizon system between 1996 and 2018. The unprecedented bill will pass into law in England and Wales in early summer, and I very much hope that this will also be extended to Scotland and Northern Ireland as soon as possible.

Despite all these challenges, our financial performance remains very strong, and customers are remaining loyal to Post Offices, with customer sessions back at 10m last week, +4% WoW and +9% YoY. I hope that in these times, relationships between Postmasters, their communities and customers are being strengthened. Our brand tracker reveals that while trust in the Post Office brand has fallen sharply since January, a majority believe that Post Office provides important services in their local community and satisfaction in the channel remains strong. This

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is also borne out by Vox Pops (qualitative customer views) revealing that the Horizon scandal has reminded customers of how essential the services our Postmasters provide are, and the importance of our business in their futures. With banks closing customers want to see our services expanded, and local solutions improved, for truly convenient and personalised retail solutions.

The SEG has worked on developing a long term blueprint for the business, providing a refreshed purpose and framework for our strategy and behaviours. We are holding an event at the end of March, getting the new Leadership Team to look forward together and create plans to continue driving our business and cultural transformation. We have also refreshed and simplified our ethical decision-making framework, which will be followed by an update to our Code of Business Conduct.

While performance this year has been fantastic, as we know from the Business Plan, next year will be a lot more challenging, and we will need to continue to face into tough choices.

REPORT

Finance

Financial Performance P11 and YTD

1. P11 total revenue was IRRELEVANT vs. budget and IRRELEVANT YoY, largely driven by Bank of Ireland (BoI) incentive commission of IRRELEVANT above budget and IRRELEVANT YoY. This incentive commission is only recognised in the accounts in P11 each year when it becomes virtually certain following confirmation from BoI; outperformance against both budget and prior year is a factor of interest rates being higher for longer than expected.

2. P11 Mails revenue of IRRELEVANT was in line with budget and IRRELEVANT YoY, noting that last February continued to feel the impact of the RM cyber-attack on International volumes (estimated to be IRRELEVANT in the month); when adjusting for this the YoY growth is IRRELEVANT

3. YTD the delayed launch in Royal Mail's competing RM Tracked 24/48 (RM T24/48) products is temporarily benefitting Special Delivery volumes, with an offsetting impact in Labels and Acceptance. Stamps volumes have continued to show resilience against the RM tariff increase compared to expectation. With the launch of T24/48 expected in April - subject to ongoing discussions on how this will be rolled out - as well as further expectation of RM price increases, this is putting greater pressure on FY24/25 Mails projections, although partially offset by growth in revenue streams with other carriers.

4. Media reported positively this month on the record growth in personal cash withdrawals in February. Indeed, Banking services revenue grew 10% in the month to IRRELEVANT in the month, IRRELEVANT ahead of budget. This was due to both higher deposit and withdrawal volumes, which are continuing into March. Average transaction values remain under budget due to deposit limit regulations, however this has been fully offset by outperformance in volumes – leading to a YTD position in line with budget.

5. Conversely, negative press coverage is considered to have had an adverse impact on Travel and Protection insurance searches, online traffic, and sales – with PO Insurance revenue o IRRELEVANT underperforming against both budget IRRELEVANT and forecast IRRELEVANT

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We are seeing signs of slight recovery in Insurance sales in March (4% ahead of budget in week 1). Protection insurance remains more of a challenge with daily reviews of marketing and social media activity which have been significantly reduced since January.

6. Stronger revenue performance across high PM Rem-generating products (e.g., Special Delivery and Stamps) as well as implementation of higher banking rates, have positively impacted Variable PM Rem, with IRRELEVANT generated YTD (IRRELEVANT vs. budget and IRRELEVANT YoY) accounting for IRRELEVANT of variable revenue (vs. IRRELEVANT PYTD). This is a positive and encouraging strategic outcome with the YoY decline from Labels (lower Rem generating) being offset by other (higher Rem generating) products which have remained stable. Fixed Rem payments YTD of IRRELEVANT are IRRELEVANT below budget predominantly from lower exceptional payments. This is aligned to the strategy of consciously shifting away from loss making and poorly used branches, replacing outreaches with Drop & Collect (D&C).

7. Staff Costs were IRRELEVANT over budget in the month due to DMB Exit costs not being realised, and unbudgeted GLO resourcing costs which are expected to be settled by DBT in P12. YTD they are IRRELEVANT under budget, however on an underlying basis adjusting for certain budget assumptions, staff costs would be c. IRRELEVANT under budget – driven by unfilled vacancies across the business.

8. Overall, this has translated to a Trading profit of IRRELEVANT in P11 and IRRELEVANT YTD – which is IRRELEVANT ahead of budget but c. IRRELEVANT down on PY. The full year outturn continues to be assessed taking into consideration year-end adjustments.

9. Security Headroom of IRRELEVANT at the end of February was IRRELEVANT lower than forecast resulting from assumptions around timing of cash receipt on BOI incentive commission and RMU/Inquiry funding. The forecast assumptions are to be revised accordingly. The Baseline Budget for FY24/25 assumes IRRELEVANT RMU/Inquiry contingency funding and IRRELEVANT Horizon replacement funding, resulting in a positive Security Headroom position throughout FY24/25. The lowest point would be IRRELEVANT in Dec-24 (noting a recommended buffer of IRRELEVANT maintained throughout the year).

10. In these remaining weeks of the financial year, we are focussing on closing out the year appropriately in advance of the year end audit, as well looking forward with much focus on finalising a robust and deliverable FY24/25 Business Plan.

Taxation matters

11. **Corporation tax**: in February POL received an offer from DBT to provide funding in respect of corporation tax liabilities that may arise as a result of liabilities and funding associated with Remediation Matters and Inquiry. POL has responded to accept the offer, albeit noting a number of matters which require clarification and assurances, including assurances around longer term future funding, not just historical as was originally offered. Management have provided the underlying taxation model on the financial risk, as assured by KPMG, to DBT and are now working through specifics with DBT ahead of a formal funding agreement being provided.

12. **IR35:** HMRC issued correspondence to POL in December 23, challenging POL's assessment of contractors and therefore potentially crystallising a liability in respect of historical contractor engagement. Management are working with HMRC to gain further clarification of their challenge and will act accordingly, potentially negotiating a settlement position. Contemporaneously the policy and process for contractor engagement will be

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reviewed and updated to address the risks arising. These matters are being discussed at Audit and Risk Committee in March, to agree the approach.

Commercial

Mails and Parcels

13. P11 Mails income was flat to budget and IRRELEVANT YOY, with two thirds of the uplift driven by new carriers. RM was IRRELEVANT YOY vs. the YTD IRRELEVANT trend, with the RM cyber-attack impacting International volumes last year.

14. YTD overall Mails income was IRRELEVANT to budget, largely due to the delay in launching RM Tracked in-branch, and the growth in PUDO volumes across all carriers. We plan to launch RM T24/48 in branch in early April, however as these are non-USO services, commission is applied ex-VAT, impacting income and Rem. We are conducting further analysis into the potential cannibalisation of existing products and impact on our income. We also plan to include these services on Parcels Online during Q1, opening up our online option across the whole of the UK.

15. Non-RM PUDO volumes remain strong with both collections and returns ahead of forecast; boosted by further branch roll-out.
    i. The number of live branches now stands at: Amazon 7.6k; DPD 4k; Evri 2.5k; DHL 92;
    ii. DHL Click & Collect will be rolled out beyond Northern Ireland to c. 500 branches across the UK from April;
    iii. There is a potential delay to the roll out of the next 500 branches with Evri while we prove the buy-in-branch proposition;
    iv. Our Mails strategy is progressing well, and we have had positive engagement with additional carriers. However, roll-out of new carriers will require additional investment and we have limited budget.

16. Buy-in-Branch and Parcels Online are performing behind expectations. We have plans in place to help boost performance, drive sales capability, and raise awareness in-branch and with customers.

17. RM has formally announced its partnership with Collect+, rolling out drop-off and return services to 5k stores starting in March. RM Click & Collect will be rolled out in a future phase, with timing to be confirmed.

18. There has been an additional delay in the launch of the digital ICDC solution for RM International items requiring customs data capture to P12.

19. Work continues on our response to the Ofcom consultation on the future of the USO, ensuring our customer and Postmaster views are taken into consideration. Ofcom plans to publish its findings and proposed actions in the summer.

Cash and Banking

20. Banking had a strong P11, generating revenues of IRRELEVANT and trading profit of IRRELEVANT Total revenue was up IRRELEVANT s. budget, driven by a strong performance in deposits. Banking generated an additional IRRELEVANT of trading profit, IRRELEVANT vs. forecast (on target vs. budget). Deposits have made a stronger than expected recovery since Christmas, with average deposit values recovering slightly compared to the downward trend in 2023, driven by business customers.

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21. The FCA is completing its review on the implementation of deposit limits by banks and is preparing to release a report.
    i. We responded to the FCA's consultation on Access to Cash in February, strongly supporting most of its proposed approaches, while seeking clarity on some aspects of the new rules. We understand that other financial institutions are much less supportive and see the FCA' interpretation of the legislation as over-regulating;
    ii. While the FCA has identified some areas for improvement, it appears broadly comfortable with the approach taken by banks. Whilst limits will not be removed, we continue to lobby for review of the implemented limits and encourage changes over time;
    iii. The introduction of a customers' 'remaining allowance' on some customer receipts has been well received and we are encouraging all banks to introduce this. Under BF4 we will be implementing changes to pricing for failed deposits to allow more remuneration to be paid to Postmasters who have already counted the cash before a decline occurs;
    iv. The FCA is considering all responses and an industry roundtable will be held in April to discuss the findings.

22. Some 40 Banking Hubs are now open, with an additional 10 expected by the end of April and a strong and growing pipeline for the rest of the year. As well as permanent hubs, there is a growing need for temporary banking hubs until a long-term solution is found in communities. We are supporting the industry with these also, further adding to our revenue growth. We retain 100% market share for Banking Hubs

23. LINK has implemented the first pilot of its self-service deposit scheme, with Lloyds the first bank to go live. It is likely to take most of this year for the top 10 banks to integrate with it. LINK remains a likely competitor in high volume locations and is being considered as part of our BF4 strategy. We continue to make good progress on our own self-service deposit solution and expect the first pilots live in September, with Cash Access UK expressing an interest in piloting these.

24. We have commenced the commercial negotiations on BF4 with members. Banks are considering our proposals and we expect to start bi-lateral engagement during the second half of March.

Financial Services, International Money, and Payments

25. P11 revenue was IRRELEVANT vs. budget and slightly IRRELEVANT behind on forecast. A Mortgages/Savings and Loans incentive 'true up' of IRRELEVANT offset a slower performance in Protection and Travel due to the current suspension of social media spend and lower demand respectively. YTD revenue was IRRELEVANT vs. budget, with all areas performing well, particularly Mortgages/Savings and Loans. P11 trading profit was IRRELEVANT vs. budget and IRRELEVANT YTD, again driven by Mortgages/Savings and Loans.

26. Our budget for FY24/25 assumes business-as-usual marketing and campaign activity across all Platform businesses, especially Post Office Insurance. Should PR/media be restricted due to phases 5 and 6 of the Inquiry, that poses a material risk to budget delivery (especially for POI).

27. The sourcing strategy for a new Loans provider is going through governance, and we are preparing to launch a market scan/RFI process.

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Retail & Lottery, Government, and Identity Services

28. **Retail & Lottery:** P11 revenue was IRRELEVANT above budget and IRRELEVANT YTD. Gift Cards were IRRELEVANT vs. budget due to the positive performance of Third-Party and Amazon. Income benefitted from a Blackhawk external accrual of IRRELEVANT processed in P11. Lottery revenue closed P11 IRRELEVANT vs. budget. Although Lottery products ceased trading on 31 January, we have continued to see small sales values during P11, driven by delayed exit activity by some branches including completing final sales accounting for scratch cards sold prior to exit.

29. **Government Services** revenue was IRRELEVANT below budget in P11 and flat YTD. Passports performance was up IRRELEVANT vs. budget, but DVLA was down IRRELEVANT and UKVI down IRRELEVANT vs. budget. UKVI volumes have been hit strongly by changes to Government policy reducing the numbers of migrants entering the UK and hence needing to obtain a Biometric Residents Permit (BRP). This reduction will increase from April when there are further changes to policies for health workers not being able to bring dependents to the UK and restrictions linked to income earned.

30. **Identity Services** revenue was in line with budget in P11 and IRRELEVANT YTD. In-Branch Verification (IBV) transactions continue to grow with 20k transactions in P11 and IRRELEVANT vs. YTD budget. The strong performance is due to increasing volumes from GOV.UK One Login, and the go-live for HM Armed Forces Veterans ID Cards.

31. **UKVI** has confirmed that it is introducing digital biometric residents permits and will cease issuing paper permits by the end of 2024. This will remove any need for a branch service from PO and hence end our service offering by 31 December, impacting our FY24/25 UKVI revenue forecast of IRRELEVANT We await further information from UKVI regarding the migration plan to its digital service and the direct impact on FY24/25 income.

32. **HMPO:** Ongoing positive negotiations for a IRRELEVANT new deal with HMPO to commence September 2024. PO aims to improve its current deal with a minimum volume guarantee from HMPO to mitigate the risk to fixed costs and to drive better working behaviours in the promotion of branch services.

Postmaster & Network

Delivering our Network Strategy

33. Network coverage remains strong with 11,783 branches trading in February, including 552 Drop & Collect (D&C). We expect to end the year close to 11,800, building up some headroom to deal with the challenges to network numbers expected next year (as set out in the 2024/25 business plan).

34. Our continuous improvement programme to address loss-making franchise branches has now delivered IRRELEVANT annualised benefits to date.

35. We also completed the exit of Clapham Common and Southall DMBs on 6th March, generating IRRELEVANT annualised benefits. We are now finalising plans for our 2024/25 DMB programme in light of ongoing funding discussions.

Hard to Place

36. We are continuing to work with the remaining IRRELEVANT Hard to Place (HTP) Postmasters to find a resolution for their branches: either securing a replacement (which would enable the

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exiting Postmasters to leave with a payment worth 26 months remuneration); or enabling them to exit without a replacement with a lower payment of 12 months.

i. Of the 82, we are onboarding 34 replacement branches, and are engaging nearby retailers for the other 48 locations ahead of the deadline of 31 March;
ii. The NFSP is continuing to push for a change to the scheme rules, in particular extending this deadline and increasing the payment for branches who leave without a replacement. We should expect continued media and stakeholder attention on this topic as the NFSP intensify their lobbying activities over the month ahead.

Central Operations

37. There were 10,441 calls into BSC in the first two weeks of P11, +16% vs. forecast, with 20% of calls driven by Lottery exit. Performance returned positive to target in weeks three and four. Overall SLA performance for the period was 52% of calls answered within 60 secs against a target of 70%. Postmasters waited on average 187 seconds to speak with an agent.

38. In P11 66% of discrepancy investigation cases were resolved within 20 days vs. a target of 70%. The number of open cases increased significantly to 835 at period end (+31% vs. P10), driven by significantly higher 'review or dispute' button usage following the media attention, and Lottery exit.

39. Cases awaiting action by the Postmaster Account Support Team were down 15% vs. P10, with 1,017 cases open at the end of P11.

40. Aged open reconciling items reduced by a further 27% MoM, with 1,550 items open vs. a target of 2,400, and a start of the year number of 2,180.

Postmaster Engagement

41. Our activity to date has included a live event in January hosted by me, and a further listening group session with 20 Postmasters to understand their key concerns and issues. We are planning a follow up group session in March to provide an update on progress.

42. Over the coming months, we will hold a series of Postmaster events across the UK. These will be hosted by me and other members of the SEG, to listen to Postmasters and address their questions directly.

43. It is important that we continue the momentum on Postmaster engagement and communications and as such, we will be holding more in-person and virtual events. These will complement our usual Regional Forums, Listening Sessions and Postmaster Conference as well as a Postmaster-centric approach to communication campaigns.

44. On 26 February, SEG members held a face-to-face meeting with representatives from the Voice of Postmaster (VOP) group and CWU. The meeting was requested by VOP following their meeting with Minister Hollinrake on 7 February. VOP has gained momentum as a result of media attention and its campaigning activity, resulting in a membership of >1,000 Postmasters. We had a productive meeting, providing them with an opportunity to voice their concerns with key issues raised around branch profitability, welfare support and mutualisation. We plan to hold quarterly meetings going forward between SEG and representatives from VOP, NFSP and CWU, with the next session arranged for 29 May.

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45. The annual Postmaster engagement survey was launched by our new Postmaster Experience Director, Mark Eldridge, on 8 March and will be open for three weeks. The survey results will help us to understand sentiment across the network and prioritise any improvements over the next year.

46. Our training metrics continue to trend positively in P11. New postmaster confidence after e-learning stands at >90% whilst confidence after classroom training stands at 100%. The average time taken to onboard a new postmaster has increased over the last two months to 136 days, predominantly due to new applicants taking five weeks longer on average to complete their initial business plan, perhaps as a result of recent media attention.

Retail Field Teams

47. During February, the retail field team completed a total 3,148 branch visits, providing support to Postmasters and maximising the opportunity from new buy-in-branch carriers. 1,190 Operational Excellence visits were completed, focusing on Lottery exit, effective cash management, transaction corrections and review or dispute usage.

48. We are progressing with embedding improved ways of working in Retail Operations following the move of the Strategic Partnerships team to this function.

49. The DMB field team supported employees at Clapham Common and Southall as a result of the closure of these branches on 6 March.

50. The Network Provision team continues to support the delivery of outreach branch efficiencies and the removal of branch exceptional payments, with combined saving of IRRELEVANT TD.

Strategic Partnerships (SPs)

51. SPs had a continued strong performance in P11 and YTD, with income IRRELEVANT vs. target, excluding lottery. P11 REM (excluding lottery) was IRRELEVANT vs. target and IRRELEVANT YTD.

52. We held our first partner forum of the year on 1 February, giving us the opportunity to address concerns around Horizon following the ITV drama. This was supported by an update on Horizon IT and future technology plans. There was above average attendance across all our key partners and positive feedback on the content and transparency from the presenters.

53. We have held several training workshops to support partners, covering travel products and buy-in-branch to increase the uptake of new mails carriers. We also held cash centre visits with SPs to drive better understanding of our operational processes. High attendance at these group sessions enables us to drive understanding of our products and processes across our SP estate, delivering improved efficiencies vs. individual branch visits.

54. Henderson Retail held its annual Post Office awards supported by POL, FRES and Blackhawk, recognising the achievements by employees across its 74 branches.

Supply Chain

55. Weekly average of cash inflows in P11 was IRRELEVANT/week, in line with expectations during traditionally the lowest inflow period of the year.

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56. YTD 99.4% of available deposits were processed on Day A in cash centres, ahead of target. Productivity in cash centres improved in P11 to 14.31 pouches/hour, above the run rate of 13.43/hour.

57. CIT achieved QofS of 97.7%above the target of 95%.

58. Bristol Cash Management Call Centre grade of service was 73% (target 70%) and customer satisfaction was 100% for the period. Weekly call volumes were slightly up on last period at 520 calls/week.

59. We received 22 Complaints in P11, +7 MoM. YTD complaints were down by 272, 56.5% lower than last year.

60. We had 25 security incidents in P11 including five robberies, one more than in P10, and seven burglaries (down 10 from P10).

61. The Supply Chain Leadership team ran face-to-face updates and Q&A sessions in March, informing colleagues about all aspects of PO performance, and a Postmaster engagement event was also hosted in Newcastle CViT depot.

62. The project work for transition of stock to iForce continues. Swindon Staff have been briefed and joint statement issued with CWU regarding roles that can be released early.

63. Following an external audit, we achieved ISO 9001/45001 reaccreditation, confirming that our operations and processes are operating to a high standard as we continue to serve Postmasters, branches, and SPs with all of their cash and stock requirements.

Customer Experience

64. We are delivering several travel initiatives:
    i. We have launched a travel money card campaign, 'TMC for all', in branches, supported by a customer prize draw;
    ii. The new Post Office Travel app has been fully launched with 100% of our existing 700k customer migrated to the new app. This was supported by colleague engagement roadshows in Chesterfield and Wood Street;
    iii. We have produced the summer travel campaign assets and we are developing a media plan to be launched in May.

65. We are implementing a re-launch plan for Mails buy-in-branch as part of a four-stage campaign to support mails strategy implementation.

66. We are developing our future digital strategy, engaging with senior stakeholders to gain feedback and support.

67. Insurance outsourcing consolidation remains on track with staff expected to transfer to Webhelp in early April.

68. The 'We are Post Office' social media application used by Postmasters is being migrated to a new provider, Hootsuite, in April.

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Strategy & Transformation

DBT Funding and Policy

69. Following approval of POL's funding requests for RM/Inquiry and Horizon Replacement in December, discussions remain ongoing with DBT in two particular areas:

    i. Regarding RM/Inquiry, we are currently forecasting to spend more than the IRRELEVANT funding committed by DBT (by end of May) and also more than the IRRELEVANT provision DBT made for contingency (by end of October). Based on current forecasts we believe there is currently a IRRELEVANT unfunded risk to FY24/25, with further uncertainty subject to where HMG lands with the HSS and OC. Discussions with DBT on these revised forecasts commenced in early December and are ongoing. While we are optimistic about being able to access the contingency, additional funding is less certain, and this therefore poses risks to Security Headroom discussed in the FY24/25 Budget paper;

    ii. With respect to Horizon replacement, on 18 March we submitted a business case seeking IRRELEVANT funding for FY24/25 and IRRELEVANT for FY25/26. Beyond FY25/26 the forecast spend for the remaining lifetime of Horizon Replacement is IRRELEVANT (subject to finalisation). We expect to begin deployment of the New Branch IT system by mid-2026, running through to the end of 2028. This would require up to a five-year extension of our contract with Fujitsu to March 2030. The business case is now with DBT for approval in April, ahead of HMT approval in May/June. There has been extensive engagement with DBT and HMT in the lead-up to this submission and a session with the Board Investment Committee was also held on 11 March, with feedback reflected in our submission. A wider update on this funding process will be shared in a separate discussion at Board. In addition, discussions are ongoing with DBT on the December funding request to try to manage changes in POL's forecasts: i.e., to move spend between the workstreams that make up this request and to allow spend to move between financial years.

70. The first phase of DBT's policy review has concluded and a second phase, also led by Grant Thornton (GT), has now commenced. We have had a kick-off discussion with GT and will be supporting this work. Reassuringly this phase is focused far more on Post Office policy rather than the first phase which looked more at cutting costs (which we have been engaging with DBT on for a number of years).

71. POL's London Economics commissioned work is also nearing completion and this is expected to be finalised in the Spring.

Change Spend

72. YTD change spend for active projects was IRRELEVANT (excl. settlement), IRRELEVANT below our interim budget, with the variance mainly due to reprofiling of spend on Horizon replacement and Technology projects, partially offset by increased Inquiry cost. P11 YTD incremental change benefits for active projects was IRRELEVANT above budget due to movements in recurring costs, cost reduction and revenue growth activities.

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Inquiry

Disclosure

73. A disclosure meeting was held on 28 February 2024. Senior colleagues from POL Inquiry team, BSF, KGKC and KPMG attended to meet with the Inquiry. The purpose of the meeting was to look forward and agree on how we work together to meet the Inquiry's hearing schedule, starting in April. Several practical arrangements relating to disclosure were agreed, including direct communication between KPMG and the Inquiry's Senior Information Officer.

Phase 4 Closing Submissions

74. The Inquiry informed POL's Inquiry team, via a written statement on 29 February, that it will disregard any reference to the prosecution expert's report in POL's written closing submissions for Phase 4.

75. Sir Wyn was critical of the way in which the report was submitted; in his view without proper communication, and without inviting the inquiry to formally accept it. POL Inquiry team do not consider this criticism to be warranted and ISC have therefore agreed to us writing to the Inquiry, inviting it to reconsider the position.

Funding

76. A funding request will be submitted for Board approval in March 2024, to request funding up to the current approved Government amount of IRRELEVANT for RU and Inquiry, including the contingency fund), currently forecast to last to end September 2024.

77. Significant spend for the next six months includes disclosure remediation, witness preparation, and Phases 5 to 7 hearings and preparation.

HSF

78. The POL Inquiry team have finalised the new Letter of Engagement with HSF. The original engagement came to an end on 5 March 2024, and a new contract was signed to cover the period 6 March to 19 April 2024 and includes tasks, largely disclosure related, that HSF will complete, and provides POL with the right to request new work if required.

Remediation Matters Unit (RMU)

Strategic issues as at 12 March (note that things changing quickly)

79. Key strategic issues include:
    i. Ongoing uncertainty in respect of management and delivery of OC and HSS claims; negative publicity around the speed of redress payments; uncertainty around a potential Appeal Process; as well as reaction to not only the ITV drama but also the Government Select Committee on 27 February. These circumstances combine to present a challenging environment within which RU is operating;
    ii. Significant replanning is currently being undertaken to enable RU to further accelerate the payment of redress to PMs whatever scheme they have applied to. Consideration is being given to a range of options to address head on the challenge to further expedite payments;
    iii. Following feedback at the Government Select Committee, RU will refer to redress instead of compensation wherever possible going forward. This responds to the claim from Postmasters that they are being repaid money they gave to Post Office, while being aware that some HoL's are compensatory in their nature;

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iv. In OC, RU await a decision from Government regarding future delivery of claims, while in HSS 1,146 Late Applications had been received by 29 February.

Overturned Convictions

80. As at 29 February, 102 convictions have been overturned, with 35 full and final settlements reached and more than ~£38m in compensation made to claimants.

81. DBT's agreement, and subsequent 26 February announcement, of the POL proposed £450k top up payment (on receipt of pecuniary claim), is a positive development. Early indications from claimant representatives is that this will accelerate claim submission for the 54 outstanding pecuniary claims, and the OC team stands ready to progress on receipt

HSS

82. As at COB 29 February 2024, of the 1,146 late applications, 697 were received following the *Mr Bates vs The Post Office* Drama in January.

83. Late applications continue to come in, coupled with enquiries about the HSS from current and former Postmasters, branch employees and strategic partners. For now, POL continues to decline HSS applications from assistants/employees since the HSS eligibility criteria requires applicants to have held a direct contract with POL.

84. A growing number of Postmasters who have settled their HSS claim are also asking to have their claim reopened and such requests are being declined.

85. An interim Late Applications plan has been proposed by HSF, given the rise in volumes, to allow all parties to be measured against more realistic targets. This interim plan is expected to be superseded by a new, formal plan once a decision is reached about implementing the £75k full and final fixed sum offer in HSS. A decision on this is anticipated by early April 2024.

86. We are working towards the next DBT/HMT target which is to have issued outcomes to 95% of all late applications received by 30 September 2023 on or before 31 March 2024. We are at 85.7% having issued 241 Offers and 52 ineligible outcomes to this population.

GLO

87. The DBT contract has been signed and was published by 4 March. POL has provided input on redactions.

88. Freeths have requested that POL provide a Short Fall Analysis teach in to support their understanding of the information provided. POL have advised that a specific session can be held if Freeths are able to provide a list of queries in advance to support training requirements.

89. The GLO disclosure / Short Fall Analysis plan and corresponding resource plan have been reviewed with input from DBT due to the claims which have accepted the £75k. Decisions required by DBT include the level of resource required to mitigate any actions going forwards once the main disclosures and SFA's have been completed.

90. POL remains on target with disclosure and Short Fall Analysis requests with 294 disclosure requests and 86 SFA requests completed.

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Criminal

91. There are 6 live appeals in the Court of Appeal Criminal Division – two are opposed and the disclosure deadlines have been met. The other two are in their early stages and are likely to be opposed. Two cases have only recently been lodged with the Court of Appeal Office.

92. In Scotland, there remain two live appeals, one of which is opposed and listed for a substantive hearing on 24th April 2024. Disclosure is being prepared in relation to the other appeal and this is listed for a procedural hearing on the same date. There is one contested live appeal in Northern Ireland, for which disclosure has been provided.

93. There are now three Criminal Case Review Commission references currently at Southwark Crown Court. Two of those are Magistrates' Court deceased cases where the families of the appellants have now decided that they do wish to continue with the appeals notwithstanding the Government announcement. The case is due to be listed in April 2024 and involves complex legal issues.

Suspension Remuneration Review

94. As at 22 February, 539 offer letters have been sent, of which 285 have been accepted. Payments have been made on 238 of the accepted cases totalling £3.8m. The majority of the remaining 47 cases awaiting payment are with Treasury for approval. Process changes have been made to avoid these delays moving forward. Consequential Loss (CL) claims are starting to rise, with an increase of +7 this week to 27 albeit from a low base.

POL Process Review

95. The CMA published their report on the IRRELEVANT PPR funding on 22 February. It remains open for one week for comment before being finalised.

96. There is a proposal for a PPR de minimis level o IRRELEVANT before interest to be applied to PPR. The PPR options paper will be discussed at RC on 20th March 2024. We anticipate this IRRELEVANT s high enough to cover the majority of claims made across the ten areas of actual and potential detriment identified. This will make the process simple for both postmasters and the RU operations team and greatly reduce the length of the scheme. We aim to launch a small pilot in March/April to ascertain the reaction to the offer and test the remediation process.

Capture

97. RU continue to investigate the Capture software package.

    i. Capture was introduced in late 1992, aiming to replace the manual cash and stock records kept by Postmasters, simplifying the process, and reducing error rates;
    ii. It was not mandatory and appears to have been used in a minority of branches while most Postmasters kept manual records;
    iii. Capture did have bugs/defects, but it appears they were communicated to users, sometimes with workarounds or news of future updates;
    iv. Based on the information known to date, it appears less likely that Capture would have caused serious detriment to Postmasters by itself, in fact there is some evidence that Postmasters found it helpful;
    v. At this early stage, the potential for detriment appears more likely to have been caused by the use that was made of Capture data in audits and investigations into

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the difference between Capture reported balances, centralised paperwork and/or cash and stock in branch;

vi. Postmasters were on the same contracts from 1991 as they were during the Horizon period i.e., they were expected to make good any shortfalls and were suspended without pay while investigations took place.

98. Pre-1999 there is very little information to support claims as there is no transactional data to investigate shortfalls. Therefore, if claims are to be remediated, we will be heavily dependent on information provided by Postmasters.

99. RU legal is investigating POL's potential liability for the claims that we have already received.

Finance Update: 23/24 Approved Funding & 3YP

100. At P11, RU is IRRELEVANT under Board Approved Funding YTD despite significantly higher HSF costs associated with Late Applicants to the HSS scheme. Underspend is due largely to cost slippage of PPR resourcing and assurance into 2024/25.

101. The Full Year forecast is expected to be IRRELEVANT under Board Approved Funding, again due to costs slipping into 2024/25 and, notably, the re-phasing of the Tax Top Up.

102. The forecast for 2024/25 has been significantly impacted by recent events and a resultant surge in HSS applications. This is expected to continue, although estimates still currently assume a scheme closure date of September 2024. Risks are being held should this date be extended further.

103. Risks associated with further late applications, OC exonerations and HSS £75k payments are not yet quantified and remain outside of the current budget forecast.

Legal, Compliance, Assurance and Company Secretariat (LCAS)

Legal & Compliance teams

104. There are a number of material investigations into senior members of the organization and investigations that have relevance to the Inquiry and NBIT. The volume, complexity and sensitivity of material investigations has necessitated externalisation which has an associated cost. Management continues to review internal vs. external resourcing.

105. Regarding Project Columbo (potential incorrect classification of contractors as outside of IR35), in the worst case potential exposure to arrears and penalties is estimated at IRRELEVANT (up from IRRELEVANT due to passage of time). There is an indication, although no guarantee, that any settlement would be funded by the shareholder.

106. There remains insufficient resource in AC&I team to progress investigations quickly, the process of which is being scrutinised in the media.

107. Since the start of 2024 there has been a huge increase in the number of FOIs and DSARs received (23 & 11 respectively in January 2023 vs. 131 & 84 in January 2024). An emergency four-week team has been established to handle these cases.

108. We are meeting with the Information Commissioner's Office (ICO) every two months and continue to have an excellent relationship with them. The ICO are currently understanding

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of the situation and will continue to liaise with us on our timeliness. However, if timeliness trends continue to dip, there is a risk that POL is brought into special measures.

Group Assurance Team

109. The status of POL control environment is RED predominantly driven by:
    i. Status of continuous assurance within Retail which is significantly behind;
    ii. Significant increase in overdue management actions within Retail (including those related to CIJ);
    iii. This will be reported to RCC and ARC in March.

110. HIJ Assurance: Per IDG instructions, this review should have commenced in January, however the Technology team are still struggling to accumulate evidence. The status of this will be formally communicated from 20 March.

Company Secretariat Team

111. The Grant Thornton Governance review has now been delivered in draft form and the Board are asked to consider the paper and the recommendations in relation to this.

112. The external Board and Committee Evaluation will be progressed by Indigo Independent Governance (Indigo). As per the scope of work approved by the Nominations Committee, Indigo will be building on the work already completed by Grant Thornton. At this stage, the draft evaluation report is anticipated following the end of the financial year, with the report then to be presented to the June POL Board.

113. UKGI have indicated that the review of POL's Articles of Association along with the Shareholder Relationship Framework Document has been instigated. We will work closely with UKGI over the coming months to finalise redrafts of these core documents along with any consequential changes to other constitutional documents such as Matters Reserved for the Board and Committee Terms of Reference.

Technology

Core Service Performance

114. **Branches unable to trade**: The branch-down figure improved from an average of 13 in January to 8 in February. This has been achieved through new ways of working supported from our IT suppliers. The second-line branch team now provides enhanced support as soon as a branch is identified as unable to trade; the team contacts the branch, provides detailed fault diagnostics, and liaises with suppliers to ensure the engineer attending is fully prepared to resolve.

115. **IT Major Incidents**: In February, there were six Major Incidents, four of which had a direct impact on branches including network connectivity issues affecting up to 450 branches, and failed transactions for Scottish Power and Allied Irish Bank.

116. **IT Service Desk Update**: There were 6,062 calls into our Technology Service Desk in February with 94% of calls answered. 76% were answered within our 60-second SLA and abandoned calls stood at just 6%, a vast improvement on previous months and YoY. Customer Satisfaction remains high at 4.43/5.

Cyber Security

117. Our cyber operations continue to provide effective defence against attacks despite an increase in activity. Over the last month, our Security Operations Centre (SOC)

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successfully closed 713 incidents spanning a range of security challenges such as malware attacks, phishing attempts, unauthorized access, denial-of-service attacks and vulnerability exploits. The average time taken to resolve each incident was c.5 hours. Over the past six months, our SOC has closed and mitigated a total of 3,617 incidents.

118. We have also dealt with two major cyber incidents in this period:
    i. **Service Now:** We were notified of a data vulnerability within ServiceNow's core functionality. Investigations confirmed that no POL confidential business data had been exposed, and further controls were put in place;
    ii. **VPN software attack on POI:** Post Office Insurance was notified by its supplier, Avanti, of a new zero-day vulnerability that allowed unauthenticated threat actors to execute commands on appliances with elevated privileges. These vulnerabilities were actively exploited by a suspected Chinese espionage threat actor. During this breach, infrastructure data including IP addresses, user accounts, and firewall configurations were accessed. We took immediate action, taking down the service, resetting user accounts and passwords and performed a supplier recommended patch before redeployment.

Horizon Live Services & Fujitsu Contract

119. Horizon service remains stable with no major issues for live services.

120. Discussions around extension of services to support Horizon beyond 2025 remain ongoing, however no firm commitment has been made by Fujitsu at this stage. A more detailed update will be presented to Board in March.

121. Commercial discussions on the PCR risks around the contract extension are underway and a steerco to govern this extension has been created.

122. HIJ remediation programme closure is underway: an Internal Audit of Phase 3 is now complete, and an overall green rating has been agreed.

SPMP / NBIT

123. Overall, the SPM programme remains behind schedule, but conditions are improving through remediation and reset actions.

124. NBIT Release 2.0 has successfully transitioned into live operation in Aldwych without major incident. Performance and user experience reports have provided useful feedback on system and physical operating processes required for NBIT-Horizon dual operations.

125. Release 2.1 has entered the Tech Proving phase, with planned deployment into Aldwych in late March.

126. Diagnostic review remediation is entering its final planned month of activity, with steady progress being made.

127. The Horizon replacement Business Case is being finalised, and the first draft has been shared with DBT stakeholders for review.

Supplier Management

128. **DXC:** Submission drafted for SEG approval to:

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i. Invoke the two-year extension (to September 2026) under regulation 72; and
ii. Approve a modification of the contract for an additional spend of IRRELEVANT bringing the total contract value to IRRELEVANT

129. **Microsoft Enterprise Subscription Agreement (ESA)**: SEG paper approved for three year renewal from May 2024 at c IRRELEVANT p/a. There is potential to lower costs / volumes by implementing recommendations from our Technical Assessment and negotiating further discounts - this work will conclude by end of April.

130. **SCC:**
i. **NBIT Hardware Contract**: Target volume of all Branch & POS equipment and peripherals to support SPMP is on track for full delivery by April, valued at IRRELEVANT per the initial contract. Procurement is underway for second devices (XAC), related to payment terminals for Payzone bill payment;

ii. **NBIT Application Development (& Related Services)**: The sourcing strategy approved in November 2023 has been updated to reflect a value over a four-year framework of IRRELEVANT This was presented to GE and Board in January;

iii. **Next Generation SSKs**: Tender documents have been prepared subject to the final version of the requirements. A proof of concept is under review, and Procurement is now expected in June.

131. **Worldline / Ingenico:** Paystation end of life (EOL) in March 2025 remains unmitigated. Options including NBIT second device and/or supplier service extension are being explored.

Data

132. The Data Enablement Programme has received partial funding, with full funding subject to Board approval in June. New technical team members are being onboarded to support the further development of the Future Data Platform, with the aim of developing data feeds from Horizon and MDM into the platform over the coming months.

People

Leadership, Culture & Wellbeing

133. The People Team continues to provide solid support to the business, navigating across the challenges of both a limited structure that is in a transition period, and the current extraordinary circumstances and disruptions.

134. Welfare sessions have been held with Postmaster-facing colleagues and safety guidance has been issued to all colleagues. Post Office logos have been removed from laptops to protect people's anonymity when in public spaces.

Colleague Engagement

135. Inquiry witness support continues in the run up to phases 5 and 6, with guidance shared with Inquiry and People teams to ensure a consistent approach.

136. Wellbeing support, including a 24/7 helpline and counselling where required, has been extended to former employee witnesses to the Inquiry.

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137. The colleague engagement survey was launched on 21 February and was open until 13 March. The survey response rate was 82% (3,055 colleagues completed the survey). The first draft of the core results will be shared on 9 April, with the final report due on 23 April.

138. A new exit survey process has launched, allowing us to better understand and report on the reasons for leaving the business. The first report will be shared in mid-March.

139. The WOW! Benefits/recognition platform continues to be successful with 89% activation.

140. Following on from the 'Meet the NEDs series', work continues to define the format for the 'Meet the SEG' series.

Equity, Diversity & Inclusion (ED&I)

141. ED&I strategy 2024-2028 is under review and due to launch in April.

142. The second ED&I Summit took place with Nick Read and Karen McEwan. Key findings include an improved agenda across networks, a clear strategic roadmap, refining objectives for senior leaders, the role of the executive sponsors and clarity of reporting against measures of success.

143. Three events were held to celebrate International Women's Day in collaboration with Affinity, our colleague network for gender equality: a fireside chat with Karen McEwan; an internal panel Q&A with representatives from all of our Network Groups to support our intersectionality agenda; and an external speaker, Sunita Harley, who shared her own career story as well as practical tips on building confidence.

Talent

144. Work has completed on a Career Framework, focusing on 'what' is delivered in role. This will complement the Leadership Behaviours Framework that will focus on 'how' the role is delivered.

145. The eight-week end of year PDR review process opens for all management grades on 18 March. An SLP pre-calibration performance review will take place on 20 March and Senior Leadership colleagues will also complete a 360 WOW process.

146. A defined performance and development review process for non-management grades will be launched in line with the 2024/25 performance year.

Reward

147. Initial plans for STIP and LTIP 24 are being finalised following RemCo feedback. Following Board approval of the financial budgets for 2024/25 in March, RemCo will receive the final scheme proposals for approval, to enable earlier communication to participants.

148. Project Assurance - approval from HM Treasury and the Strategic Executive Group has now been granted and the mediation session with RMPP is scheduled for 27 March.

Organisational Design

149. Consultation commencing on first line Technology TOM changes from 6 March.

150. Workshop on end state SPM vs. Horizon to take place mid-March to ensure alignment in programme vs BAU setup.

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151. Retail Organisational Design/Target Operating Model to be completed by mid-March with execution throughout 2024/25 after approval from GCRO/Deputy CEO.

152. The CWU ballot on 3.75% pay offer closes on 28 March. Unite pay discussions are ongoing.

Ethos and People Strategy

153. The SEG has finalised work on a cultural blueprint for Post Office. A Leadership Team event at the end of March will be a pivotal moment for this new team to connect with each other and with the cultural blueprint and then start to launch and embed leadership behavioural changes.

154. Horizon Scandal sessions have been attended by >1,000 colleagues, raising awareness of the human impact of this scandal, and broadening the experience of restorative justice. A supporting e-learning module will launch on 15 March.

155. Two core elements of the Post Office's ethical toolkit/framework have been developed which will be incorporated into an updated version of the Post Office Code of Business Conduct and brought to Board in June for approval.

156. A detailed milestone plan for 'Creating a Great Place to Work for All' 2024/25 will be completed by early April.

Wider Updates & Key Issues

157. The Pay Zone integration project is ongoing with TUPE consultation finishing on 17 April and legal integration due to complete by 1 May.

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Cover Page

Title:	FY24/25 Business Plan	Meeting Date:	25th March 2024
Author:	Asha Patel – Strategic Financial Planning & Analysis Director	Sponsor:	Kathryn Sherratt, Interim CFO

Input Sought: **Approval for FY24/25 Business Plan**

The purpose of this report is to provide a summary of the FY24/25 Business Plan for which we are requesting Board approval.

This Plan is the Executive's Recommended Plan for FY24/25 which presents a Trading loss of IRRELEVANT unchanged from the February Board version, and which sets out self-funded 'Other Change spend' of IRRELEVANT an increase of IRRELEVANT since the February Board version). Based on Board feedback this increase is largely driven by an additional IRRELEVANT unallocated pot to progress certain programmes, subject to capacity and practicalities of delivery e.g. DMB Exits, reducing risk tolerance (e.g. Cyber Security), OD Programme, Innovation/Digital Strategy and contingency requirement. As confirmed by UKGI, this additional IRRELEVANT should it be funded from the Working Capital Facility, does not breach the Purpose Clause provided that Security Headroom remains positive. The benefits associated with this spend are not included in this plan however would provide incremental upside to the IRRELEVANT trading loss and determined as and when the pot is allocated.

This Plan has been prepared against the backdrop of Strategic Priorities (slide 5) recognising that this will need further development and guidance from the Executive, Board and the Shareholder as part of the 3-5 Year Strategic Vision.

Based on Board feedback this Plan also includes a holistic overview of the Postmaster proposition (slide 15), recognizing both Postmaster Income as well as Postmaster time and cost to serve – and ensuring alignment and collaboration across this journey.

Next steps:
An approved FY24/25 Business Plan will provide a stepping stone for further development of the below:

Next steps:	By When
Preparation for the FY25/26 Spending Review	Summer 2024
3-5 Year Business Plan including Strategic Vision and Horizon Scanning	Board Strategy Day

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FY24/25 Business Plan: Contents

Additional slides included in this Plan since the February Board are highlighted in red

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FY24/25 Business Plan
1. Headlines

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Business Context (1/2)

- **FY24/25 is the final year of POL's current three-year IRRELEVANT funding agreement with DBT, that was reached in early 2022**
  - POL submitted a three-year plan with its *original* funding request, however since the funding granted to POL was materially less than what it had sought, this plan was not carried forward. No revised three-year plan was subsequently developed.
  - Our current view of FY24/25 today is therefore very different to what we thought it would look like in 2022 with a funded plan. In addition, wider market and economic pressures have also impacted POL and Postmasters in unforeseen ways.
  - The costs and wider consequences of RM and the POHIT Inquiry also presented further challenges, taking the limited funding POL had away from its business activities and Postmasters and by impacting decision making and risk appetite.
- **In addition to setting the priorities for the upcoming financial year, FY24/25 also sets the context for our next funding request. And with an upcoming General Election it is also an opportunity to start framing a longer-term vision for a new government**
  - From a trading perspective this means supporting revenue and exploiting growth opportunities, cutting our costs where we have the scope and funding to do so and building Postmaster remuneration in the right way and as much as we can afford.
- **POL management are confident that the plan detailed in this paper is focused on these commercial priorities, as much as possible within the constraints the business faces today. However it does not go as far as we would like it to**
  - Critically this plan is not sustainable, and it does not represent the foundation for a compelling long-term vision. Revenue is falling, margins are declining, investment is constrained and Postmaster remuneration is not growing
- **In light of this we do believe that the plan represents a starting point for a wider discussion on POL's long-term future, for which we continue to welcome DBT engagement and which the Minister acknowledges.**

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Business Context (2/2) - Strategic Priorities

Informed by the business context, the strategic priorities outlined on this page are intended to frame POL's plans for FY24/25 as well as stakeholder engagement on our long-term future. A longer term strategic vision is considered vital for alignment between POL, Postmasters and DBT enabling clarity over what the future path is and 'why' – which would then underpin all discussions around 'how' this vision should be implemented.

For Customers
The services our customers want at a convenient location and time

- Launching new services with a 4th carrier for in-Branch sales, new eBay propositions and money remittances
- Securing continued access to cash in Branches and investment in cash automation through BF4
- Enhancing customer experience in mails with improvements online, in Branch and for integrated journeys

For Postmasters
A compelling and profitable franchise offer to our Postmasters

- Giving Postmasters tools to run their Branches better, by deploying Second Device and cash automation
- Investing in replacing Horizon, with piloting of NBIT starting in Postmaster-run locations
- Improving supporting services for Postmasters through Branch Hub enhancements and cyber investment

For Post Office
A simpler, lower cost, more streamlined and resilient business

- Shifting the network mix towards more viable locations, by exiting DMBs and growing Drop & Collect
- Reducing central costs through tactical interventions, simplification and functional efficiencies
- Building capability and colleague engagement across POL, and driving continued cultural transformation

For Our Shareholder
A more secure network policy and a more sustainable business

There is currently appetite within DBT to look at mutualisation which is a useful discussion point to engage on the future of POL. An independent report on the feasibility of a mutualisation would help to define a path as to what this might look like

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Executive Summary (1/3)

1

Headlines

The FY24/25 Budget is projecting a Trading Loss of IRRELEVANT **a 'base' position aligned to** IRRELEVANT **of 'other change' activity noting that additional 'growth' or 'efficiency' related investments could realise benefits that improve this trading position.** Revenues are projected to decline by IRRELEVANT equivalent to a IRRELEVANT loss in revenue due to the exit of Lottery in Jan-24; excluding Lottery this is a IRRELEVANT decline. Total PM Remuneration is expected to be at IRRELEVANT which includes IRRELEVANT or Operational Excellence incentive payouts. Variable PM Rem as a % of Variable Revenue is expected to be at IRRELEVANT FY23/24 o IRRELEVANT excluding Lottery). Whilst the Operating cost base is expected to be broadly flat year on year, this is driven by IRRELEVANT of projected cost increases, fully offset by IRRELEVANT of cost reductions (of which IRRELEVANT re expected to meet the Remco savings criteria). **Opportunities to reduce the cost base further have been identified through this process, with assessment on investment required, implications and executability included within this Business Plan.**

2

Mails Revenue

Mails revenues are expected to decline by IRRELEVANT **year on year, with** IRRELEVANT **reduction in Royal Mail revenue partially offset by** IRRELEVANT **growth in Non-RM carriers.**
The Royal Mail projected year on year decline is considered to be volume driven with the introduction of competing RM Tracked products impacting Special Delivery volumes , continued decline in Labels and shift to lower margin Acceptance products, as well as a 52 week (vs 53 in FY23/24).
Non-RM revenue is expected to grow by IRRELEVANT **growth) driven by higher volumes across all areas with improved maturity of branches, as well renewed efforts to relaunch and refocus on Buy-in-Branch services from Q4 23/24 onwards. The ability to grow further these propositions further is constrained by funding and FJ capacity, which limits what can be deployed.**

3

Banking Revenue

Banking revenues are expected to grow organically by IRRELEVANT **year on year in response to bank closures and through the further Banking Hub openings.**
Deposits are budgeted to grow by IRRELEVANT driven by 1m increase in volumes, along with inflationary price rises. Withdrawals are budgeted to grow by IRRELEVANT with volumes expected to remain flat and growth through inflationary increases. Banking Other revenue is increasing b IRRELEVANT Y due to an increase in Bank Hub openings.
The Banking Framework fee is expected to hit the IRRELEVANT cap in FY24/25. There is no scope for any additional framework fee as IRRELEVANT is the maximum per the current agreement, however is a IRRELEVANT risk based on how the fee is calculated.

4

Financial Services, Travel and Insurance Revenue

Bank of Ireland (MSL) revenues are budgeted to decline by IRRELEVANT **in line with an expected return to lower and more stable interest rates**, and the shifted construct of the recently signed agreement. There may be potential upside to this projection if interest rates do not fall as expected.
Travel Insurance revenue is expected to decline by (IRRELEVANT due to the full year impact of moving from SEO position P1 to P2 along with price increases of IRRELEVANT for aggregators due to poor underwriting performance. Delivery of these revenues will be more targeted, however, driving higher profits overall.
Travel Money revenue is budgeted to increase by IRRELEVANT due to RPI uplifts, whereas our FRES profit share is expected to be IRRELEVANT because the FRES business is more exposed to the overall decline in cash than the Travel Money business.

5

Other Revenue

Retail, Lottery & Gift Cards revenue is declining by IRRELEVANT due to the exit of Lottery in Q4 FY23/24.
Payment Services revenue is reducing by IRRELEVANT as we are not expecting a repeat of the small amount of EBSS payout roll over that we benefitted from in FY23/24.
Government Services revenue is down IRRELEVANT oY with the UKVI contract coming to an end in FY24/25 and no extension planned.

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Executive Summary (2/3)

6

Postmaster Remuneration (PM Rem)

FY24/25 Variable PM Rem will reduce by IRRELEVANT **in absolute terms due to the exit of Lottery (can be contracted with Allwyn directly), partially offset by a** IRRELEVANT **placeholder for the Operational Excellence (OE) Incentive. Excluding these impacts on a like for like basis, Variable PM Rem is expected to increase by** IRRELEVANT **aligned to Variable revenue increase of** IRRELEVANT **and is assumed to be at** IRRELEVANT **of variable revenue (vs** IRRELEVANT **in FY23/24 of** IRRELEVANT **excluding Lottery).** Within this average, overall Mails rates are expected to increase slightly due to product mix, whilst Banking rates are expected to fall from IRRELEVANT due to shift in mix towards lower rem generating volume drivers whilst Average Transaction Values (ATVs) are assumed to remain flat.

FY24/25 Fixed PM Rem payments are budgeted to reduce by IRRELEVANT to a total of IRRELEVANT driven by the cessation of Major Branch Support as OE ramps up, assumed 6% churn in branches that receive Assigned Office payments (with no inflationary increases assumed) and lower in-year Strategic Partners payments. It does include a IRRELEVANT increase in Other Fixed payments to cover an anticipated increase in hardship volumes following the exit of Lottery and Living Wage increase.

7

Network Shape

FY24/25 is expected to commence with 11,776 branches in the network. Churn is forecast at IRRELEVANT **broadly in line with the rate for 23/24.** The network plan assumes the planned exit of 7 DMBs, 10 loss-making branches on exceptional remuneration and 45 'Hard to Place' branches. It also assumes 200 net Drop & Collect (D&C) openings and the targeting of 70 Mains & Locals openings, co-funded by postmasters. **Subject to carrier agreements, the plan could deliver up to 200 additional D&C, creating the headroom for 200 Outreach exits. This will be managed to reflect evolving market & financial conditions subject to quarterly review. Overall, the network in March 2025 is forecast to be close to 11,600, remaining above the 11,500 target.**

8

Operating costs and Headcount

Operating costs of IRRELEVANT **staff costs of** IRRELEVANT **and non-staff costs of** IRRELEVANT **are expected to remain flat year on year - driven by** IRRELEVANT **of gross cost increases offset by** IRRELEVANT **of gross cost reductions,** of which IRRELEVANT could meet the Remco definition of 'incremental' year on year savings that are actively pursued (breakdown on page 42). Within the IRRELEVANT of cost increases, IRRELEVANT is due to RPI and contractual indexation and IRRELEVANT is due to a Pay Award assumption of IRRELEVANT for CWU and Unite employees and IRRELEVANT for 3A and 4 grades. There is potential opportunity against this dependent on the outcome of Union negotiations. Average projected FTE headcount of 3,547 FTE are projected to reduce by (163) FTE on a net basis, with (100) FTE reduction within Remediation Unit and (98) FTE reduction through the closure of the Swindon Supply Chain site; this is partially offset by planned increases in People, CIO and CFO for which further explanations are provided on page 40.

Activity Based Costing analysis suggests of the IRRELEVANT total opex costs, IRRELEVANT of operating costs are considered to be 'Central' overheads, IRRELEVANT is linked to delivering DBT policy and the remaining IRRELEVANT are linked to supporting revenue (of which IRRELEVANT has been identified as potential reclassification into Cost of Sales). Indicative analysis suggest 87% of non-staff costs (IRRELEVANT are considered to be contracted; further work is being undertaken to understand the nature and pipeline of these contractual costs, particularly in relation to 3-5 year horizon scanning. The budget assumes IRRELEVANT of losses due to branch discrepancies – a reduction of IRRELEVANT year on year.

9

Product Profitability

The objective of Product Profitability is to understand a truer profitability for POL products and services taking into account direct costs, indirect costs and allocation of central overheads; and to leverage these results as a tool to support, validate and enhance commercial and network decision making across the organisation, such as descoping options for NBIT. The analysis in this report is based on a purely mathematical exercise using the FY24/25 Trading Profit – it has not been reviewed by Commercial leads for commentary or input. It does not include an allocation of items below Trading Profit such as NSP or investment cost, nor does it calculate the Postmaster cost to serve – these have been identified as limitations.

The key findings show that all commercial business units are projected to make a positive variable contribution in FY24/25 and where possible these should continue to be benchmarked to competitor products in commercial assessments. At the notional profit level, before the allocation of central overheads, Mails is projected to be loss making – assumed to be due to the following reasons: i) The network cost base for delivering Royal Mail products and services is aligned to a revenue base that is declining year on year (e.g. Labels and Stamps) – removing these increasing network costs in line with revenue requires some time and investment; ii) With the implementation and delivery of the Mails Strategy, Non-Royal Mail revenues are growing but this is expected to take time to ramp up; growth in this area will require investment; iii) Variable Postmaster Remuneration % on Mails (including new Non-RM Mails products) is significantly higher than other BUs such as Banking - this needs to considered when reviewing the Remuneration Strategy in the Summer.

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Executive Summary (3/3)

10 **Investment and Change Spend**

Total Change Spend for the FY24/25 budget is projected to be IRRELEVANT comprised of IRRELEVANT for projects categorized in Replacement of Horizon (incl. SPMP), IRRELEVANT for Remediation Unit & Inquiry, (both of which POL is requesting DBT funding) and IRRELEVANT of 'Other' Change Spend (assumed to be self-funded by POL). Of this IRRELEVANT is considered to be 'Maintenance' related (Non-discretionary spend) IRRELEVANT Efficiency' related to support cost reduction plans and a IRRELEVANT unallocated pot to progress certain priority programmes subject to capacity and practicalities of delivery e.g. DMB Exits, reducing risk tolerance (e.g. Cyber Security), OD Programme, Innovation/Digital Strategy and contingency requirement. As confirmed by UKGI, this additional IRRELEVANT hould it be funded from the Working Capital Facility, does not breach the Purpose Clause provided that Security Headroom remains positive. The benefits associated with this spend are not included in this plan however would provide incremental upside to the IRRELEVANT trading loss and determined as and when the pot is allocated. There is also an additional IRRELEVANT ncrease in FY24/25 due to deferral/slippage from FY23/24 – required to complete implementation of ongoing programmes – the cashflow impact of which is expected to be limited.

11 **Security Headroom and Facility Headroom – and sensitivity analysis**

Security Headroom assumes DBT funding of IRRELEVANT FY24/25, which is comprised of IRRELEVANT NSP, IRRELEVANT for RU/Inquiry (as part of the IRRELEVANT agreement) and IRRELEVANT contingency (subject to agreement) IRRELEVANT or Replacement of Horizon (as part of the agreed Investment funding with DBT) and a further IRRELEVANT for SPMP. Based on these assumptions, FY24/25 Security Headroom is projected to be positive throughout the year. The lowest point would be IRRELEVANT n Dec-24 (noting a recommended buffer of IRRELEVANT maintained throughout the year due to cover a downward swing in payables IRRELEVANT ould be c.50% of banking deposits over a weekend). The SH forecast assumes an unfunded variance of IRRELEVANT hange spend on SPMP (over and above th IRRELEVANT nd c IRRELEVANT of RU/Inquiry spend (over and above the IRRELEVANT ontingency) – should this position change this would provide additional SH upside.

Facility Headroom assumes a WCF of IRRELEVANT roughout the year, and an NRF facility of IRRELEVANT in H1 and IRRELEVANT H2. There are ongoing discussions regarding increasing the WCF by IRRELEVANT with the NRF permanently reducing down to IRRELEVANT This would provide facility upside in H2 based on current assumptions. There are no breaches of Facility Headroom forecast for FY24/25 with the lowest point in Dec-24, which i IRRELEVANT away from entering the IRRELEVANT oard approved buffer. This could be mitigated by a request to the Board to reduce the buffer to IRRELEVANT This request was undertaken in FY23/24.

12 **Risks & Opportunities**

Risks & opportunities to the FY24/25 Trading Loss position include those that are trading related (page 30) as well as operating cost related (page 44). These are not included within the FY24/25 budget as there is a probability associated with these crystallising. There are also risks identified to Change spend (page 21), including RU & Inquiry which will be mandatory and 'self-funded' should DBT funding not be made available e.g. to cover administration of the £75k payments, 1,500 late HSS applications, exoneration impacting Overturned Convictions, potential extension to the Inquiry timelines and Capture related investigation, legal fees and compensation payments.

POL's current position of highest areas of Enterprise risk exposure remain in the following areas: Cyber Security, Technology, Legal, People & Operations (Retail & Franchise). There are 18 out of 81 intermediate risks outside of tolerance all of which have a remediation plan to bring into tolerance by an agreed target date (November ARC). However due to increased focus on the Inquiry, Media attention, increased pressure on colleagues it is expected that several risks will remain outside tolerance for longer. Further funding from the IRRELEVANT additional pot could be allocated to these programmes dependent on capacity to implement in order to bring these risks within tolerance sooner.

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Key Assumptions Underpinning the FY24/25 Business Plan

Area	Key Assumptions	Further detail
Self-funded 'Other Change Spend'	IRRELEVANT **of self-funded change investments** following GE prioritisation of which: • IRRELEVANT Maintenance': largely non-discretionary that is necessary, contracted or nugatory spend or (avoiding sunk costs) • Efficiency': investments that enable cost reduction • rowth': of which IRRELEVANT for Mails Strategy (developing Non-RM propositions) • unallocated additional pot for spend against risk reduction, cost reduction and growth programmes – capacity and requirements to be continually assessed	Page 21
DBT Funding	IRRELEVANT **DBT funding** of which: Network Subsidy Payment (to subsidise cost of the uncommercial network required due to the Network Access Criteria) RU/Inquiry (as part of the IRRELEVANT agreement) RU/Inquiry Contingency (subject to final agreement) or Replacement of Horizon (as part of the agreed Investment funding) for SPMP (subject to receipt of funding letter)	Page 25
Revenue	**52 week trading vs 53 week in FY23/25** • Mails: Average 8% decline in Royal Mail volumes across product portfolio • Banking: Deposits 1% volume growth; 2% inflationary; Withdrawals 0% volume growth, 7% inflationary; Banking Framework Fee: IRRELEVANT cap • Mortgages, Savings Loans: BOI average rate of 4.5% (vs 5.25% Jan-24); BOI Agreement: IRRELEVANT guaranteed minimum commission in 2024 & 2025. • Travel Insurance: 9% volume decline due to SEO position P2 (vs P1 in FY23/24) and price increases of c.10% for aggregators (reducing aggregator volumes) • Government Services: UKVI contract ending in FY24/25 with no extension planned	Page 29-30
Postmaster Proposition	**Investment in reducing PM cost to serve** IRRELEVANT note counters, IRRELEVANT MFDs, IRRELEVANT 2nd Devices, IRRELEVANT estimated (out of IRRELEVANT investment) in SSKs (excluding DMBs/SPs) **Variable PM Rem** IRRELEVANT like for like growth (excluding Lottery and 53 week trading) IRRELEVANT of variable revenue; Variable PM Rem includes IRRELEVANT for Operational Excellence incentive based on IRRELEVANT conformance (vs current IRRELEVANT pro-rated for Sept-implementation; **Fixed PM Rem** IRRELEVANT hurn in branches receiving Assigned Office Payments; IRRELEVANT unallocated for expected increase in Hardship Volumes (Min Wage; Lottery exit)	Page 15 Pages 32-34
Network Numbers	Opening at 11,776 branches; churn in commercial branches of c.3.5% (flat on FY23/24). Planned exits of 7 DMBs, 10 loss-making branches on exceptional remuneration and 45 'Hard to Place' branches. Openings of 200 Drop & Collect (D&C), the targeting of 70 Mains & Locals openings, co-funded by postmasters. Closing forecast of c.11,600 – remaining above 11,500 target. Subject to carrier agreements, a stretch plan could deliver up to 200 additional D&C, creating the headroom for 200 Outreach exits.	Page 36-37
Inflation RPI	RPI – 3.6%; CPI – 2.5% *Source:* Forecomp_October.pdf (publishing.service.gov.uk); For work performaned by Fujitsu - contractual indexation of 6%	Page 7
Pay Award	IRRELEVANT for CWU and Unite employees IRRELEVANT or 3A and 4 grades	Page 39
FTE Headcount	Average FTE headcount of 3,547 FTE projected to reduce by (163) FTE on a net basis, with (100) FTE reduction within Remediation Unit and (98) FTE reduction through the closure of the Swindon Supply Chain site; this is partially offset by 39 planned increases in People (20), CIO(14) and CFO (5).	Page 39
Cost Savings	IRRELEVANT of budgeted cost savings that could meet the Remco definition of 'incremental' year on year savings that are actively pursued	Page 41
Loan Facility	DBT Working Capital Facility (WCF) IRRELEVANT throughout the year, and Notes Relief Facility (NRF) of IRRELEVANT in H1 reducing to IRRELEVANT in H2.	Page 26
Interest rate	Drawdown of the first IRRELEVANT of the NRF at IRRELEVANT and DBT WCF at a fixed rate of IRRELEVANT	Page 13
Depreciation	IRRELEVANT Budgeted Capex assumed to depreciate over average UEL of 7 years	Page 13

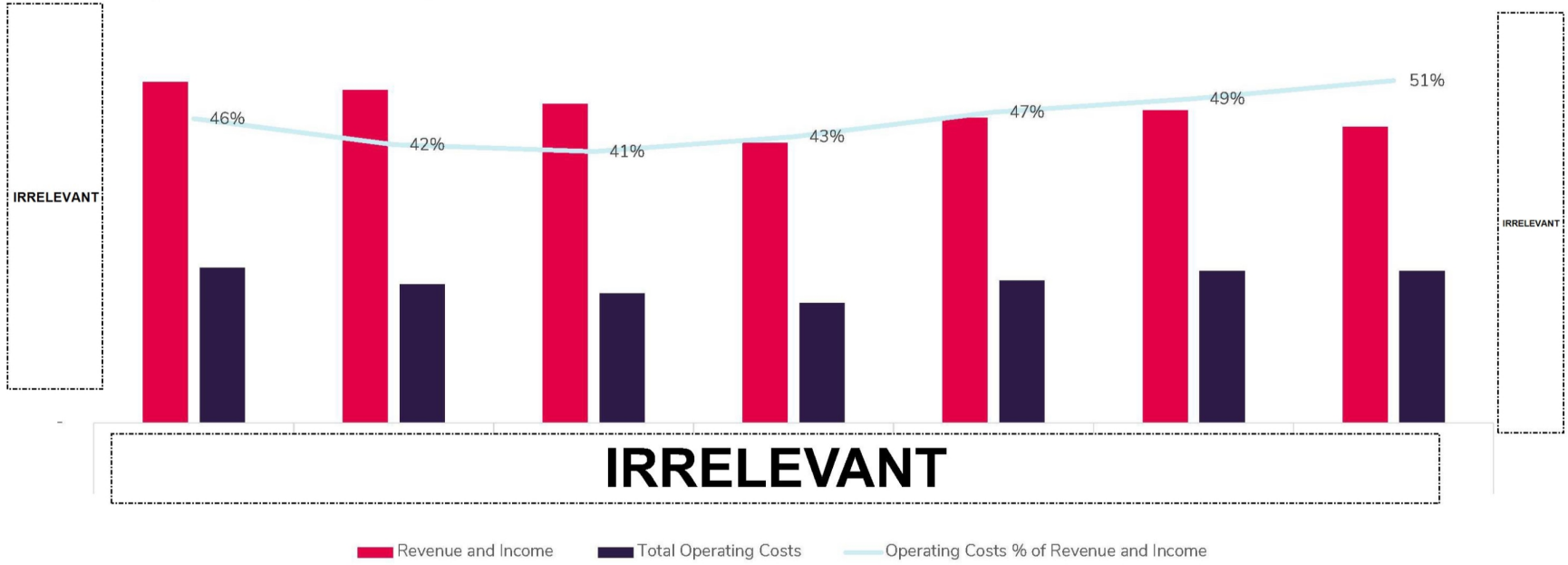
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Historical Overview (1/2): Revenue vs Operating Cost base

Since separation with Royal Mail, Mail revenues have declined by IRRELEVANT and revenues from Government Services (including POCA/Voucher Encashment) have declined by IRRELEVANT. Despite this and excluding the sale of Telco in FY20/21, Network revenues have remained broadly flat in comparison to FY13/14 levels due to the creation of additional revenue streams through the Banking Framework and Non-Royal Mail revenues with other carriers.

However over the last few years, Operating Costs (Staff & Non-Staff costs) as a percentage of revenue and income have been increasing – **a position that is unsupported by the P&L, unaffordable and unsustainable.**

Activity Based Costing analysis estimates that 52% of the FY24/25 Operating Cost base is focused on delivering key areas of DBT policy of sustaining the network (37%) and cost of cash access (15%) – with the Network Subsidy Payment remaining at IRRELEVANT since FY19/20. There is every **opportunity to "right size" the business** through **effective strategic prioritisation and delivering sustainable efficiencies.**



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Historical Overview (2/2): Actuals vs Budget

Revenue has outperformed Budget for the last three years, which includes the variability of the BOI incentive commission. In the last two years this variability has been significant due to unpredictability in the BOE interest rates.

	FY19/20	FY20/21 COVID: No Board approved Budget	FY 21/22 Exc. UKGI stretch (STIP aligned)	FY 22/23
Revenue	IRRELEVANT			
Operating Costs				
Trading Profit				

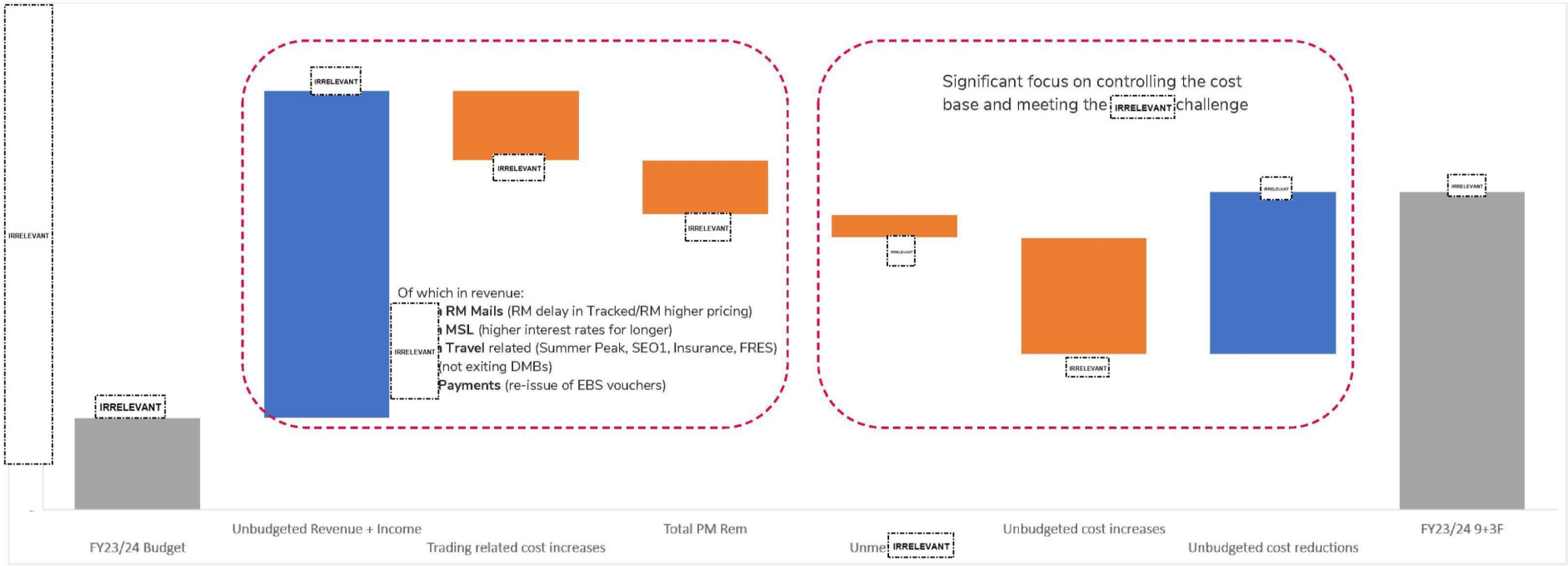
Source: Actual Revenue and Trading Profit from ARA; Budget figures and operating costs as per CFS, Management Accounts

Adjusting for BOI variability	FY19/20 No BOI Incentive	FY20/21 BOI Incentive: £1m > Budget	FY 21/22 BOI Incentive: £12m > Budget	FY 22/23 BOI Incentive: £23m > Budget
Revenue (exc BOI Incentive)	IRRELEVANT			
Operating Costs				
Trading Profit (exc BOI Incentive)				

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Current Financial Year: FY23/24 Forecast vs Budget

FY23/24 Revenue and Income is expected to be IRRELEVANT higher than Budgeted – largely driven by opportunities arising from external factors. Last March, the business agreed to increase PM Rem through implementation of IRRELEVANT of cost challenges, towards which significant focus has been shifted in ensuring this was delivered. Since the IRRELEVANT the business has performed better than forecast in P10 and P11 by c IRRELEVANT at a Trading Profit level, largely due to higher than forecast banking volumes and values, along with lower cost outturn than forecast. The full year outturn is being assessed along with any potential year-end adjustments.



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FY24/25 Summary P&L: Profit Before Tax

	23-24 9+3 Forecast	FY24-25 Budget	FY24-25 Variances vs 9+3 YoY £m	FY24-25 Variances vs 9+3 YoY %	FY24-25 vs 3YP FY24-25 3YP	FY24-25 vs 3YP Var £m
Mails - RM						
Mails - Non RM						
Banking Services						
ATMs						
Travel Money						
Mortgages, Savings & Loans						
International Money Transfer						
Credit Cards						
PO Insurance						
Payment Services & Payzone						
Retail, Lottery & Gift Cards						
Government Services						
Identity Services						
Voucher Encashment						
Supply Chain/Other						
Total Revenue						
Cost of Sales						
Postmasters Rem Variable Costs						
Postmasters Rem Fixed and Other Costs						
Merchant Commission						
FRES						
Gross Margin						
Staff Costs						
Non Staff Costs						
Total Overheads						
Trading Profit						
Network Subsidy Payment						
EBITDA						
Depreciation						
Interest						
Exceptional Change Spend						
Investment Funding						
Profit On Asset Sales						
Profit Before Tax						
KPIs						
Total PM Rem						
Total PM Rem % Total Revenue						
Variable Rem % Variable Revenue						
Total Opex % Revenue and Income						

IRRELEVANT

Headlines

- The FY24/25 Budget is projecting a Trading Loss of [IRRELEVANT] a 'base' position aligned to [IRRELEVANT] of 'other change' activity noting that additional 'growth' or 'efficiency' related investments could realise benefits that improve the trading position.
- The largest driver of the year on year movement is a projected reduction in revenues of [IRRELEVANT] equivalent to a [IRRELEVANT] decline, although like for like excluding Lottery this is a [IRRELEVANT] decline.
- Total PM Remuneration (Variable + Fixed) is expected to be at [IRRELEVANT] of which [IRRELEVANT] is expected to be Variable [IRRELEVANT] variable revenue). This includes [IRRELEVANT] for Operational Excellence incentive payouts. On a like for like basis (excluding Lottery and 53rd trading week in FY23/24) Total PM Rem is projected to grow by [IRRELEVANT] oY.
- The Operating cost base is expected to be broadly flat year on year, driven by [IRRELEVANT] of projected cost increases, wholly offset by [IRRELEVANT] of cost reductions (of which [IRRELEVANT] are expected to meet the Remco savings criteria).
- Detailed review of the Operating cost base has identified [IRRELEVANT] of costs which could be reclassified as Cost of Sale. Whilst this has no impact to Trading Profit it reflects a truer nature of the operating cost base which would reduce to [IRRELEVANT] of revenue and income). Any reclassification would be overlayed after the FY23/24 year end to ensure like for like comparison. Opportunities to reduce the cost base further have been identified through this process, with assessment on funding required, implications and executability included within this Business Plan.
- Depreciation costs of [IRRELEVANT] include [IRRELEVANT] for existing assets and a further [IRRELEVANT] in relation to [IRRELEVANT] of budgeted capex spend (assumed to depreciate over an average useful economic life of 7 years).
- Interest costs are largely determined in relation to drawdown of the WCF at an average rate of [IRRELEVANT] expected to increase by [IRRELEVANT] due to a [IRRELEVANT] expected increase in the average borrowing position (lower payout cash holdings and higher banking deposits.
- FY24/25 Investment funding of [IRRELEVANT] in this base Budget assumes [IRRELEVANT] for RU/Inquiry (as part of the [IRRELEVANT] agreement) plus a further [IRRELEVANT] contingency (s.t. agreement), [IRRELEVANT] for Replacement of Horizon (as part of the agreed Investment funding with DBT) and a further [IRRELEVANT] for SPMP.

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FY24/25 vs FY23/24: Revenue trajectory and phasing

FY24/25 Revenue of IRRELEVANT is expected to be a (£48m) reduction on the FY23/24 Outturn. Mails revenues are expected to be impacted by further re-baselining of the Royal Mail business with a continuing decline in Parcels volumes, largely offset by the Mails Strategy as revenue with other carriers is projected to grow. Bank of Ireland (MSL) revenues are projected to decline in line with lower and more stable interest rates and the shifted construct of the recently signed agreement. Net Banking revenues are expected to continue to grow organically in response to bank closures and through the further Banking Hub openings. Revenue phasing is fairly consistent YoY, with a gradual reduction month on month. The lower BOI MSL incentive can be seen with reduced P11 revenue in FY24/25 compared to FY23/24,



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FY24/25 Postmaster Proposition

The FY24/25 Plan takes a holistic approach to improving postmaster & partner profitability

REDUCING POSTMASTER COSTS

ROLLING OUT AUTOMATION & NEW TECH:

- Investing IRRELEVANT to deploy **note counters** to 2.8k branches, saving PMs at least IRRELEVANT pa in staff costs.
- ~IRRELEVANT (excluding DMBs and Strategic Partners) on developing **new mails self-service kiosks**, ready Q4. 2.5k branches could benefit on self-funded basis, saving IRRELEVANT pa staff costs.
- IRRELEVANT investment to enable **banking Multi-Function Devices**, trialling in 10 branches in 2024/25.
- IRRELEVANT initial investment for **'2nd device'** platform, which will provide greater flexibility to serve customers from retail till.

STREAMLINING PROCESSES:

- Continuing **Commercial & Operational Excellence** visits to help optimise sales, improve back-office processes & reduce discrepancies.
- Further improvements to **Branch Hub**, making it easier for branches to access services in one place.
- Launch of **'auto-rem-in'** for secure stock, reducing branch workload and risk of discrepancies.

GROWING POSTMASTER INCOME

INCREASING REMUNERATION:

- Total rem forecast to **grow by** IRRELEVANT **on a like for like basis*** including:
  - Launch of **Operational Excellence Incentive,** providing opportunity for branches to boost rem by up to 5%
  - **RMG products** increasing in line with tariff or CPI
  - 20% increase in **DVLA** rem

SUPPORTING SALES GROWTH:

- Expanding **Evri** to 1.6k branches; extending **DHL** C&C to 1k branches and launching **DPD** International.
- **TMC** extended to 3.3k branches, supported by rem boost for new card sales.
- Branch **marketing campaigns** planned for 5 key points through year.

RESHAPING THE NETWORK:

- **~3m customer sessions & ~**IRRELEVANT**rem consolidated in core branches** through smart of management of churn – not always replacing branches like-for-like and using D&C to in-fill gaps.

*While in absolute terms rem is forecast to fall by IRRELEVANT in 2024/25, for a more meaningful comparison we have adjusted this figure to remove: a) **lottery**, on the grounds that most branches are now receiving this income direct from Allwyn; and b) **the impact of the 53-week year in 23/24**, given this is not relevant to PMs' weekly earnings and ongoing profitability.

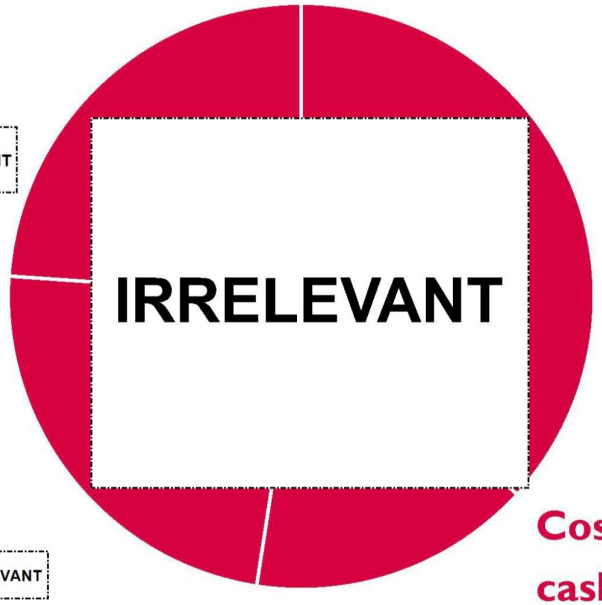
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FY24/25 Total Cost base – by Activity

IRRELEVANT of POL's cost base today is focused on key areas of DBT policy, with IRRELEVANT driven by back office central costs

FY24/25 BUDGET COST BASE: IRRELEVANT

Cost of sales	Staff Costs	Non Staff Costs
	IRRELEVANT	



Revenue supporting: IRRELEVANT

Sustaining the network: IRRELEVANT

Back office central: IRRELEVANT

Cost of cash access: IRRELEVANT

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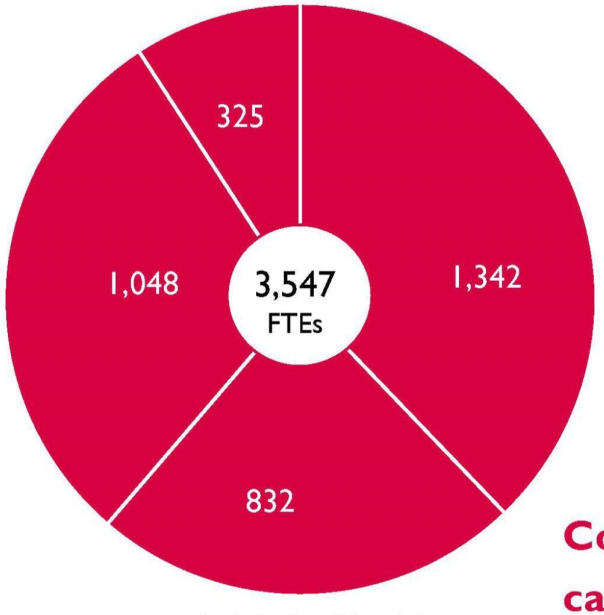
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FY24/25 FTE Headcount – by Activity

60% of POL's FTE headcount today are focused on key areas of DBT policy, with 30% working in back office functions

MARCH-25 BUDGETED HEADCOUNT POSITION: 3,547 FTE			
CENTRAL POL EMPLOYEES 1,808 FTE	DMB AND SUPPLY CHAIN 1,466 FTE	PZ AND POI 108 FTE	CONTRACTORS 165 FTE

Revenue supporting: 9%



Sustaining the network: 38%

Back office central: 30%

Cost of cash access: 23%

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FY24/25 Budget: Total Operating costs and YoY movement

Operating costs (Non-staff and staff costs) are being held flat on FY23/24, based on c IRRELEVANT of cost increases (of which IRRELEVANT s driven by inflation and contractual indexation), offset by IRRELEVANT of cost reductions of which IRRELEVANT re actively planned and 'incremental' cost savings.

Opex costs by BU	FY23-24 9+3	FY24-25 Budget	YoY £m	of which: Savings (Active)	Reductions (Passive)	Cost increases
Commercial	IRRELEVANT					
Retail						
CIO						
CFO						
People						
LCAS						
Centrally Managed						
Strategy & Transformation						
Communications						
Total POL						

Notes

- Operating costs of IRRELEVANT are expected to remain flat year on year - driven by IRRELEVANT of gross cost increases offset by IRRELEVANT of gross cost reductions, of which IRRELEVANT could meet the Remco definition of 'incremental' and 'genuine and intended' savings in the sense that they are actively pursued.
- Any cost avoidance or cost saving already achieved in FY23/24 should not be double counted again as a 'cost saving' in FY24/25. Based on this guidance, the remaining IRRELEVANT of budgeted cost reductions are excluded as largely due to one-off costs in FY23/24 not expected to repeat.

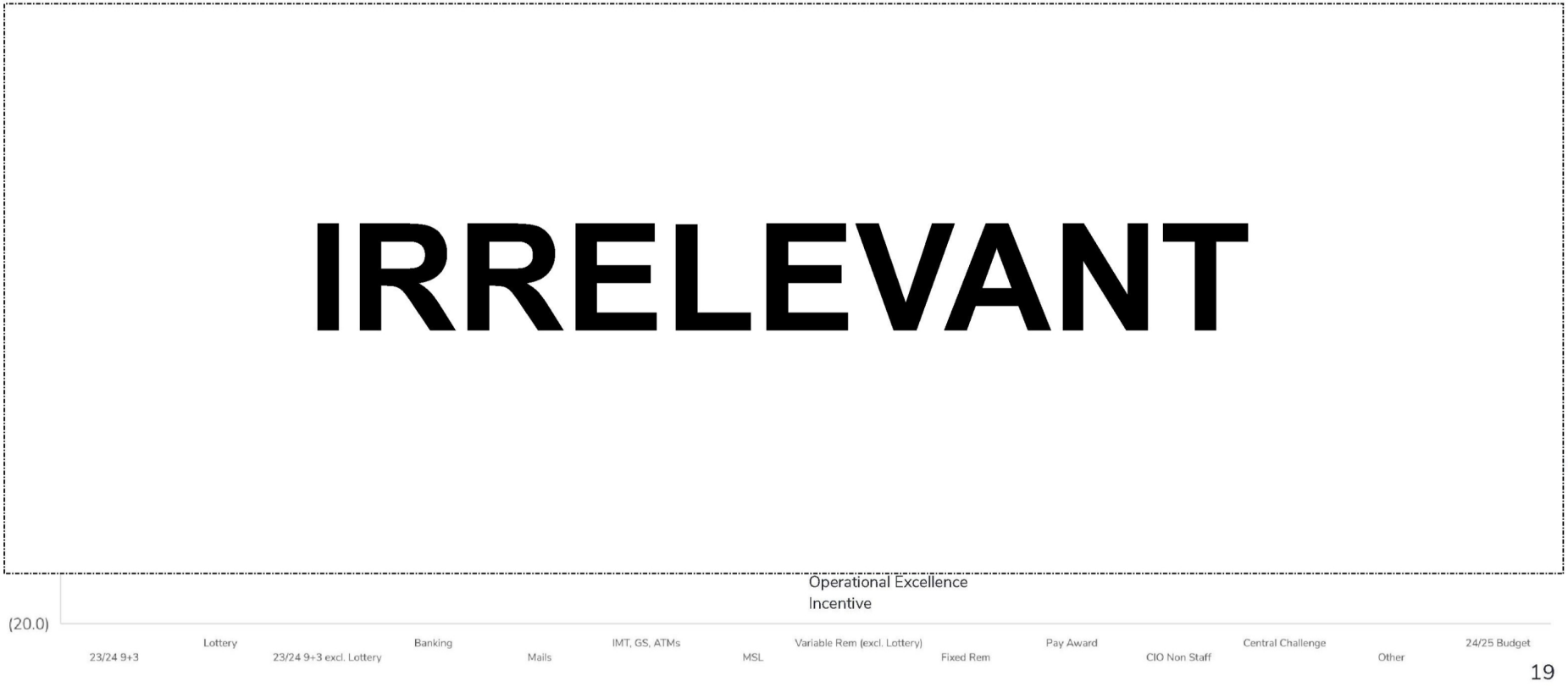
IRRELEVANT



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FY24/25 vs FY23/24: Projected Trading Loss of (IRRELEVANT

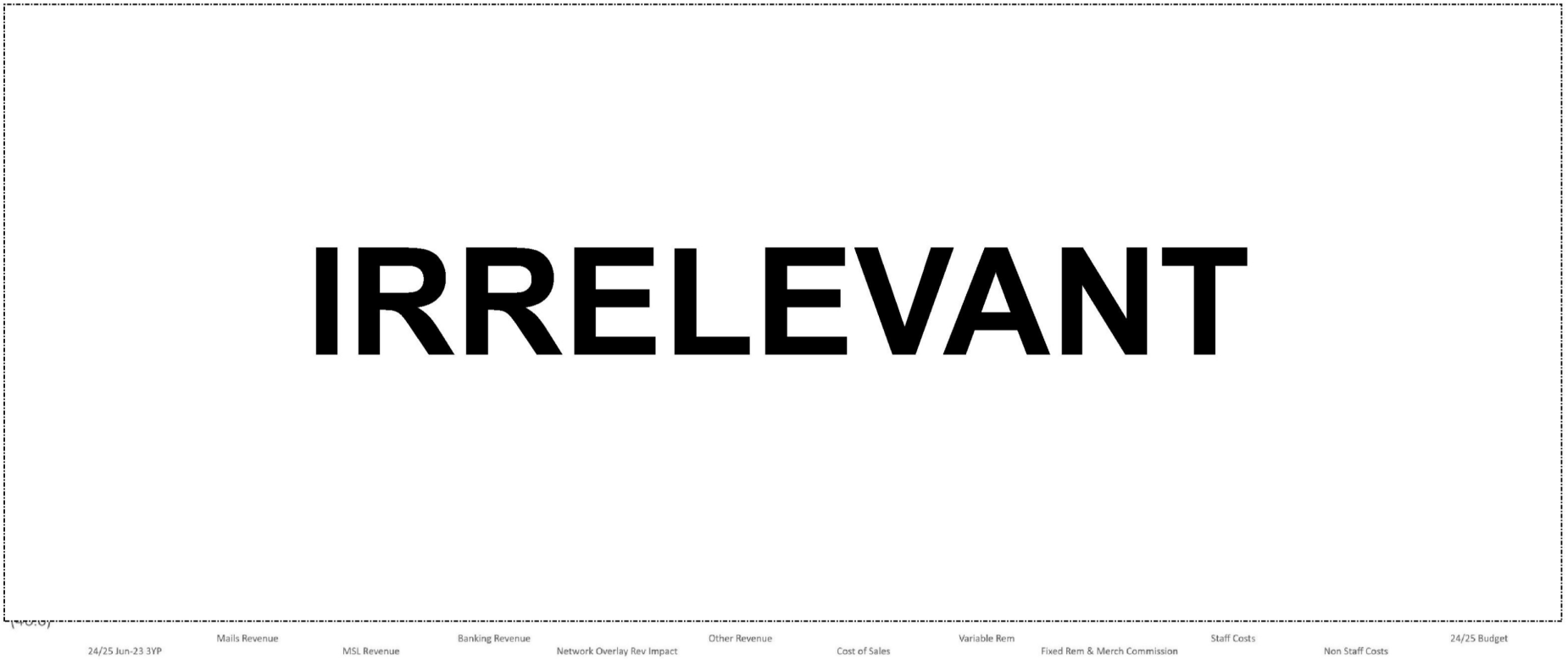
The FY24/25 Business Plan is currently projecting a trading loss of IRRELEVANT with a year-on-year decline in commercial profits (largely driven by a return to lower/ more stable interest rates as part of the extended BOI deal) as well as projected increases in the operating cost base offset by year on year cost reductions and savings. Opportunities to improve this position through implementing 'efficiency' related actions that reduce the cost base, are set out in this business plan.



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FY24/25 Budget: Comparison to the 3 Year Plan

The current FY24/25 Budget projection of a Trading Loss of IRRELEVANT *is a* IRRELEVANT *improvement to the* IRRELEVANT *Trading Loss presented in the June-23 3YP. It is largely driven by a* IRRELEVANT *net improvement in Revenues (which includes assumptions on revenue loss not materializing), a* IRRELEVANT *reduction in Fixed Rem payments driven by the Network Strategy, offset by a* IRRELEVANT *increase in Variable PM Rem and a net* IRRELEVANT *increase in the operating cost base.*



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Total Change & Investment Spend

Total Change Spend for FY24/25 is currently projected at IRRELEVANT *of which* IRRELEVANT *relates to DBT funded projects categorized in Replacement of Horizon (incl. SPMP) and Remediation Unit & Inquiry, as well as* IRRELEVANT *for Other Change Spend.*

Total Change Spend

Total Change Spend, £m	FY22/23 Actual	FY23/24 Forecast	FY24/25 DRAFT	3YR Total
Other Change Spend – Self funded				
Remediation & POHIT Inquiry				
Replacement of Horizon				
Total POL				

IRRELEVANT

*Total IRRELEVANT as separately reported to Board

FY24/25 Other Change Spend by Portfolio

IRRELEVANT

FY24/25 Other Change Spend by Category

IRRELEVANT

Risks

Risk to overall change spend (linked to contractors used on change spend programmes) from IR35 change to policy as well as the overall retrospective tax provision – subject to ongoing negotiations with HMRC and People Team policy changes. DBT Letter of Support in FY22/23 recognises this risk and the potential funding requirements.

Risks to **RU/Inquiry change spend** (which will be mandatory if unfunded as opposed to 'options'):

- Administration of IRRELEVANT payments
- Administration of 1,500 late HSS applications
- Administration of Exoneration impacting Overturned Convictions
- Extension to the Inquiry timelines
- Capture related investigation, legal fees and compensation payments

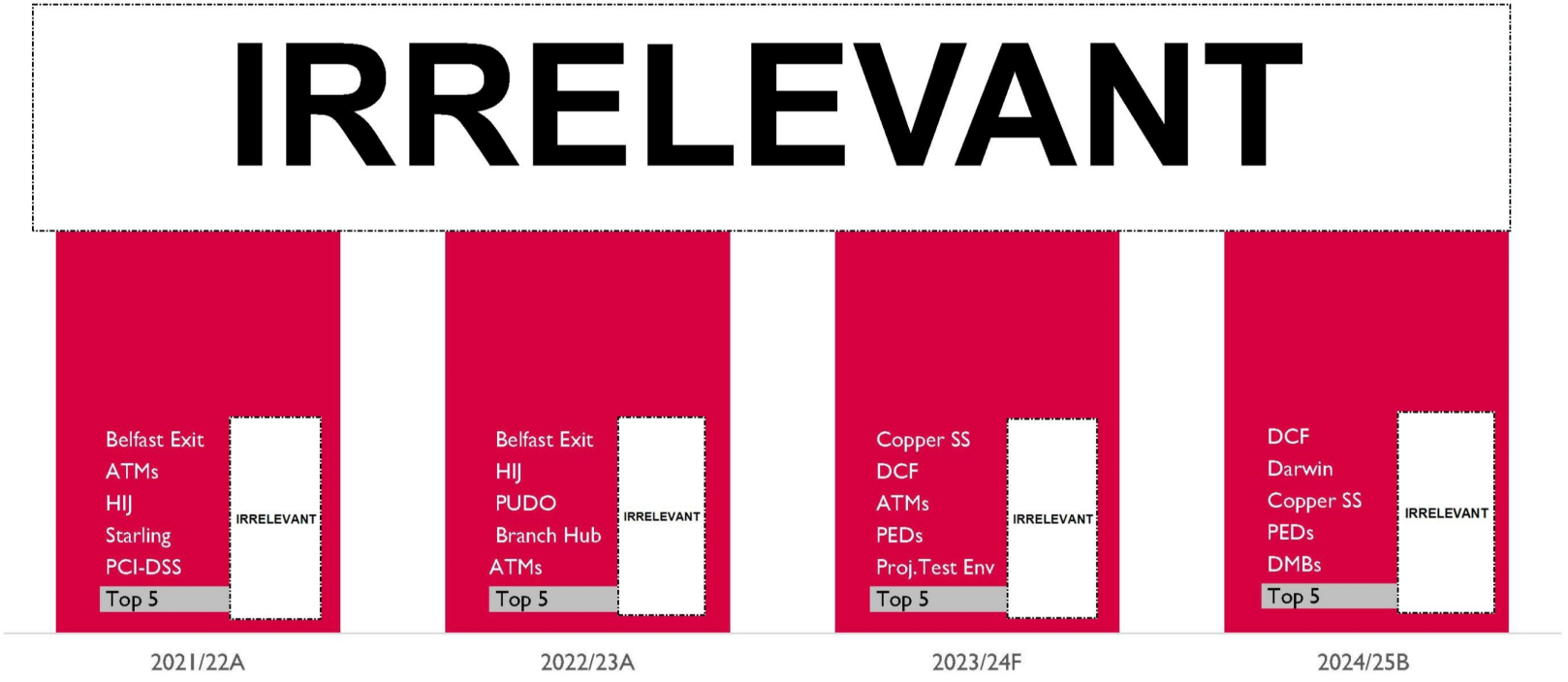
Risks to **Other Change Spend**:

- Potential IRRELEVANT estimate for Hard to Place Branches: reflecting 26 months payment
- Potential additional IRRELEVANT for ARQ process and Audit SAN IRRELEVANT already included)
- Potential IRRELEVANT accounting reclassification of spend from opex to capex TBC (however opportunity for reduction in opex)

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Other Change Spend (1/3): Comparison to Prior Years

The FY24/25 budget of IRRELEVANT for Other Change Spend is comparable to prior years (excluding sales proceeds and accounting adjustments), of which IRRELEVANT is considered 'Maintenance' related, IRRELEVANT Efficiency' related to support cost reduction plans and a further IRRELEVANT spend to be allocated; it also reflects a further IRRELEVANT deferral of spend from FY23/24 (net nil cash impact).



*24/25 Other Change Spend of IRRELEVANT is net of, c IRRELEVANT proceeds of sales of assets and accounting adjustments

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Other Change Spend (1/3): Movement between versions

The Change Spend plan has increased from IRRELEVANT reflecting a further IRRELEVANT deferral of spend from FY23/24 (net nil cash impact) and a IRRELEVANT additional spend pot for allocation to programmes over the course of the year

Project	Investment £'m		Implications
FY24/25 Indicative: Other Change		IRRELEVANT	GE Endorsed Plan on 20th December 2023
Cash automation: Note counters			Investment included within FY24/25 Business Plan for 2800 note counters + Maintenance spend; Time saving and cost benefit to Postmaster estimated at IRRELEVANT per branch (dependent on deposit volumes) as well as IRRELEVANT in year expected reduction in losses due to counterfeit notes.
Payzone			Payzone investments to be reported at the POL level post integration – net nil cash impact
Deferral/delay from FY23/24			Phasing across multi-year projects of which IRRELEVANT for Darwin, IRRELEVANT for DCF and IRRELEVANT for PED replacement devices - net nil cash impact
Other			IRRELEVANT reflects the latest position on onerous and vacant lease provisions required by accounting standards and IRRELEVANT are net decreases in spend across various projects.
FY24/25 Business Plan: Other Change			As reviewed by February Investment Committee
Data Centre Fortification			Due to deferral from FY23/24 there is knock on deferral expected into 25/26
ARQ Process Audit SAN			IRRELEVANT increase in scope and higher supplier costs (from IRRELEVANT Potential additional risk of up to IRRELEVANT not included.
Deferral/delay from FY23/24			Includes IRRELEVANT ICDC, IRRELEVANT Credence, IRRELEVANT D&C – ongoing projects with slippage now expected to complete in early FY24/25 - net nil cash impact
FY24/25 Business Plan: Other Change			Allocated to projects
Additional Spend Pot			Additional spend to be allocated across programmes and assessed over the course of the year e.g. Further DMB Exits, Risk reduction (Cyber Security/ POL Data Enablement as required), Digital/ Automation, OD programme and any other contingency required
FY24/25 Business Plan Final: Other Change			**Proposed FY24/25 Change Spend for March Board approval**

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Other Change Spend (3/3): Top Projects by Category

The FY24/25 budget of IRRELEVANT *for Other Change Spend includes* IRRELEVANT *considered to be 'Maintenance' related and* IRRELEVANT *Efficiency' related to support cost reduction plans. An additional unallocated budget of* IRRELEVANT *is included to be deployed as appropriate over the course of the year.*

	Top 10 Maintenance Projects	Portfolio	FY24/25 Budget	Description
1	Data Centre Fortification	Technology		Deliver additional resilience and replace end of service life infrastructure in the Belfast Data Centres
2	Copper Stop Sell	Technology		Replacement of Copper lines with Fibre lines in branch network as BT Openreach is ceasing Copper lines
3	PED Replacement Devices	Technology		Current devices reached end of life in Dec 23 and no longer supported. Project to replace these devices
4	Project Test Environment FY23	Technology		Maintenance of POL test environment
5	Back Office Operational Modernisation	Technology		Transformational programme for Core Platforms (some unfit for business needs)
6	Cyber Security Maturity	Technology		Cyber attack prevention
7	PCI Compliance	Technology		Process and technology changes to achieve compliant status
8	ATM Banking Strategy	Commercial		Bringing existing ATM's under POL ownership and Management
9	ARQ Process and Audit SAN	Technology		Moving Storage Area Network (SAN) audit from Fujitsu into POL control
10	POL Data Enablement Programme	Technology		Programme to drive data maturity and improve POL's data capabilities end to end
11	Central Change Team FY24	Central		Strategic Portfolio Office team and associated costs of Change portfolio oversight
12	Multi-Function Devices	Commercial		Develop the bank grade Self-Service Multi-Function Device (MFD) software and deploy 10 pilot devices
13	Network Maintenance 2023/24	Retail		Replacement of branch churn to maintain network requirements
14	POI Reg & Compliance 24/25	Commercial		Post Office Insurance change capacity across Duck Creek & the pricing platform
15	Property CAT - Compliance 24-25	Retail		Annual programme of Compliance, Legal, Health and Safety Maintenance/Repair/Life Cycle capital programmes
	Other	-		
	Total Maintenance Project Spend	-		

	Top 5 Efficiency Projects	Portfolio	FY IRRELEVANT et	Description
1	Darwin	Supply Chain		Outsourcing of the Swindon Cash Centre to a 3rd party supplier
2	Future DMB (Directly Managed Branches)	Retail		Closing/franchising/replacing DMBs
3	Operational Excellence	Commercial		Investigation of the root cause and creation of an action plan to reduce branch losses/discrepancies
4	Network Strategy Acceleration (NSA)	Retail		Improvements to POL network commercial viability
5	Network Strategy - Hard to Place Branches	Retail		Closure, compensation for Hard to Place branches
	Other	-		
	Total Efficiency Project Spend	-		

	Growth Projects	Portfolio	FY et	Description
	Mails Strategy – multiple projects	Commercial		Projects include eBay Click & Collect, Mails Continuous Improvement, PUDO & Sales Rollout & Maintenance, In Branch Sales
	Other	Commercial/ Retail		Projects include British Gas – simplify retailer proposition, Travel App/Website upgrades, New Loan Provider
	Total Growth Project Spend			
	Additional budget			Additional spend to be allocated across programmes and assessed over the course of the year e.g. Risk reduction (Cyber Security/ POL Data Enablement as required), Further DMB Exits, Digital/ Automation, OD programme and any other contingency required
	Total FY24/25 Spend			

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Security Headroom

The Baseline Budget assumes IRRELEVANT RMU/Inquiry contingency funding (subject to ongoing discussions) and IRRELEVANT Horizon replacement funding (subject to receipt of funding letter) resulting in a positive Security Headroom position throughout FY24/25. The lowest point would be IRRELEVANT Dec-24 (noting a recommended buffer IRRELEVANT maintained throughout the year). The SH forecast assumes an unfunded variance of c IRRELEVANT change spend on SPMP (over and above the IRRELEVANT and c IRRELEVANT of RU/Inquiry spend (over and above the IRRELEVANT agreed and IRRELEVANT contingency) – should this position change this would provide additional SH upside.

Funding Assumptions £m	Q1	Q2	Q3	Q4	FY23/24	Q1	Q2	Q3	Q4	FY24/25	2 Year TOTAL
Network Subsidy	IRRELEVANT										
Investment Funding											
RMU/Inquiry Funding											
RMU/Inquiry Contingency											
Horizon Replacement											
Total Funding Assumed											

IRRELEVANT

IRRELEVANT

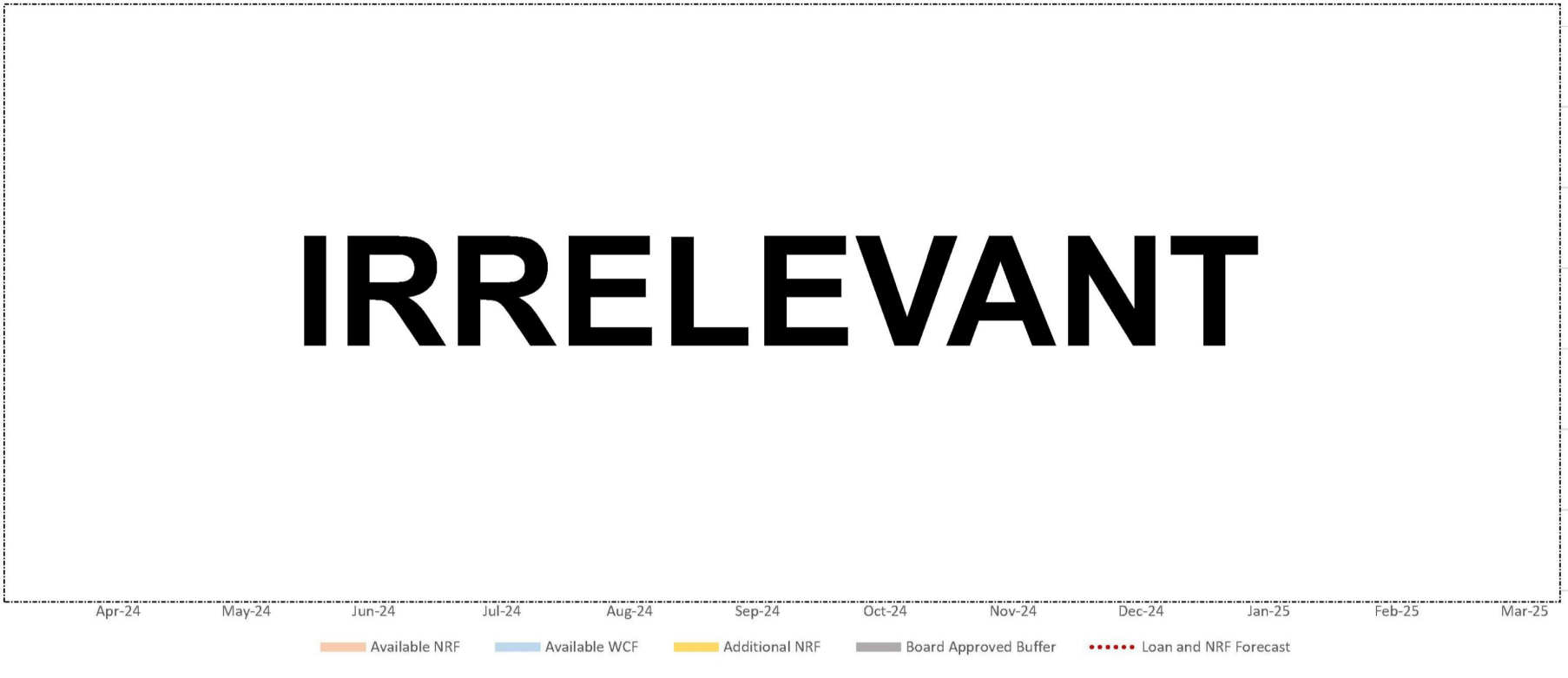


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Facility Headroom

The Baseline Budget assumes a WCF of IRRELEVANT *throughout the year, and an NRF facility of* IRRELEVANT *in H1 and* IRRELEVANT *in H2. There are ongoing discussions regarding increasing the WCF b* IRRELEVANT *with the NRF permanently reducing down to* IRRELEVANT *This would provide FH upside in H2 based on current assumptions. There are no breaches of Facility Headroom forecast for FY24/25 with the lowest point in Dec-24, which is* IRRELEVANT *away from entering the* IRRELEVANT *Board approved buffer. This can be mitigated with a request to the Board to reduce the buffer to* IRRELEVANT *This request was undertaken in FY23/24.*



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Top 5 Enterprise Risks

POL's current position of highest areas of risk exposure remain in the following areas: Cyber Security, Technology, Legal, People & Operations (Retail & Franchise). There are 18 out of 81 intermediate risks outside of tolerance all of which have a remediation plan to bring into tolerance by an agreed target date. Target dates to bring into tolerance were agreed at the ARC in November, however due to increased focus on the Inquiry, Media attention, increased pressure on colleagues and a change spend review in progress it is expected that several risks will remain outside tolerance for a longer period of time, this is indicated by the revised target date within the table below.

Top 5 Enterprise Risks (Reviewed by ARC)	Intermediate risks outside of tolerance	Latest Position	Target to bring into tolerance
Cyber Security We fail to prevent unauthorised and/or inappropriate access to Post Office systems, potentially exposing confidential data and a loss of service for Postmasters, Post Office employees and our customers.	Inability to prevent Cyber or ransomware attacks	Key achievements to date include delivery of operational and executive ransomware response playbooks; mapping of as-is and to-be data backup standards for all high priority systems	Date to be confirmed, replanning in progress to prioritise activities as a result of reduced funding
Technology We fail to provide robust technology across our branches and administrative sites, potentially causing service disruption to our Postmasters, customers and Post Office employees and non-compliance with Legal obligations.	Suboptimal Belfast datacentre resilience levels	c90% of Belfast components are at EOSL. Following the completion of the planned refresh activities (March 2025) this will reduce to c60%. Inability to adequately implement Historical Matters remediations and deliver improvements to Horizon issues. Following IDG review in October there has been a request to review the backlog of Horizon System Improvements and other potential scope with a view to funding these to further mitigate this risk.	Review in progress
Legal We fail to meet current, changing or new regulatory and legislative expectations, potentially leading to liability or other loss or failure to take appropriate measures to protect Postmasters, Post Office employees and our customers.	Non-compliance with Statutory & Regulatory Requirements	Post Office is in breach of its duties of disclosure (re: the Inquiry) due to poor data management and governance; Post Office is unable to comply with requests within statutory timeframes. There is insufficient resource within the legal and investigations team to support the business to manage legal risk and conduct investigations in a timely manner. Risk is expected to be outside until further funding is put in place. FOIA requests have dramatically increased and compliance with legal timeframes may not be met. Risk is expected to be outside for longer than initial indications of June 2024.	When further funding is made available or risk appetites / service standards are lowered
People We are unable to attract, retain, recognise and reward people commensurate with the workload, pressure and stress, across our workforce, which adversely impact Postmasters and Post Office employees. The volume of work exceeds the resource capacity of the organization impacting wellbeing.	Adverse impact on people's wellbeing	Risk has increased. Early indication was that the risk would be within tolerance March 2024; However recent media coverage, increasing workload to support the inquiry has extended the remediation period.	March 2025
Operational We fail to ensure that our Postmasters have the service and support required to operate an effective service, potentially leading to a decrease in customer satisfaction.	Inability to identify, investigate, resolve and treat discrepancies with fairness in the network	The Operational Excellence Programme in progress split across 2 areas; BAU improvement activity Network wide change projects	January 2025

Other key risks to consider (s.t risk assessment):

- There is a **lack of funding** to enable the business to deliver its strategic and operational requirements within risk appetite and or to the standard expected of a public corporation – with the addition of c[IRRELEVANT] change spend pot this could be directed towards programmes as required.
- **Fujitsu does not agree to extend the contract** beyond its current contractual requirement (without which Post Office ceases to operate).
- **Governance** remains a key enterprise risk, with the need for greater clarity around accountabilities and controls around decision making in achieving strategic and operational requirements and avoiding reputational damage or breach of legal requirements.
- **Long term strategic commercial sustainability** is at risk if investment is not made in development of commercial propositions, should there be capacity to do so and funding available – in particular in relation to the Mails Strategy which would enhance the current proposition for longer term Mails prospects. The benefits from these investments are subject to ongoing assessments.
- **Data Governance** for unstructured data has been frequently highlighted as a failing during the Inquiry; the data governance framework is currently being rolled out with the aim of increasing the overall maturity across the business by Q2 24/25.

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2. Supporting Analysis: Revenue

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Revenue Assumptions: Volume vs Price

Declining Royal Mail volumes, offset by growth in Non-RM carrier volumes and price. Banking Services revenue to grow IRRELEVANT YoY, driven largely by inflationary price rises. Insurance revenue to decrease IRRELEVANT ed by Travel volume reduction due to lower SEO position and reduced aggregator volumes.

Product	Revenue £m				Volumes m				Price £			
	FY24/25 Budget	FY23/24 9+3F	YoY Variance	YoY %	FY24/25 Budget	FY23/24 9+3F	YoY Variance	YoY %	FY24/25 Budget	FY23/24 9+3F	YoY Variance	YoY %
Mails RM (excl. Mailwork & Annual Fee)												
Parcelforce												
Special Delivery												
International Priority & Standard												
Stamps												
Labels												
Home Shopping Returns												
Acceptance												
Other Trading												
Mails Other												
Total Mails RM												
Mails Non-RM												
Click and Collect												
Returns												
Drop-off Purchase												
Online Platform												
Sale in Branch												
Total Mails Non RM												
Banking Services (exc. Framework)												
Deposits												
Withdrawals												
Change Giving												
Banking Other												
Total Banking Services												
Post Office Insurance (POI)												
Travel												
Home												
Motor												
Protection												
Other												
Total POI												

IRRELEVANT

Note the price above is a simplified average 'price' based on revenue and volume, in order to provide a broad sense check of the product areas. This does not consider the multiple price/commission structures in place for each product.

- **Royal Mail** revenues continue to decline with decreased YoY volumes almost all RM products, but notably Special Delivery (migration to new Tracked 24/48 product) and Labels (declining baseline, loss of week 53, migration to Non-RM Buy in Branch).
- YoY revenue and volume growth across **Non-RM Mails**, due to the growth in the number of branches across Amazon, DPD and Evri.
- **Banking Services** YoY revenue growth from increased deposit volumes and inflationary price rises
- **Travel Insurance** volumes are (9%) down YoY driven principally by a loss in SEO position from P1 to P2 and 10% RPI increases for aggregators, which we anticipate will reduce Aggregator volumes.
- **Protection** price 5% up driven by improved mix of distribution channels with increase in contact centre channels which drive higher average premiums

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Revenue Related Opportunities & Risks

Opportunities not included in the FY24/25 plan relating to Trading

BU	Opportunity	£m	RAG
FS-INS-TM-IMT	Interest rates do not fall as expected impacting MSL commission.		
FS-INS-TM-IMT	MoneyGram new deal negotiation to start in early 2024.		
Banking & ATMs	Banking Services ATV and volume growth could be higher than assumed.		
FS-INS-TM-IMT	MoneyGram plans to have a stable number of Send transactions for the year. POL currently waiting for supportive data on three initiatives that could bring in an extra revenue of £1.4m.		
Banking & ATMs	10 Additional Temporary Bank Hubs would create additional revenue from Cash Access UK.		
Payment Services & Payzone	British Gas Cheque Replacement - BG are looking to improve speed of service, replacing cheques with Payout.		
FS-INS-TM-IMT	Ageas Home Insurance profit share could be higher than budgeted.		
FS-INS-TM-IMT	Higher web Travel Insurance trading driven by P1 SEO position		
FS-INS-TM-IMT	MoneyGram & Western Union Send transactions volumes		
Payment Services & Payzone	Potential to renegoiate Evri/Payzone relationship which is due to cease after April.		
FS-INS-TM-IMT	Improved Motor trading from price optimisation		
FS-INS-TM-IMT	Lower RPI within FRES would increase our profit share		
Other	Potential opportunities across all areas of IRRELEVANT each and less.		
FS-INS-TM-IMT	New loans partnership with new provider, new deal with Ageas Home Insurance IRRELEVANT consumer duty costs in FRES P&L look high - represents IRRELEVANT sts for POL in FRES profit share.		
Total Trading Opportunities			

Risks not included in the FY24/25 plan relating to Trading

BU	Risk	£m	RAG
Mails	Royal Mail may deploy products via Paypoint branches, which would disintermediate POL.		
FS-INS-TM-IMT	If there is no Western Union contract renewal by Oct 24.		
Banking & ATMs	Banking Framework Fee		
FS-INS-TM-IMT	MoneyGram and Western Union Send and Receive volumes		
FS-INS-TM-IMT	Impact of further DMB exits on Protection Insurance.		
FS-INS-TM-IMT	Travel Insurance sales performance re SEO position, digital capability and demand.		
Government Services	UKVI, HMPO & DVLA		
FS-INS-TM-IMT	Protection Insurance provision, Motor insurance market volatility, Home insurance contact centre transition delayed.		
FS-INS-TM-IMT	Pet Insurance profit share not received due to adverse performance.		
Payment Services & Payzone	Energy - Switch to Smart PAYG		
Other	Potential risks across all areas of £0.2m each and less.		
FS-INS-TM-IMT	General Recession & Inflation putting pressure on net rates and reduced demand; additional DMB exits resulting in revenue loss; pricing changes within Travel money do not drive additional volume/share.		
Total Trading Risks			

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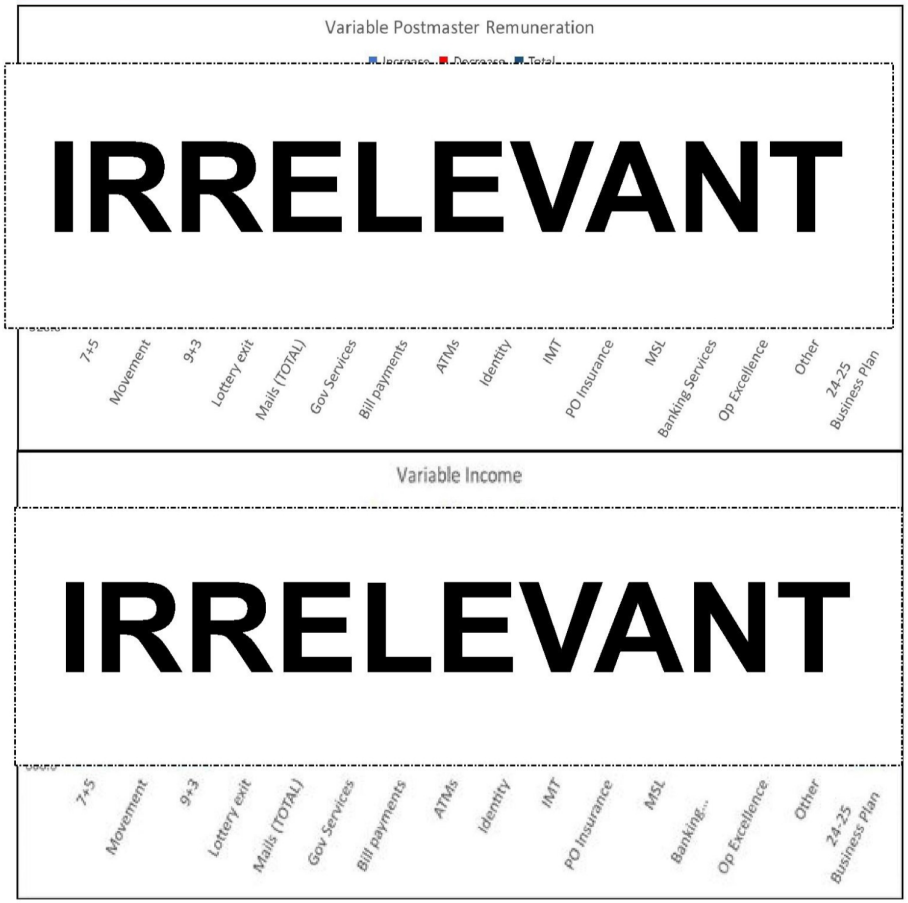
3. Supporting Analysis: Postmaster Remuneration

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Variable Postmaster Rem: FY24/25 Budget vs FY23/24 9+3

The exit of Lottery will reduce Variable PM Rem by IRRELEVANT *offset by a* IRRELEVANT *increase due to the Operational Excellence Incentive Payout. Excluding both of these impacts, on a like for like basis – Variable PM Rem is expected to increase YoY by* IRRELEVANT *based on an expected Variable revenue increase of* IRRELEVANT



Notes

- **Lottery exit** decrease total income by IRRELEVANT and PM Rem by IRRELEVANT
- Despite **Total Mails** income being projected to decline by IRRELEVANT PM Rem is expected to increases by IRRELEVANT due to the changing product mix – in particular the shift from in-branch sales (labels) to online pre-paid parcels and returns, which are remunerated at a higher share of income. The introduction of Tracked 24/28 further increases the share of income going to postmasters, even with the assumed remuneration rates at 1 percentage point below 1st and 2nd class labels.
- The FY24/25 Variable Rem Budget includes an assumption of IRRELEVANT for the **Operational Excellence (OE) Incentive payout**. This is based on an assumed average payout of IRRELEVANT of the maximum award (an improvement compared with the payout of IRRELEVANT based on current conformance levels). On an annualised basis this would generate IRRELEVANT of remuneration, which has been pro-rated for 8 months based on the assumed launch date of August 2024.

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Variable Postmaster Rem % of Revenue

In percentage terms Variable Rem is budgeted at IRRELEVANT of Revenue; As a like for like comparison, excluding lottery from FY23/24, this is IRRELEVANT point increase on IRRELEVANT in FY23/24. It is noted that overall Mails rates are expected to increase slightly whilst Banking rates are expected to fall due to product mixes.

	23/24 9+3 Forecast			24/25 Budget			25-26 Plan		
Pillar	Variable Revenue	Variable Rem	Var Rem/Rev %	Variable Revenue	Variable Rem	Var Rem/Rev %	Variable Revenue	Variable Rem	Var Rem/Rev %
Mails - RM	IRRELEVANT								
Mails - Non-RM									
Retail, Lottery & Gift Cards									
Government Services									
Identity Services									
Mails, Retail, GS & ID									
Banking									
ATMs									
Voucher Encashment									
Banking & ATMs									
International Money Transfer									
Travel Money									
Credit Cards									
BOI									
POI									
FS-INS-TM-IMT									
Bill Payments									
Central Commercial									
Variable Total									
Fixed Remuneration									
Total									
Variable (Excl Lottery									

Notes

Banking Variable PM Rem % is expected to fall from IRRELEVANT in FY23/24 to IRRELEVANT in FY24/25 due to product mix.

This is because Average Transaction Values (ATVs) - which are a bigger driver for rem than volumes - are assumed to stay flat, causing a lower overall share of banking variable income going to rem.

However, this is more than offset by the IRRELEVANT for Operational Excellence Incentives explained on the previous slide, which could effectively be viewed as banking-related rem (but is shown under the 'Central Commercial' line).

As explained on the previous slide, RMG remuneration as a share of mails income is expected to increase by IRRELEVANT percentage point.

DVLA remuneration rates are set to increase by **IRRELEVANT** in line with additional income negotiated as part of the contract extension.

We are also proposing to invest IRRELEVANT in higher remuneration for the Western Union & Moneygram cash to account products, to match market rates and boost sales incentives.

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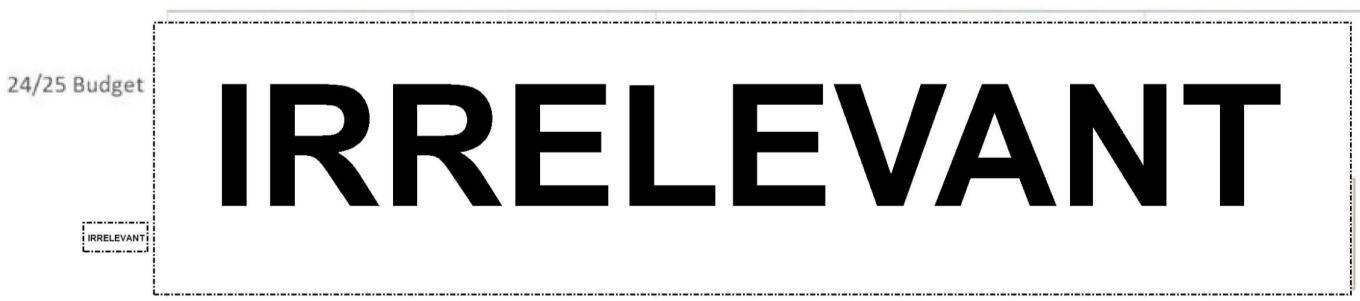
Fixed Postmaster Remuneration

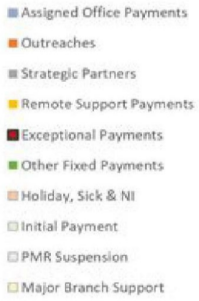
The FY24/25 Budget assumed IRRELEVANT for Fixed PM Rem payments, a IRRELEVANT year on year reduction driven by the cessation of Major Branch Support as OE ramps up, assumed IRRELEVANT churn with no inflationary increases in reducing Assigned Office payments and lower in-year Strategic Partners payments. This is offset by a IRRELEVANT increase in Other Fixed payments for an unallocated pot to cover an anticipated increase in hardship volumes following the exit of Lottery and Living Wage increase.

	24/25 Budget	9+3	Variance to 9+3	
Assigned Office Payments	IRRELEVANT			o Number of branches recieving AOP's assumed to reduce inline with trend. Inflationary increase not applied in FY24/25 due to the introduc IRRELEVANT e Operational Excellence initiative (budgeted for in variable PM Rem). The inflationary increase IRRELEVANT would have increased AOP by IRRELEVANT
Exceptional Payments				o Base inline with current run rate, adjusted for 23/2 IRRELEVANT accrual release, and for Network Strategy overlay: 24/25 overlay for Network Strategy IRRELEVANT 25/26 overlay for Network Strategy
Other Fixed Payment				o Budget includes IRRELEVANT pot of unallocated spend, it is anticipated this could be needed to support an increase in exceptional payments.
Outreaches				o Base inline with current run rate + inflation (living wage IRRELEVANT to November IRRELEVANT, adjusted for Network Strategy overlay: 24/25 overlay for Network Strategy 25/26 overlay for Network Strategy IRRELEVANT
PMR Suspension				o Inline with current trend
Remote Support Payments				o Inline with current trend
Initial Payment				o Inline with current trend
Corrections				o Inline with current trend
Strategic Partners				o IRRELEVANT due to WHS contract extension payment in the PY and front weighting of Henderson contract IRRELEVANT offset by Morrisons and Coop (mid-counties and Lincolnshire) deals that were covered by provisions carried over from 22/23 IRRELEVANT new payment to Coop group.
Holiday and Sick				o Inline with trend + inflation (in line with living wage IRRELEVANT
NI				o Inline with trend + inflation (in line with living wage IRRELEVANT
Major Branch Support				o Assumed to be paid out in FY24/25, and then ceases as Operational Excellence ramps up
Total Fixed Remuneration				

Notes

- Our continuous improvement programme to address loss making and poorly used branches has now generated IRRELEVANT annualised savings, with a further IRRELEVANT of in-year savings forecast in 2024/25.
- Network numbers will be maintained through the use of Drop & Collect to in-fill gaps in coverage, as set out in section 4.
- Outreach remuneration incorporates a 7% increase in rates to reflect NLW increases and fuel costs.
- We have assumed the fixed payments to Community (SPSO) branches are not increased in line with inflation, although these branches will benefit from the introduction of Operational Excellence Incentives.





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4. Supporting Analysis: Network Shape

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Expected changes in the network from April 2024 to March 2025

This will be managed as a dynamic plan subject to quarterly review, reflecting evolving market & financial conditions

We expect to start the year with IRRELEVANT branches

Churn is forecast at IRRELEVANT broadly in line with the rate for 23/24. We are also assuming the planned exit of **IRRELEVANT** loss-making branches on exceptional remuneration and IRRELEVANT 'Hard to Place' branches.

Our base case plan assumes IRRELEVANT net Drop & Collect (D&C) openings

We are targeting IRRELEVANT Mains & Locals openings, co-funded by postmasters

Subject to carrier agreements, we aim to deliver up to IRRELEVANT additional D&C, creating the headroom for IRRELEVANT Outreach exits

Our network in March 2025 is forecast to be close to IRRELEVANT



* Note DMB exits include 2 being closed in March-24 with a further planned in FY24/25 as part of the IRRELEVANT within 'Other change spend'

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Expected changes split by branch format

Format	March '24	March '25	% change '24-'25	Commentary
DMBs	IRRELEVANT			• We have funding to deliver [redacted] DMB exits during 2024/25, plus the [redacted] due to cease trading in March 2024. We are exploring the opportunities to fund additional exits but these are not included at this stage
Mains				• Funding constraints mean we're only replacing around IRRELEVANT of exiting Mains, with a dependency on postmaster co-funding. Ideally, we would replace around half of exiting Mains to maintain commercial performance
Locals				• Ideally we would be maintaining Locals numbers to protect commercial performance, but funding constraints mean we're only replacing around a quarter, again with a dependency on postmaster co-funding.
Drop & Collect				• D&C will be our main lever to maintain network numbers and offset churn in full-service branches, while also strengthening our competitive position in the PUDO market in urban areas • Our baseline will b IRRELEVANT D&C openings, with a stretch target of IRRELEVANT
Traditional				• Churn in Community branches continues to run at a higher rate, and this figure also includes an assumption of 45 planned 'Hard to Place' exits agreed with the postmaster
Outreach				• We'll continue to work with postmasters to reduce Outreach costs through optimising opening hours and routes. If headroom on network numbers allows we will consider up to IRRELEVANT additional Outreach exits
Total				• Overall, the network is expected to reduce by IRRELEVANT next year, but remains well above the 11,500 target

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5. Supporting Analysis: Operating Expenses

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Staff Costs & FTE – by Business Unit

Staff costs of IRRELEVANT in FY24/25 are planned to remain flat from FY23/24 IRRELEVANT Forecast. Pay award assumptions reflect IRRELEVANT increase for CWU and Unite employees, with ongoing negotiations with the Unions, and IRRELEVANT for 3A and 4 grades.

BU (£m)	FY23-24 9+3 Forecast	FY24-25 Budget	YoY £m	YoY %	FTE incl. Contractors 31/03/24	FTE incl. Contractors 30/03/25	YoY Mvt in FTE March 25 vs March 24
Commercial	IRRELEVANT						
Retail							
CIO							
CFO							
People							
LCAS							
Remediation Unit							
Centrally Managed							
Strategy & Transformation							
Communications							
Total POL							

Of which in FY24/25:	£'m
Contractors	IRRELEVANT
Open Vacancies	
Maternity Leave Backfill	
TOTAL	

Releasing opportunity within these categories should require a consistent POL wide approach

Retail – reduction in FTE YoY largely due to closure of Swindon Supply Chain site, with associated benefit flowing through staff costs.

CIO - YoY FTE increase including 3 x SNOW developers/admin, 4 x cyber security roles, and 14 budgeted senior manager vacancies. Costs reducing YoY due to transfer of Data Governance to S&T, along with cost savings from role reductions and leavers not replaced, outweighing the impact of new roles.

CFO - FTE increase YoY due to new roles for increased ARA support, Payzone activity and maternity cover.

People – FTE increase resulting from people structure review (13 roles removed and 33 new roles added).

Remediation Unit – FTE decrease driven largely by reduction in number of contractors. All RU FTE/contractor spend is project related, hence no staff costs within opex.

Centrally Managed – planning assumption of between IRRELEVANT pay award depending on grade (c. IRRELEVANT Short term and Long term incentive plan bonus accruals also held here which are assumed flat with FY23/24.

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Non-Staff Costs – by Business Unit and by type

Non-Staff Costs of IRRELEVANT in FY24/25 are flat with FY23/24 IRRELEVANT forecast. Further work is being undertaken to understand the contractual nature of these costs, in relation to 3-5 year horizon scanning

BU (£m)	FY23-24 9+3 Forecast	FY24-25 Budget	YoY £m	YoY %
Commercial	IRRELEVANT			
Retail				
CIO				
CFO				
People				
LCAS				
Centrally Managed				
Strategy & Transformation				
Communications				
Total POL				

Non Staff Costs by Type (£m)	FY23-24 9+3 Forecast	FY24-25 Budget	YoY £m	YoY %
Staff & Agent Related Costs	IRRELEVANT			
Consultancy & Advisory Services				
Finance & Losses				
IT Infrastructure & IT Services				
Legal Costs				
Managed Services				
Marketing & Communications				
Postage				
Property & Facilities Management				
Other Operating Costs				
Total POL				

Of which in FY24/25	£'m
Contractual costs	IRRELEVANT
Non-contracted/discretionary	
TOTAL	

Of which in FY24/25	
Fixed	
Variable	
TOTAL	

Of which in FY24/25	
Training	
Recruitment	
Travel and Subsistence	
Department Away Days	
TOTAL	

Further work will be continued in assessing the pipeline of these contractual costs in relation to 3-5 year horizon scanning

Releasing opportunity within these categories should be based on a consistent POL wide approach.

Further work is being conducted on presenting Non-Staff costs on an 'Activity Based Costing' view.

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FY24/25 'Incremental' Cost Savings – actively pursued

As per the Remco guidance the achievability of 'cost savings' will be assessed on a definition of an 'incremental reduction' on the FY23/24 forecast that is actively pursued. As such any cost avoidance or cost saving already achieved in FY23/24 cannot be double counted again as a 'cost saving' in FY24/25. A draft of this list is presented below totalling IRRELEVANT

BU	Incremental Cost Savings	£'m
Credit Cards	IT - costs reduction	IRRELEVANT
Mails	Mails segregation	
Payment Services	IT Contractor replaced with FTE	
POI	Contact centre spend (Travel/Home)	
POI	Centrally held cost challenge	
Travel Money	EKYC change from Digi to YOTI	
Total Commercial		
Retail	Iforce outsourcing benefit	
Retail	Property efficiencies	
Retail	Losses	
Retail	DMB	
Retail	External Stock processing	
Retail	CX reduction	
Retail	CX Perm employees	
Retail	Staff churn	
Retail	Utilities	
Retail	Supply chain efficiencies	
Retail	Postmaster reduction	
Retail	Fuel hedge	
Retail	Network reduction	
Retail	FTE reduction	
Retail	SP reduction	
Total Retail		

BU	Incremental Cost Savings	£'m
CIO	8 roles eliminated from FY 24/25	IRRELEVANT
CIO	Leaver roles not replaced	
CIO	Counter rationalisation	
CIO	Removal of Tech Bar	
CIO	Success Factors retendering	
Total CIO		
People	GIP Insurance renegotiation	
People	ED&I rewards reduction	
People	D&I audit removal	
People	Campaign Materials	
People	Benefits platform reduction	
People	Insights reduction	
People	Job board scope reduction	
People	Removed Post Office Manager Prog.	
People	Policy changes	
People	D&I team upskilling + Bitc Leadership Training	
People	Kit Changes and Other	
Total People		
LCAS	Compliance attrition	
S&T	Contractor to perm	
POL Total Cost savings		

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FY24/25: Year on Year cost increases

There are IRRELEVANT of year on year cost increases identified, a summary of which is provided below by BU. There may be further opportunity within these items to reduce the budgeted opex cost.

BU	Cost increase	£'m
Retail - CX	RPI/Indexation	IRRELEVANT
Retail - CX	Marketing & Communication: Inflationary contract pressure	
Retail - CX	Travel increases	
Retail - CX	IT/Infrastructure: Additional software	
Retail - CX	IT/Infrastructure: Digital strategy development	
Retail - CX	IT/Infrastructure: Customer Charter	
Retail - CX	IT/Infrastructure: University	
Retail - CX	IT/Infrastructure: Development Ops costs on app/website	
Retail - CX	Marketing & Communication: Additional D2D costs	
Retail - CX	Marketing & Communication: Sales force platform	
Retail - CX	Marketing & Communication: Additional Mails support	
Retail - CX	Marketing & Communication: Customer Strategy initiatives	
Retail - CX	Additional cost for Dynamics Integration & Channel Engagement	
Retail - CX	Cost challenge	
Total Retail - CX		
Property	Rent increases	
Property	RPI/Indexation	
Property	Building fabric	
Property	DMB Refresh programme	
Property	Increase in Equipment replacement	
Property	Legal cost increases	
Property	Facilities management increases	
Property	Cost challenge	
Total Retail - Property		
Supply chain	Outsourcing costs - supply chain	
Supply chain	RPI/Indexation	
Postmaster	DMB staff cost increase for COSA requirement	
Postmaster	RPI/Indexation	
Postmaster	Losses: Supply Chain branch robberies	
Postmaster	Travel	
Postmaster	Correct VAT treatment of NFSP	
Central	Prior year credits not repeating	
Central	Delayed costs from 23/24	
Central	Accounting change	
Central	Branch Hub transfer + Branch Hub support	
Central	Accenture support replacement - in house costs	
Central	Automation & NM Programme Opex	
Central	Legal cost: SP contract Extension	
Central	Marketing & Communication: Retail conference	
Central	RPI/Indexation	
Total - Other Retail		

BU	Cost increase	£'m
Commercial	Banking inflation + Santander LOC	IRRELEVANT
Commercial	ATMs	
Commercial	Cost challenge	
Total Commercial		
CIO	Full year impact of new joiners in FY 23/24	
CIO	Full year impact of NSC commenced in FY23/24	
CIO	Vacancies	
CIO	RPI/Indexation: Fujitsu 5.2% Indexation	
CIO	RPI/Indexation: Licences including Microsoft 9%	
CIO	RPI/Indexation: Other	
CIO	Project Opex impact: CSS	
CIO	Project Opex impact: IDAM	
CIO	Project Opex impact: BOOM	
CIO	Run rate: Business demand Microsoft/SNOW licences/AWS	
CIO	New costs: Licences for Forgerock and E-fota	
CIO	Licences challenge	
BTU	Support for Branch Hub	
BTU	Increase in tooling/AWS consumption	
Total CIO		
CFO	Non-repeat of vacancy savings from FY23/24	
CFO	Filling of current vacancies	
CFO	New roles and cover (e.g. maternity) where gaps identified	
CFO	Insurance – RPI increase and Insurance Premium Tax	
CFO	External Audit – RPI increase, plus additional assurance activity	
CFO	Internal Audit – returning to full-scope	
CFO		
People	Fully staffed Org	
People	Delayed costs from 23/24	
People	RPI/Indexation	
People	Success Factors Upgrades	
People	Internal Advocacy/ ED&I Groups	
People	ED&I Sponsorship Agenda	
People	Ethos transfer in	
People		
Centrally Managed	Staff cost increase: Basic Pay	
Centrally Managed	Cost challenge	
Centrally Managed		
S&T	Data Governance team transferred in from BTU	
S&T	Indexation/ Increased demand expected for Oasis record retentions	
Strategy & Transformation		
Comms	Non-repeat of vacancy savings from FY23/24	
Comms	Colleague conference upfront payment + Media relations funding	
Communications		
Total POL		

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Risks relating to Opex cost increases and cost savings

Risks not included in the FY24/25 plan relating to cost increases

Risk Area	Risk Items Identified	£m
Staff/Vacancies	Additional FTEs required to cover workload across the business including to support Inquiry backfill	IRRELEVANT
Accounting	Accounting treatment of staff costs between opex and exceptional. Note, this is a Trading Profit risk only, not a risk to Profit Before Tax.	
Commercial	Higher ATM cennox costs, Banking note counters, unknown impact of Payzone integration, contracted BOI eagle fund spend and potential higher hedging costs.	
Legal	External legal support/advice required. Higher legal costs relating to new MSL loan supplier.	
Marketing	Potential increased contracted spend requests from Partners. Plan currenrly does not have any marketing spend relating to Drop & Collect or to support new branch openings.	
Property	Alternate site at the end of City Towers lease (end of May).	
Comms & Engagement	Increased spend for Postmaster and colleague conferences and for government engagement.	
Network	Increase to branch discrepancies run rate as a result of various factors.	
Total Risks		

Risks not included in the FY24/25 plan relating to cost savings

Risk Area	Risk Items Identified
Staff/Vacancies	Delays in CIO and CX reorganisation.
Commercial	Higher HMPO project management costs from tablet network expansion.
Legal	External legal spend not affordable.
Property	DMB savings, rates challenge, reactive maintenance challenge, utilities price.
Network	Lack of recovery on non-transactional losses and higher trend on branch robberies as plan based on best case.
Total Risks	

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6. Supporting Analysis: Product Profitability

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Purpose and Methodology: Levels of Profitability

To understand truer profitability at the Trading Profit level for products and services considering direct costs, indirect costs and allocation of central overheads;

To leverage these results as a tool to support, validate and enhance commercial and network decision making across the organisation such as options for descoping products for NBIT, validating the commercial decision to exit Lottery and POCA, or discussion around the Banking Framework v4



Product Profitability is assessed at three levels:

Variable Contribution	Product revenue and FRES income less direct costs that would immediately stop being incurred if sales stopped i.e. *Cost of Sales* (product managers, license fees, credit card costs) and *Variable PM Rem*
Notional Profit	Variable Contribution less further direct and indirect costs which could be attributed to a product and removed with some effort if sales stopped i.e. *Fixed PM Rem* (legacy contract payments) and *Operating expenses* (direct and indirect staff costs and non-staff costs)
Allocated Profit	Notional Profit less allocation of central overheads which would be incurred regardless of sales stopping i.e. corporate administration costs that most mature UK corporates would have regardless of industry. These include Comms team costs, Auditor fees and Property costs

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Product Profitability: Key findings and Limitations

Based on the FY24/25 Budget, all commercial business units are projected to make a positive variable contribution – where possible these should continue to be benchmarked to competitor products in commercial assessments

At the notional profit level (before the allocation of central overheads)

Mails is projected to be loss making assumed to be due to the following:

i) The network cost base for delivering Royal Mail products and services is aligned to a revenue base that is declining year on year (e.g. Labels and Stamps) – removing these increasing network costs in line with revenue requires some time and investment.

ii) With the implementation and delivery of the Mails Strategy, Non-Royal Mail revenues are growing but this is expected to take time to ramp up; growth in this area will require investment.

iii) Variable Postmaster Remuneration % on Mails (including new Non-RM Mails products) is significantly higher than other BUs such as Banking - this needs to considered when reviewing the Remuneration Strategy in the Summer.

Further analysis at the product level show two other products are also loss making at the Notional Profit level:

i) **Home Insurance** – for which the long term profitability continues to be reviewed.

ii) **Payzone** – for which a continuation of the Integration Plans will enable co-ordinated revenue opportunities and cost reduction for long term profitability.

Limitations of this analysis:
This analysis centres around an allocation of Trading Profit i.e. EBITDAS level of profitability as a KPI for POL trading performance. However based on Board member feedback there are other elements that could be considered in assessing a 'true' sense of profitability, including:

- The **£50m Network Subsidy Payment** from DBT in subsidising the cost of delivering the Network Access Criteria; this sits below Trading Profit and further work on 'branch level profitability' is being carried out to assess the total cost of the uncommercial network in preparation for the FY25/26 Spending Review.
- **Cost of 'change' activity** e.g. cost of product development that sits within Exceptional spend or Capex or the cost of NBIT/ other network technology improvements
- The **Postmaster 'cost to serve'** i.e. the true cost for the Postmaster with an understanding of the PM Rem rate % aligned to time and motion analysis

Based on Board member feedback, this analysis could also be developed further for use as a tool in scenario modelling or investment appraisal, for example in assessing the impact of cost reduction measures such as exiting DMBs or the potential impact of automation. Ultimately, we recommend an approach that balances the effort in developing this for other uses against the value it could generate.

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Product Profitability: Overview 2024/25 by Business Unit

This is based on a purely mathematical exercise using the FY24/25 Budget Consolidation – it has not been reviewed by Commercial leads for commentary or input.

Business Unit	Revenue & Income	Variable PM Rem	Cost of Sales	Variable contribution	Fixed PM Rem	Staff Costs	Non-Staff Costs	Notional Profit	Allocated overheads	Allocated Profit
Mails RM										
Mails Non RM										
Total Mails										
Banking Services										
ATMs										
Total Banking & ATMs										
Travel Money										
Mortgages, Savings & Loans										
International Money Transfer										
Credit Cards										
POI										
Total FS-INS-TM-IMT										
Payment Services & Payzone										
Total Payment Services & Payzone										
Retail & Gift Cards										
Government Services										
Identity Services										
Total Retail, Government & Identity										
Voucher Encashment										
Supply Chain										
Central Commercial										
Overheads										
Total Other										
Total POL										

IRRELEVANT

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Proposed Reclassification of Non-staff costs to Cost of Sales (1/2)

Based on discussions with Technical and Commercial Finance, c IRRELEVANT of Non-Staff Costs have been identified as potential reclassification into Cost of Sales for FY24/25 and beyond. Should these changes be agreed and actioned, the opex % of revenue & income would reduce in 24/25 from **IRRELEVANT**

BU	Item	FY23-24 9+3 Forecast	FY24-25 Budget	Comments	Status
Banking	Barclays Cheque Processing	IRRELEVANT		We get paid for all cheque deposits, so this cost is one to one with transactions.	Confirmed
Banking	Royal Mail Cheque Pouches			We get paid for all cheque deposits, however, sometimes more than one cheque is put in a single pouch. This cost therefore relates to specific transactions but is not fixed for each transaction.	TBC
Banking	BH Operational Costs			Banking Hub operational costs that are charged directly back through revenue.	TBC
Government Services	Postage costs			We get paid for all passports, however, sometimes more than one passport is put in a single pouch. This cost therefore relates to specific transactions but is not fixed for each transaction.	TBC
Payment Services	Postage			We are paid for each voucher that goes out and we have to post most of them, so each postage charge relates to a specific paid transaction.	Confirmed
POI	Marketing - PPC			These are Pay Per Click site fees which we only pay for transactions and so link through to specific customer purchases.	Confirmed
Total					
Total Opex % Revenue & Income - current					
Total Opex % Revenue & Income - after proposed ch					

Notes for consideration

- IFRS doesn't explicitly specify what should / should not be included in COS. It is mentioned briefly in various IFRS agendas/papers but is vague.
- Judgement is therefore involved in classifying COS vs non-COS but must be appropriate and consistent – and we need to be able to justify any judgement.
- Often, reporting entities look to US GAAP which is slightly more detailed. It puts sales / marketing type costs in admin/opex/general type line items.
- Currently, we don't split COS out in the ARA – so the impact at the moment on external reporting is minimal. However, there may be a time when this changes (a new IFRS standard is due to take effect from 2027 which is more explicit in how accounts are presented).

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Proposed Reclassification of Non-staff costs to Cost of Sales (2/2)

The Variable Contribution margin across POL is at IRRELEVANT based on current reporting structure, with Mails at IRRELEVANT, Banking at IRRELEVANT and FS, Travel and Insurance at IRRELEVANT. Reflecting the proposed Opex to CoS reclassifications, Banking margins would reduce by [illegible]% pts, Payment Services by [illegible]% pts and POI by IRRELEVANT pts. It is recommended that these continue to be benchmarked to competitor products in commercial assessments.

Pre Opex to CoS Transfers:						Post Opex to CoS Transfers:	
BU - FY24/25 Budget £m	**Revenue & FRES Income**	**Variable PM Rem**	**Cost of Sales**	**Variable contribution**	**Margin %**	**Variable contribution**	**Margin %**
Mails RM							
Mails - Non RM							
Mails							
Banking Services							
ATMs							
Banking & ATMs							
Travel Money							
Mortgages, Savings & Loans							
International Money Transfer							
Credit Cards							
PO Insurance							
FS-INS-TM-IMT							
Payment Services & Payzone							
Retail, Lottery & Gift Cards							
Government Services							
Identity Services							
Voucher Encashment							
Other							
Total							

IRRELEVANT

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Allocation of overheads methodology

Overhead costs are allocated to products based on direct usage, relative revenue generation and rational apportionment

- Overheads are allocated based on the following drivers:



Direct cost usage



Revenue



Weighting based on cash usage



Weighting based on resource usage

- Revenue is a common basis for allocation however other metrics are used in conjunction with revenue to derive a rational apportionment that depends on the cost type, for example:
  - Network and Postmaster costs are weighted more heavily towards network products and less towards platform products;
  - Customer Experience, Marketing costs are assigned more towards product groups that take a larger % of the resource.

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7. Appendix

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Key Activities for 2024/25

1	Driving topline revenue	▪ 4th Mails Carrier for in-branch sales ▪ New Ebay Propositions ▪ Complete PUDO Rollout	▪ Deliver Banking Framework 4	▪ Increase customer reach and active base	▪ Deliver new HMPO, IMT and Lending provider contracts
2	Deliver future formats and automation to support branch profitability	▪ Develop & roll-out '2nd device' to whole network	▪ Develop new mails SSKs and replace existing estate	▪ Roll-out banking automation, incl. 3,000 note counters	
3	Reduce central costs, and Postmaster cost to serve	▪ Enhance Branch Hub to drive performance and central efficiencies	▪ Reshape the network to support sustainability for POL, Postmasters and SPs	▪ Reduce operational costs	▪ Reduce branch discrepancies
4	Enhance IT & Digital services	▪ Complete NBIT Pilot Phase and Rollout into Branch Network	▪ Improve cyber controls and maintain compliance	▪ Improve Sales & PUDO Horizon journeys	▪ Deliver integrated online to branch journeys
5	Develop our People and Culture	▪ Deliver improved colleague experience and engagement	▪ Reset our leadership capability and develop talent pipelines	▪ Continue cultural transformation	

Managing heightened risks across the business

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Deprioritised Activities not included in the FY24/25 Plan

Area	Implications
Additional Mails Strategy investments (including Smart Drop Box, Shop to Shop, Carrier 4 BiB)	There is appetite to do more within the Commercial space, should there be capacity to do so / funding available, in particular in relation to the Mails Strategy which would enhance the current proposition and longer term commercial prospects. This would include Ebay propositions, DPD and Evri new products, PUDO/Sales journey enhancements and Multicarrier ICDC, RMG to Parcels online. The benefits from these investments are subject to ongoing assessments.
Banking Investments	5 MFDs are being prioritised within the FY24/25 Plan however there is further appetite to do more in the Banking space should there be capacity to do so/ funding available in particular, a pilot to provide technical integration and prove value of strategic network placement into Banking Hubs, as well as new ATM deployment & Cheque Clearing scheme improvements.
Not reforming Branch Contracts	There is appetite to do more here in terms of re-issuing Postmasters with consistent and enforceable contracts should there be capacity to do so/ funding available. Whilst there is no planned change to the terms of these contracts, the Operations Manual is being updated to provide greater clarity and support Postmasters in process compliance in achieving Operational Excellence.
Additional spend on Network Strategy Acceleration	The Plan assumes reduced Network Strategy Acceleration (NSA) activity with funding in 24/25 reduced from IRRELEVANT to IRRELEVANT In particular this means we have delayed the option to offer 400 poorly used and loss-making SPSO branches an incentive payment to leave the network.
PCI Upgrade from 3.2.1 to 4.0	IRRELEVANT of estimated spend is required to be compliant with 4.0, although POL is not compliant with 3.2.1 today and requirements of 4.0 are currently unknown.
Zorin upgrade	IRRELEVANT Spend to undertake upgrade of the Payzone IT platform. Potentially avoids system risk to Payzone, and D&C / 2nd Device

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Further detail on Operational Excellence Incentives (OEIs)

1	**Why are we launching OEIs?**	▪ Branches are required to perform various back office activities such as cash counting and end of day balancing. These activities, which account for ~25% of branch workload, are currently remunerated indirectly via the rates we pay for product sales rather than through a specific payment. ▪ Compliance across the network is mixed, resulting in increased costs for POL e.g. discrepancies & interest. OEIs are designed to directly reward compliance, creating **a win-win cycle of improved profitability for both sides**.
2	**What are the proposed metrics?**	▪ The scorecard used to determine the payments has been developed through **extensive engagement with PMs**. We are proposing 4 simplified measures for the first iteration: 1) completion of the monthly Trading Period Balance (a gateway measure); 2) daily cash declarations; 3) cash pouch errors; and 4) retention of excess cash. ▪ Compliance against these metrics will enable branches to earn up to a **5% monthly boost to variable rem**. ▪ We will commit to keeping these metrics under review to achieve right outcomes for both POL and PMs.
3	**What are the key enablers?**	▪ To give branches the best chance of success we will support the launch of OEIs with 3 critical enablers: i. A comprehensive package of **online and in-person training** support, including the relaunched digital Operations Manual and continued Operational Excellence Visits led by Area Managers ii. A new **dashboard on Branch Hub** providing timely MI on performance against the OEI metrics iii. The roll out of high grade **note counters to c2,800 branches**
4	**What are the timelines?**	▪ We are proposing to launch the OEIs from **August trading / September remuneration**, to allow time for branches to properly get to grips with the new scoring mechanism. ▪ We will share monthly 'dry run' data in the intervening period, to enable them to understand their current performance levels and what they need to do to close any gap against the full 5% award.
5	**What are the financial impacts for POL & PMs?**	▪ Current levels of compliance across the network would generate a IRRELEVANT average award against the OEIs scorecard, costing IRRELEVANT on an annualised basis. 100% compliance across the network would cost IRRELEVANT pa. ▪ Our best guess is that over the first 12 months we will see an improvement in performance levels commensurate with a IRRELEVANT **average award, costing** IRRELEVANT **on an annualised basis** – IRRELEVANT in 2024/25 based on the August launch. ▪ This increase is expected to be broadly offset by equivalent cost savings in interest & discrepancies from 2025/26.

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FY24/25 Financial benefits from Change spend programmes

Live Change Spend Programmes are expected to driv IRRELEVANT of benefits in the FY24/25 plan, which is a net YOY increase of IRRELEVANT profit. Benefits for closed programmes are no longer tracked, however, at the time of respective closures drove IRRELEVANT of annualised benefits of whic IRRELEVANT s from historical DMB programmes

Live Programmes, £m	23/24 Benefit	24/25 Benefit	YOY	Commentary
Revenue Growth	IRRELEVANT			
Banking Services & ATMs				All ATM revenue is dependent on the ATM Strategy IRRELEVANT YOY reduction is due to decline in cash usage
Mails				IRRELEVANT revenue growth from Mails Strategy initiatives, including the introduction of new parcel carriers and further rollout of the Amazon proposition
International Money Transfers				Western Union revenue, £3m YOY increase
All Other				IRRELEVANT of Credit Card revenue (one of several credit card products) discontinued resulting in a YOY decline
POI				IRRELEVANT revenue in 23/24 is one-off benefit from the implementation of the POI Regulatory and Compliance Change initiative, resulting in a YOY decline in revenue benefit
Network				Projected revenue loss from planned DMB closures, branch churn, partly offset by revenue growth from Drop and Collect branches
Cost Reduction				
CIO				IRRELEVANT ost reduction in 24/25 of which a large proportion relates to 1) Verizon costs as Copper line connection in branches are replaced, 2) saving from moving POL connectivity away from Verizon sites and 3) a reduction in Fujitsu run costs from the delivery of CIO programmes.
Network				IRRELEVANT f the YOY benefit relates to savings in costs and fixed PM remuneration from the Hard To Place and Network Strategy Acceleration programmes, £2m relates to DMB saving IRRELEVANT relates to Operational Excellence (note counter implementation) benefits and £0.5m cost saving from branch churn
Government Services				cost reduction benefit for delivery of DVLA & SIA services using tablet devices across an expanded network and decommission of the AEI booths.
POI				IRRELEVANT n year benefit from POI Protection Supplier Change, with no incremental change
Supply Chain				n saving less IRRELEVANT f new cost for the outsourcing of the Swindon Cash Centre
All Other				n saving from moving eKYC service from DIGI to Yoti
New Recurring Cost				
Mails				£10m incremental Postmaster Remuneration and new run costs associated with the delivery of the IRRELEVANT ew non-RM mails revenue
CIO				A large proportion of the IRRELEVANT) 24/25 cost relates to costs for fibre connection replacing old Copper connection in branches. The IRRELEVANT YOY cost increase relates to increasing numbers of branches moving to fibre connection, an indexation increase in the cost of PCI compliance, further Branch hub resource costs becoming BAU costs and increased application costs
Banking Services & ATMs				PM rem and run costs associated with ATM revenues as delivered by the ATM Strategy programme
International Money Transfers				PM rem and run costs associated with Western Union
All Other				Various new recurring costs IRRELEVANT of which relates to PZ integration, i.e. alignment of PZ staff benefits to POL when they become POL employees and new procurement resource
Network				Drop and collect enhancement costs
Total Benefit				

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Breakdown of Costs by Activity

1) Sustaining the network e.g. onboarding, training, security
Postmaster
DMB
Retail Operations Staff Cost incl. field team
Branch Discrepancies
Stationery
Retail Engagement Staff Cost
Central Operations Staff Cost
Strategic Partners
NFSP Grant
Postmaster Other
CIO
Fujitsu Costs - Horizon Support
Verizon Network costs for supporting branch
DXC Branch
CIO Other
Property
Planned Maintenance
Estates Fees
Utilities
Property Other
Network
Customer Experience
Retail Central
Total

IRRELEVANT

2) Cost of cash access
Supply Chain
Cash Values in Transit
Cash processing & verification
Central Support
Supply Chain Other
Banking & ATMs
Royal Mail Cheque Pouches
ATM Maintenance
Staff Costs
Barclays Cheque Processing
ATM Software
Banking & ATMs Other
Postmaster
CIO
CFO
Total

IRRELEVANT

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Breakdown of Costs by Activity

3) Back office central costs e.g. Corporate head office, things like SAP licence
CIO
Staff Cost
Licences
Accenture
DXC Colleagues
CFO
Staff Cost
Insurance
Audit, Tax & Pensions
CFO Other
People
Staff Cost
Insurance
Apprenticeship Levy
Healthcare
Training & Development
People Other
LCAS
Legal
Compliance
CoSec
LCAS Other
Customer Experience
Communications
Property
Strategy & Transformation
Centrally Managed
Total

IRRELEVANT

4) Revenue supporting costs e.g. cost of sales and any other cost of
POI
Marketing
Contact Centre & Operational
Staff Cost
IT
POI Other
Customer Experience
Staff Cost
Customer Experience Other
Mails
Staff Cost
Mails Segregation
Mis-selling Penalty
Project Opex
Mails Other
Payment Services & Payzone
Staff Cost
IT
Postage
Payment Services Other
Supply Chain
Stock Operations
Travel Money
HMRC Fees
Hedging Losses
Travel Money Other
Other Commercial
Total excl. Cost of Sales
Cost of Sales
Total

IRRELEVANT

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Product Profitability Analysis: Mails

At a product level notional profit-making Labels and International are offset by notional loss marking Acceptance and Stamps. All non-RM products are expected to be at breakeven or loss making at the Notional Profit level as growth in these products ramp up.

2024/25

Business Unit	Product	Revenue & Income	Variable PM Rem	Cost of Sales	Variable contribution	Fixed PM Rem	Staff Costs	Non-Staff Costs	Notional Profit	Allocated overheads	Allocated Profit
Mails RM	Labels										
Mails RM	Special Delivery										
Mails RM	Home Shopping Returns										
Mails RM	International Priority & Standard										
Mails RM	Acceptance										
Mails RM	Stamps										
Mails RM	Parcelforce										
Mails RM	Other Trading										
Mails RM	Mails Other										
Mails RM	Mailwork										
Total Mails RM											
Mails Non RM	Sale in Branch										
Mails Non RM	Click and Collect										
Mails Non RM	Drop-off Purchase										
Mails Non RM	Returns										
Mails Non RM	Online Platform										
Total Mails Non RM											
Total Mails											

IRRELEVANT

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Product Profitability Analysis: Banking and ATMs

At the notional profit level, all Banking products are expected to be profit making supported by the IRRELEVANT Banking Framework fee.

2024/25

Business Unit	Product	Revenue & Income	Variable PM Rem	Cost of Sales	Variable contribution	Fixed PM Rem	Staff Costs	Non-Staff Costs	Notional Profit	Allocated overheads	Allocated Profit
Banking Services	Deposits										
Banking Services	Withdrawals										
Banking Services	Banking Other										
Banking Services	Change Giving										
Total Banking Services											
ATMs	ATMs										
Total ATMs											
Total Banking & ATMs											

IRRELEVANT

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Product Profitability: FS-INS-TM-IMT

Notional profit across all product areas, with exception of Home Insurance which is expected to be slightly loss making.

2024/25

Business Unit	Product	Revenue & Income	FRES Profit Share	Variable PM Rem	Cost of Sales	Variable contribution	Fixed PM Rem	Staff Costs	Non-Staff Costs	Notional Profit	Allocated overheads	Allocated Profit
Travel Money	Travel Money - Branch											
Travel Money	Travel Money - Online											
Total Travel Money												
Mortgages, Savings & Loans	Mortgages, Savings & Loans											
Total Mortgages, Savings & Loans												
International Money Transfer	MoneyGram											
International Money Transfer	Postal Orders											
International Money Transfer	Western Union											
Total International Money Transfer												
Credit Cards	Credit Cards											
Total Credit Cards												
POI	Travel Insurance											
POI	Protection											
POI	Home Insurance											
POI	Motor Insurance											
POI	Other Insurance											
Total POI												
Total FS-INS-TM-IMT												

IRRELEVANT

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Product Profitability: Other

POL Bill Payments profit making at a notional level, Payzone slightly loss making.

2024/25

Business Unit	Product	Revenue & Income	Variable PM Rem	Cost of Sales	Variable contribution	Fixed PM Rem	Staff Costs	Non-Staff Costs	Notional Profit	Allocated overheads	Allocated Profit
Payment Services & Payzone	Bill Payments										
Payment Services & Payzone	Payzone										
Total Payment Services & Payzone											

IRRELEVANT

Retail, Government, Identity: All products profit making at the notional profit level..

2024/25

Business Unit	Product	Revenue & Income	Variable PM Rem	Cost of Sales	Variable contribution	Fixed PM Rem	Staff Costs	Non-Staff Costs	Notional Profit	Allocated overheads	Allocated Profit
Retail & Gift Cards	Gift Cards										
Retail & Gift Cards	Retail										
Total Retail & Gift Cards											
Government Services	DVLA										
Government Services	Home Office										
Government Services	UKVI										
Government Services	Other										
Total Government Services											
Identity Services	Document Certification Service										
Identity Services	Yoti										
Total Identity Services											
Total Retail, Government & Identity											

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Security Headroom Drivers

FY24/25 Baseline:

£m	FY23/24	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	FY24/25
Security Headroom Brought Forward														
Trading profit														
FRES Profit Share (non-cash)														
FRES Dividend														
Interest														
Change Spend														
Remediation Compensation														
Network Subsidy														
Investment funding														
Investment loan														
Movement in payables														
Other														
Security Headroom Carried Forward														

IRRELEVANT

<Lowest point>

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Sustainable affordability: Implications on FY25/26

Based on all considerations of the Business Plan, decisions on the quantum of FY24/25 Change spend must be balanced with a view of sustainable affordability. Whilst additional change spend of IRRELEVANT in FY24/25 may not breach Security Headroom in FY24/25 it erodes the ability to manage cash flow and self-funded investments in FY25/26 and beyond as demonstrated by these scenarios. This is further impacted by the expectation that a Trading loss will be made in FY24/25.

IRRELEVANT

MAXIMUM FY25/26 AVAILABLE CASH OF IRRELEVANT	MAXIMUM FY25/26 AVAILABLE CASH OF IRRELEVANT	MAXIMUM FY25/26 AVAILABLE CASH OF IRRELEVANT

IRRELEVANT

Security Headroom end-FY23/24	FY24/25 Change Spend	Other Cash Movements	Security Headroom end-FY24/25	Security Headroom end-FY23/24	FY24/25 Change Spend	Other Cash Movements	Security Headroom end-FY24/25	Security Headroom end-FY23/24	FY24/25 Change Spend	Other Cash Movements	Security Headroom end-FY24/25

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Cover Page

Title:	P11 – Performance Overview	Meeting Date:	25th March 2024
Author:	Asha Patel – Strategic Financial Planning & Analysis Director	Sponsor:	Kathryn Sherratt, Interim CFO

Input Sought: Noting

The purpose of this slide deck is to provide details and analysis on the Period 11 financial performance.

The Board are asked to note the P11 performance.

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Executive Summary (1/3)

1

Total Revenue and Trading Profit

- P11 revenue of IRRELEVANT above budget, IRRELEVANT behind forecast, and IRRELEVANT growth on prior year. Mortgages, Savings, Loans revenue of IRRELEVANT outperformed budget by IRRELEVANT due to the Bank of Ireland incentive commission of IRRELEVANT above budget). The incentive commission is recognised in P11 when it becomes virtually certain following confirmation from Bank of Ireland. Banking services revenue was ahead of budget in the month IRRELEVANT ed by a volume recovery in Deposits; on a YTD basis Deposit revenue has now caught up to be in line with Budget. Post Office Insurance revenue underperformed against both budget and forecast, with Travel and Protection insurance sales continuing to be adversely impacted by the negative press coverage.
- This has translated to a Trading Profit of IRRELEVANT in P11 and a YTD trading profit of IRRELEVANT above budget and IRRELEVANT under prior year). **This has surpassed the** IRRELEVANT **Forecast Trading Profit (as presented to the Board on 1st March), however the full year outturn continues to be reviewed based on potential year end adjustments.**

2

Mails Revenue

- P11 Mails revenue of IRRELEVANT was in line with budget, but IRRELEVANT under forecast, largely due to underperformance in 2nd class labels.
- **YTD Mails revenue is c IRRELEVANT head of budget, however with the launch of Tracked and further expectation of RM price increases this is putting pressure on FY24/25 Mails projections although partially offset by growth in revenue streams with other carriers.**
- Compared to prior year, total Mails revenue was u IRRELEVANT n period, largely due to the impact of RM cyber attack on International volumes in the same period last year (estimated to be IRRELEVANT n the month). When adjusting for this the YoY growth is IRRELEVANT with the decline in RM Labels, being offset by growth in Non-RM carriers.

3

Banking & ATMs Revenue

- Banking services revenue of IRRELEVANT ahead of budget due to higher deposit volumes and IRRELEVANT ahead of forecast due to higher volumes and higher ATVs across both personal and business banking deposits. ATVs remain under budget due to deposit limit regulations. Total banking revenue continues to increase year on year with 10% growth in P11 and 6% growth YTD.
- **The outperformance from P10 and P11 has offset previous revenue underperformance on deposits, which are now in line with budget YTD at** IRRELEVANT **This strong performance on deposits has continued into the first week of P12.**
- ATMs revenue o IRRELEVANT under both budget and forecast due to an ATM classification issue with Vocalink which has impacted the commission rate applied. This is expected to be resolved pre year-end, with the additional revenue missed from P11 to be recognised in P12.

4

Other Revenue

- Post Office Insurance revenue of IRRELEVANT underperformed against both budget IRRELEVANT and forecast IRRELEVANT with Travel and Protection insurance searches, online traffic and sales notably down considered to be adversely impacted by POL press coverage. **Travel Insurance sales have recovered slightly in P12, 4% up on budget in the first week of the period, although slightly under forecast. Protection insurance remains more of a challenge with daily reviews of marketing and social media activity which has been significantly paired back since January.**
- Mortgages, Savings, Loans revenue of IRRELEVANT above budget) includes IRRELEVANT of Bank of Ireland incentive commission; This was IRRELEVANT higher than budget due to higher interest rates for longer than expected and better margins across the BOI products.
- Government Services Revenue of IRRELEVANT under budget, with UKVI revenue of IRRELEVANT under budget by IRRELEVANT; this is considered to be an impact of the changes to student visa requirements preventing students from bringing dependents to the UK. **The YTD upside on UKVI at P11 is now** IRRELEVANT **and almost all of this could be offset by the end of the year.**

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Executive Summary (2/3)

5

Postmaster Remuneration (PM Rem)

- P11 Variable PM Rem of IRRELEVANT higher than budget, from outperformance in high rem generating Mails and Banking products (Special Delivery and Deposits); and IRRELEVANT above forecast, largely driven by Banking and Lottery (with final transactions occurring in the first week of P11). **YTD Variable PM rem o IRRELEVANT of variable revenue, an increase from IRRELEVANT n prior year.** This is driven by Banking (which has benefitted from two rate increases) and Mails, where the YoY revenue decline from Labels (lower rem generating) is offset by other (higher rem generating) products which have remained stable.
- YTD Fixed PM Rem of IRRELEVANT below budget predominantly from lower exceptional payments. There continues to be a conscious shift away from loss making and poorly used branches, replacing outreaches with Drop & Collect and focusing fixed payments towards commercial branches. The Rem Strategy will continue to be assessed and reviewed through FY24/25 and beyond.

6

Staff costs and Headcount

- P11 Staff Costs of IRRELEVANT over budget with IRRELEVANT due to delay in DMB Exits and IRRELEVANT from unbudgeted GLO resourcing costs which are expected to be settled by DBT in P12; this has been partially offset by updated bonus accruals and unutilised CIO salary increase provision. Against IRRELEVANT forecast, staff costs were IRRELEVANT lower, largely due to updated bonus accruals with further refinement and adjustments likely as we approach the year end. As at the end of P11, headcount is 62 FTE above budget – with 81 FTE over budget in Postmaster (due to delay in DMBs exit) offset by open vacancies in Supply Chain, CIO and People.
- YTD staff costs of IRRELEVANT under budget, **however, on adjusting for unbudgeted GLO resource IRRELEVANT), Bank Hub recharges (IRRELEVANT, DMB budget assumptions (IRRELEVANT) and unutilised CIO salary increase provision (IRRELEVANT, on an underlying basis YTD staff costs are c. IRRELEVANT under budget - driven by the vacancies that have been, and in some areas remain, unfilled across the business.**

7

Non-staff cost

- P11 Non-Staff Costs of IRRELEVANT under budget, and IRRELEVANT lower than the IRRELEVANT forecast. This is driven by c. IRRELEVANT of lottery provision releases, c. IRRELEVANT lower spend across commercial including reduced POI marketing from turning off social media channels and lower BOI Eagle fund spend (contracted and dependent on BOI confirmation, IRRELEVANT additional VAT recovery due to a higher recovery rate in Q3 and IRRELEVANT) lower spend within CIO of which IRRELEVANT s considered to be genuine savings and IRRELEVANT related to timing differences.
- **Whilst YTD Non-Staff costs of IRRELEVANT are now IRRELEVANT) under budget, based on the latest forecast, we expect c. IRRELEVANT f higher than budgeted non-staff costs in P12. This would be prior to any potential year-end adjustments.**

8

Performance against agreed cost savings

- Based on the original construct of the IRRELEVANT challenge, the latest IRRELEVANT orecast suggests we could achieve IRRELEVANT, with a gap of IRRELEVANT
- **However, since the Remco have approved the fungibility principles of classifying 'genuine and intended' savings achieved elsewhere towards the IRRELEVANT hallenge, the latest forecast suggests that the full IRRELEVANT will be met.**
- We are focusing on refining the evidence of these cost savings being achieved as part of year end processes.

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Executive Summary (3/3)

9

Open Branch network

- The network increased by 47 branches in February to finish at 11,783 branches. This increase was largely due to re-openings of Outreaches.
- A further 18 Drop & Collect branches were opened in the month, with 552 trading and 575 Drop & Collect branches live by the end of February. **Drop & Collect openings will continue to grow through to the end of March, and we plan to have over 600 locations as we start the new financial year.**
- **With the current forecast we are looking to maintain a stable network number through to the end of the financial year and into Q1 of FY24/25.**

10

Investment and Change Spend (excluding project Opex – to be included from P1 FY24/25)

- P11 Change Spend of IRRELEVANT lower than forecast, with underspends driven by IRRELEVANT in VAT refunds (not controllable) IRRELEVANT delayed costs (timing differences) from disputed supplier invoices in ATM Banking Strategy, IRRELEVANT underspend across SPM and various CIO projects; these underspends have been partially offset by IRRELEVANT delay of proceeds from sale of assets (expected in P12) and IRRELEVANT overspend in Remediation Unit.
- YTD spend of IRRELEVANT below budget with the full year forecast expected to remain below budget.
- **Based on the IRRELEVANT Change forecast, the full year outturn for 'Other Change Spend' (net of sales proceeds) is reduced by IRRELEVANT from IRRELEVANT** from costs being rephased into FY24/25, removal of contingencies and savings/underspend in P11.
- **The implications of this rephasing into FY24/25 is being assessed with regards to the FY24/25 Budget (proposed IRRELEVANT and beyond.**

11

Security Headroom

- At the end of P11, Security Headroom of IRRELEVANT was IRRELEVANT lower than forecast resulting largely from assumptions around timing of cash receipt on BOI incentive commission IRRELEVANT and RU/Inquiry funding IRRELEVANT. BOI incentive cash is expected in P12, with RU/Inquiry funding timing assumptions to be refined with RU Finance team.
- **The Baseline Budget for FY24/25 assumes IRRELEVANT MU/Inquiry contingency funding and IRRELEVANT Horizon replacement funding, resulting in a positive Security Headroom position throughout FY24/25. The lowest point would be IRRELEVANT in Dec-24 (noting a recommended buffer of IRRELEVANT maintained throughout the year**).
- The SH forecast assumes an unfunded variance of c. IRRELEVANT change spend on SPMP (over and above the IRRELEVANT and c. IRRELEVANT of RU/Inquiry spend (over and above the IRRELEVANT contingency); these are subject to ongoing business case/ discussions and should this position change this would provide additional SH upside.

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Scorecard

POL Scorecard - FY23/24

	Area	Unit	Period 11 Actual	Budget	% Variance to Budget	RAG to Budget	Variance to Prior Year	RAG to Prior Year	3-Month Rolling Average Actual	12-Month Rolling Average Actual
KPIs										
Trading Profit	POL	£m								
Total Postmaster Rem (excl. merch commission)	POL	£m								
Total PM Rem % Revenue	POL	%								
Variable PM Rem % of Variable Revenue (YTD)	POL	%								
Total PM Rem % Cost	POL	%								
Change Spend (excl. RU and SOA)	POL	£m								
Security Headroom	POL	£m								
Number of Branches	POL	#								
FTE	POL	#								
Mails Labels Volumes	Commercial	#								
Banking Deposit Volumes	Commercial	#								
Deposit ATVs	Commercial	£								
Travel Money Sales Volumes	Commercial	#								
Travel Insurance Sales Volumes	Commercial	#								
BoE Base Rate	Commercial	%								
(Increase)/decrease in PM discrepancy provisions	Retail	£k								
Transaction Corrections	Retail	#								
Major Incidents	IT	#								
Incidents	IT	#								
Branch Down Volumes	IT	#								

IRRELEVANT

- There has been a big increase in Transaction Corrections (TCs) in P11, because of the lottery exit and the issuing of 5,000 nil value TCs.

pp = percentage points

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Profit Before Tax

	Period 11							YTD				
	Actual	Budget	9+3 Forecast	Variance to budget	Variance to 9+3	YoY	YoY %	Actual	Budget	Variance	YoY	YoY %
Mails - RM												
Mails - Non RM												
Retail/Lottery & Gift Cards												
Government Services												
Banking Services												
ATMs												
International Money Transfer												
Travel Money												
Payment Services & Payzone												
Voucher Encashment												
Mortgages, Savings & Loans												
Credit Cards												
PO Insurance												
Identity Services												
Supply Chain/Other												
Total Revenue												
Cost of Sales												
Postmaster Rem Variable Costs												
Postmaster Rem Fixed and Other Costs												
Merchant Commission												
FRES												
POCA Other Income												
Gross Margin												
Staff Costs												
Non Staff Costs												
Total Overheads												
Trading Profit/(Loss)												
Network Subsidy Payment												
EBITDA												
Depreciation												
Interest												
Exceptional Change Spend												
Remediation Settlement/Reimbursement												
Investment Funding												
Profit/(Loss) On Asset Sales												
Profit/(Loss) Before Tax												

IRRELEVANT

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P11 YTD Trading Profit vs Budget

P11 YTD Revenue and Income is c.£38m higher than budget, largely driven by opportunities arising from external factors, such as higher interest rates and delay in RM tracked product. Last March, the business agreed to increase PM Rem through implementation of IRRELEVANT *of cost challenges, towards which significant focus has been shifted in ensuring this was delivered.*



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Appendix

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Staff costs and Headcount

P11 Staff Costs of IRRELEVANT were IRRELEVANT over budget with IRRELEVANT due to delay in DMB Exits and IRRELEVANT from unbudgeted GLO resourcing costs which are expected to be recharged to DBT later in the year; this has been partially offset by updated bonus accruals and unutilised CIO salary increase provision. Against 9+3 forecast, staff costs were IRRELEVANT lower, largely due to updated bonus accruals with further refinement and adjustments likely as we approach the year end. As at the end of P11, headcount is 62 FTE above budget – with 81 FTE over budget in Postmaster (due to delay in DMBs exit) offset by open vacancies in Supply Chain, CIO and People. YTD staff costs of IRRELEVANT are IRRELEVANT under budget, which include IRRELEVANT for unutilised salary increase provision within CIO, IRRELEVANT for GLO resource costs yet to be recharged to DBT, IRRELEVANT for changed DMB budget assumptions and IRRELEVANT for bank hub staff costs. On an underlying basis, after adjusting these, staff costs are c IRRELEVANT under budget, largely driven by the vacancies held throughout the year across the business.

	Period 11							YTD					FTE (excl. contractors)			
	Actual	Budget	9+3 Forecast	Variance to budget	Variance to 9+3	YoY	YoY %	Actual	Budget	Variance	YoY	YoY %	Actual	Budget	Var to Budget	Mvt in year
Banking & ATMs																
Payment Services & Payzone																
FS-INS-TM-IMT																
Mails, PUDO, Retail, Government and Identity																
Commercial Planning & Strategy																
Central Commercial																
Total Commercial																
Customer Experience																
Postmaster																
Network																
Supply Chain																
Property																
Retail Central																
Total Retail																
CIO																
BTU																
CFO																
People																
LCAS																
Remediation Unit																
Strategy & Transformation																
Communications																
Central																
Total																

IRRELEVANT

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Non-Staff Costs

P11 Non-Staff Costs of IRRELEVANT were IRRELEVANT under budget and IRRELEVANT lower than 9+3 forecast. This is driven by c. IRRELEVANT of lottery provision releases, c. IRRELEVANT lower spend across commercial including reduced POI marketing from turning off social media channels, and lower BOI eagle fund spend, £0.7m additional VAT recovery due to a higher recovery rate in Q3 and £0.8m lower spend within CIO of which IRRELEVANT is genuine saving and IRRELEVANT related to timing. YTD Non-Staff costs of IRRELEVANT are now IRRELEVANT under budget and based on the latest forecast, we expect c. IRRELEVANT of higher than budgeted non-staff costs in P12.

	Period 11							YTD				
Cost Type	Actual	Budget	9+3 Forecast	Variance to budget	Variance to 9+3	YoY	YoY %	Actual	Budget	Variance	YoY	YoY %
Staff & Agent Related Costs	IRRELEVANT											
Consultancy & Advisory Services												
Finance & Losses												
IT Infrastructure & IT Services												
Legal Costs												
Managed Services												
Marketing & Communications												
Postage												
Property & Facilities Management												
Other Operating Costs												
Total Non Staff Costs												

	Period 11							YTD				
BU	Actual	Budget	9+3 Forecast	Variance to budget	Variance to 9+3	YoY	YoY %	Actual	Budget	Variance	YoY	YoY %
Commercial	IRRELEVANT											
Retail												
CIO & BTU												
CFO												
People												
LCAS												
Communications												
Centrally Managed/Other												
Total Non Staff Costs												

P11 In month - Commentary against Cost Type:

- **Finance & Losses** – release of lottery provisions no longer required now POL has ceased providing Lottery service.
- **IT Infrastructure & IT Services** – IRRELEVANT of savings and £0.4m timing.
- **Legal costs** – timing difference on the unbudgeted project Rose Bowl (£0.8m accrued in P11).
- **Other operating costs** – additional VAT recovery from higher rate in Q3 IRRELEVANT higher proportion of OBC (Operational Business Change) works recharged to Postmasters IRRELEVANT, Network programme opex delayed spend IRRELEVANT, delay in the purchase of Property equipment, due to delay in the signing of the new contract with the supplier IRRELEVANT.

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Investment & Change Spend

P11 Change Spend, IRRELEVANT is IRRELEVANT lower than previous forecast, with underspends driven by IRRELEVANT in VAT refunds, IRRELEVANT delayed costs from disputed supplier invoices in ATM Banking Strategy, IRRELEVANT underspend across SPM and various CIO projects, partially offset by IRRELEVANT delay of sale of assets and IRRELEVANT overspend in Remediation Unit. YTD spend of IRRELEVANT in below budget with full year forecast expected to remain below budget.

	Period 11					YTD					FY23/24		
Project Groupings	Actual	Budget	10+2 Forecast	Vs Budget	Vs 10+2 Forecast	Actual	Budget	10+2 Forecast	Vs Budget	Vs 10+2 Forecast	Budget	10+2 Forecast	Variance
Other Change Spend - Top 10 Budget FY24/25	IRRELEVANT												
Other Change Spend - CIO													
Other Change Spend - Commercial													
Other Change Spend - Retail													
Other Change Spend - Supply Chain													
Other Change Spend - Other													
Proceeds from Sale Of Assets													
Net Other Change Spend													
Remediation													
POHIT Inquiry													
Remediation & POHIT Inquiry													
Next Generation Mails Automation													
Strategic Technology Programme													
Horizon Replacement CIO projects													
Replacement of Horizon													
Total Change Spend													

IRRELEVANT

	In month variance to forecast	Implication on full year
Net Other Change Spend	**Net Other Change Spend** IRRELEVANT of which: IRRELEVANT **Sale of Assets** Sale of Frederick Street branch included in Forecast for P11 has slipped to P12 due to an issue with the title deed document. **ATM Banking Strategy** P10 & P11 invoices being queried with supplier, therefore Invoices not good receipted in P11. **Other notable variances:** IRRELEVANT **VAT recovery** spread across various projects **PCI Compliance** as 10+2 forecast was not updated **Data Centre Fortification** underspend in Legacy OS Migration, underspend resulting from a new PM in Firewalls project, network and resource issues for Windows XP. **Credence MDM Tactical Upgrade** due to issues with completion of User Acceptance Testing, leading to milestones not being met.	**In month variance implication on FY:** SOA & ATM Banking main in month variances are expected currently to materialise in P12, however there is a risk for some costs to be deferred to next year. **Full Year expected outturn**: Reduced from IRRELEVANT across Other Change Spend from costs being rephased into FY24/25, removal of contingencies and savings/underspend in P11.
RU and Inquiry	**Remediation Un** IRRELEVANT overspends predominantly driven by catch up of costs in CCRC due to P&P legal fees relating to criminal appeals and Overturned Convictions due to higher HSF fees associated with the Upfront Offer and further unbudgeted Restorative Justice costs.	**Full Year expected outturn:** **RU** IRRELEVANT under Approved Funding with costs slipping onto FY24/25 **Inquiry** IRRELEVANT over Approved Funding from timeline and scope changes. The total funding pot of IRRELEVANT for RU and Inquiry is expected to last until September 2024.
Replacement of Horizon	**Replacement of Horizon** IRRELEVANT IRRELEVANT **Strategic Technology Programme** of which IRRELEVANT savings (reduction) due to VAT refund IRRELEVANT of resources not correctly charged IRRELEVANT re-profiled to March, c. IRRELEVANT mostly due to lower than expected 3rd party support **Second Device** over optimism in the forecast submitted for the Prove case. **Application Modernisation** delays and Fujitsu failure to provide a delivery plan	**In month variance implication on FY**: SPM revised forecast is a IRRELEVANT in year reduction partly triggered from in month variance with further reductions planned for March in resourcing, AWS and 3rd party support. **Full Year expected outturn**: Reduced from IRRELEVANT 6m across all Replacement of Horizon projects mostly driven by P11 savings/underspend in P11.

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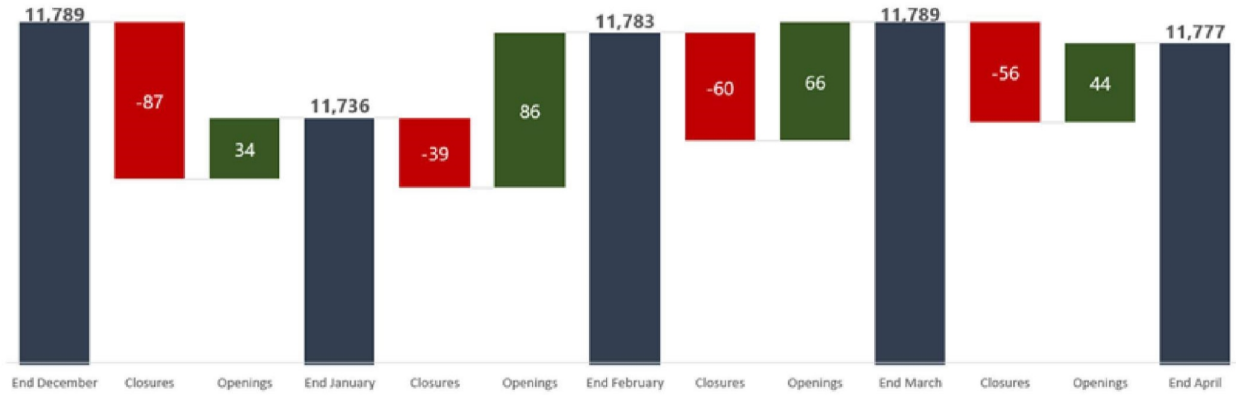
Open Branch Network

The network increased by 47 branches in February to finish at 11,783 branches, largely due to re-openings of Outreaches. A further 18 Drop & Collect branches were opened in the month, with 552 trading and 575 Drop & Collect branches live by the end of February. With the current forecast we are looking to maintain a stable network number through to the end of the financial year and into Q1 of FY24/25

Network numbers for February 2024, showing the month-on-month change by format

Number of outlets in the network	Jan 2023 (Traded)	Feb 2024 (Traded)	Net Change
Mains	3,278	**3,273**	-5
Local	4,209	**4,207**	-2
DMB	115	**115**	0
Traditional	1,800	**1,787**	-13
Drop & Collect	534	**552**	18
Outreach	1,800	**1,849**	49
Total	11,736	**11,783**	47

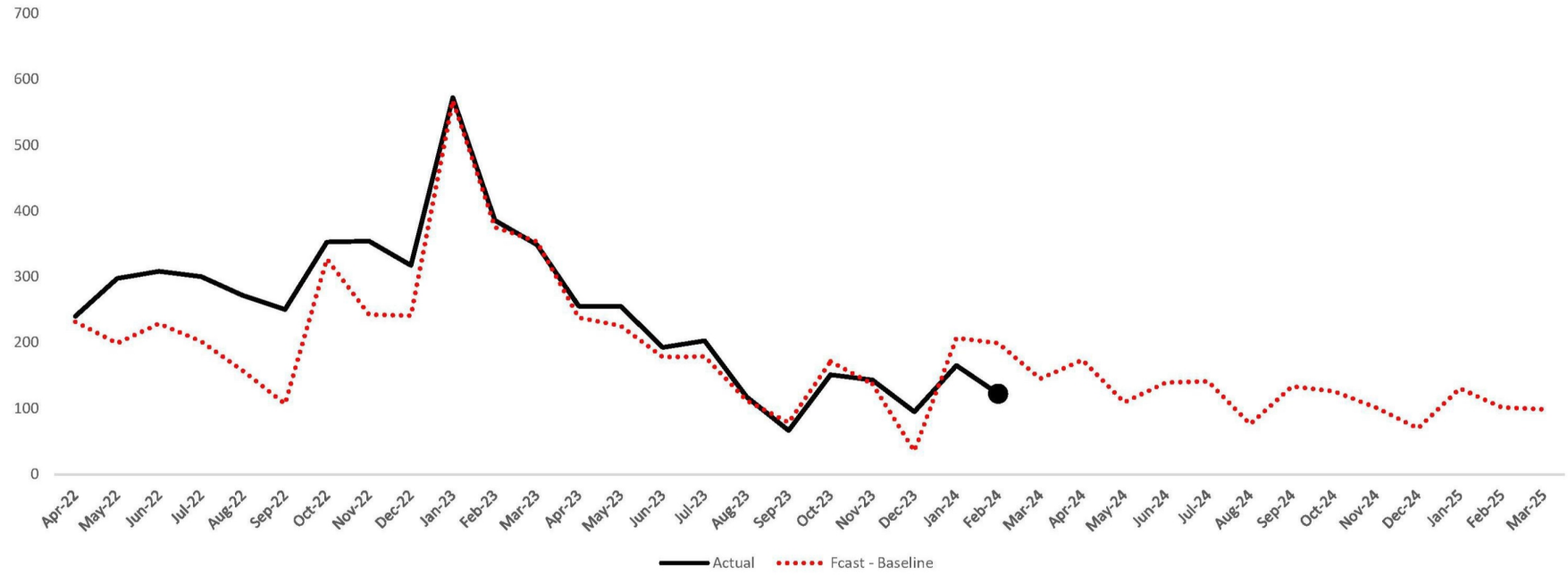
- February's open branch count finished at 11,783 slightly ahead of forecast due to re-openings in the Outreach format.
- A mobile van in the Lake District region representing 17 stops was off the road in January. It has since been repaired and traded in February.
- 575 Drop & Collect branches were live by the end of February with 552 trading. D&C openings will continue to grow through to the end of March and we plan to have over 600 locations as we start the new financial year.
- Churn is forecast to finish at a similar level to 2019/2020 and 2020/2021.



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Security Headroom

Security Headroom in P11 of IRRELEVANT was IRRELEVANT wer than forecast, resulting from timing of cash receipt on BOI incentive commission (IRRELEVANT) and RU/Inquiry funding (IRRELEVANT BOI incentive cash is expected in P12, with RU/Inquiry funding forecast to be revised following further discussion.The Baseline Budget for FY24/25 assumes IRRELEVANT RMU/Inquiry contingency funding and IRRELEVANT Horizon replacement funding resulting in a positive Security Headroom position throughout FY24/25. The lowest point would be IRRELEVANT in Dec-24 (noting a recommended buffer of IRRELEVANT maintained throughout the year). The SH forecast assumes an unfunded variance of c IRRELEVANT change spend on SPMP (over and above the IRRELEVANT and c IRRELEVANT of RU/Inquiry spend (over and above the IRRELEVANT contingency) – these are subject to ongoing business case/ discussions and should this position change this would provide additional SH upside.



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Loan and NRF Utilisation

The pressure on borrowings has eased, with the receipt of IRRELEVANT funding in the prior period (January). The WCF buffer is now IRRELEVANT until Mar-24 (P12), allowing us to draw down an additional IRRELEVANT on the WCF. We are not currently forecasting to enter the IRRELEVANT buffer by the end of the financial year.



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POST OFFICE LIMITED
BOARD REPORT

Title:	FY23/24 Outturn - Postmaster proposal	**Meeting Date:**	25th March 2024
Author:	Asha Patel – Director of FP&A Martin Edwards – Network Strategy & Delivery Director	**Sponsor:**	Kathryn Sherratt – Interim CFO

Input Sought: Decision

The purpose of this paper is to set out the considerations around the quantum, mechanism and timeline of a Postmaster proposal for which the SEG are requesting Board approval.

Executive Summary

Based on the latest forecast view of trading performance for FY23/24, taking into consideration POL's online performance and the upside received in P11 through the Bank of Ireland's Incentive Commission, the Strategic Executive Group recommend that an additional IRRELEVANT is shared this year with Postmasters as a one-off proposal over and above (and separate to) their projected Remuneration. This IRRELEVANT represents a IRRELEVANT uplift in Postmasters' final payment for the year 23/24 which is made in April 2024.

Such a proposal would be announced to Postmasters within this financial year (aligned to the creation of a 'constructive obligation') alongside a package of Remuneration announcements (see Appendix 1). This announcement is currently expected to be either Wednesday 27th March or Thursday 28th March before the year end.

Report

1. Based on the P12 forecast and an expectation of some likely year-end adjustments, the FY23/24 Outturn is currently projected to be in the region of IRRELEVANT. This, of course, is subject to final year end processes and external audit. As set out in the FY24/25 Business Plan, this level of trading profit would provide a positive Security Headroom (SH) position throughout FY24/25 with an expected low point of IRRELEVANT in December 2024 (IRRELEVANT above the Board approved SH buffer of IRRELEVANT, which the SEG are committed to maintain).

2. This proposal of £4.7m would reduce the FY23/24 Trading Profit Outturn accordingly, with a direct impact on SH for next year, reducing the low point to c IRRELEVANT

3. Consideration has been given as to whether this proposal could be increased further e.g. to IRRELEVANT uplift. The implications of this would be a further reduction to the low-point in SH with a risk of getting closer to the IRRELEVANT Board approved buffer.

4. This risk must be considered in light of other unknown and emerging adjustments as part of the year-end and audit process, for example IR35, which would reduce next year's security headroom should it need to be provided for.

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5. If the IRRELEVANT SH buffer is utilised, in order to preserve a positive SH position (recognising the nature and quantum of working capital swings) appropriate management action would need to be taken e.g. stopping 'Other change spend' programmes, deferral of supplier payments which management are keen to avoid.

Financial Impact

6. As noted above, this proposal would have a financial impact of IRRELEVANT reducing FY23/24 Trading Profit and FY24/25 Security Headroom.

Risk Assessment, Mitigations & Legal Implications

7. As noted above.

Stakeholder Implications

8. To be discussed with Board and subject to Board approval this will be announced to Postmasters. Overall, it is expected that this proposal will be received positively by Postmasters and compliment and strengthen the reception of the Remuneration package for next year which is broader in nature and outlined in Appendix 1. However, there is recognition that the remuneration package when taken together with this separate Postmaster proposal will be compared to inflationary pressures, in particular the 10% increase in National Living Wage.

Next Steps & Timelines

9. If approved, this proposal would be announced to Postmasters within this financial year - either on Wednesday 27th March or Thursday 28th March (TBC)

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Appendix 1

Summary of 2024/25 rem package (DRAFT)

Main measures:

- CPI & tariff changes for RMG products already announced generate a IRRELEVANT uplift in mails rem *(based on last 12 months volumes)*
- Launch of Operational Excellence Incentives provides branches with the opportunity for a 5% monthly boost to variable rem from August trading / September rem
  - Supported by IRRELEVANT investment to roll-out note counters to 2.8k largest banking branches
- Continuation of £2m Major Branch Support Fund
- IRRELEVANT increase in DVLA rem rates
- IRRELEVANT increase in Outreach remuneration

Other smaller measures:

- IRRELEVANT increase to Moneygram & Western Union cash to account product
- IRRELEVANT increase for Mailwork
- IRRELEVANT rease for SIA applications

Internal

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POST OFFICE LIMITED
BOARD REPORT

Title:	£50m Short Term Facility Amendment	**Meeting Date:**	25 March 2024
Author:	Tom Lee, Group Financial Controller Peter Mitchell, Group Treasurer	**Sponsor:**	Kathryn Sherratt, Interim Group Chief Financial Officer

Input Sought: Approval and Resolution

Board is asked to approve the amendment to extend the IRRELEVANT Department of Business and Trade ("DBT") Short Term Facility by one year to 31 March 2025.

Consequently, Board is asked to pass the resolution set out in the Appendix.

Executive Summary

DBT provide two liquidity facilities to Post Office Limited, being a IRRELEVANT Working Capital Facility ("WCF") and a IRRELEVANT Short Term Facility ("STF"). The IRRELEVANT WCF requires one-day notice for draw downs, whereas the IRRELEVANT STF is a same day facility. The STF is therefore an emergency short-term facility to cover unexpected events in client settlements. To date the STF has not been drawn down on, however a IRRELEVANT increase in banking deposits would require a same-day drawdown and therefore in such an instance the STF would be required.

The STF is currently scheduled to end on 1 April 2024. The proposed extension will extend the term one year, to 31 March 2025, aligning the end date with that of the IRRELEVANT Working Capital Facility. Both facilities are due to be renegotiated / extended with DBT ahead of the 31 March 25 end date.

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Appendix

Board Resolution

Amendment Letter (the "Amendment") relating to the £50 million short term credit facility agreement entered into between The Secretary of State for Business and Trade (as lender) and Post Office Limited (POL) (as borrower) on 4 April 2019 (as subsequently amended from time to time)

"Having carefully considered the terms of the Amendment, it was **unanimously resolved** that:

- the terms of the Amendment and any other documents ancillary to, or to be entered into by POL in connection with, the Amendment or the transaction, including bank mandates, subscription letters, utilisation requests and selection notices (the "**Ancillary Documents**") be and are approved by POL; and

- any one authorised person is authorised to execute the Amendment or Ancillary Document which is not being executed as a deed and any two directors and any one director and the secretary of POL are authorised to execute and deliver any Ancillary Document which is to be executed as a deed (in each case with any amendments, variations or additions that he or she in his or her absolute discretion considers appropriate)."

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POST OFFICE LIMITED
BOARD REPORT

Title:	Integration of the Payzone Ltd business into Post Office Limited	**Meeting Date:**	25 March 2024
Author:	Barbara Brannon, Product Portfolio Director - Retail & Lottery, Government & International Payments Services	**Sponsor:**	Owen Woodley, Deputy CEO

Input Sought: Approval

The Board is asked to formally approve the integration of the Payzone business into Post Office Limited which it is proposed is structured such that Payzone Bill Payments Limited (**PZ**) shall declare a dividend and satisfy the payment of that dividend by transferring the assets and liabilities of PZ to POL.

Capitalised terms used, but not otherwise defined, shall have the meaning given to them as defined below in this Board Report.

In connection with the Payzone Integration, the Board is requested to resolve to:

i. approve the form and circulation of the DBT Written Consent;

ii. subject to the receipt of the duly executed DBT Written Consent and subject to the board of PZ (the **PZ Board**) confirming the Distributable Reserves Position:

   a. approve the entry by the Company into the POL Written Consent;

   b. approve the entry by the Company into the Capital Contribution Documents;

   c. approve the entry by the Company into, and the circulation of, the Retailer Notices;

   d. approve the entry by the Company into the Deeds of Novation;

   e. subject to the execution of each Deed of Novation, approve the delivery by the Company of the corresponding Confirmation of Novation;

   f. subject to no response being received from a Remaining Transfer Party by the integration date (or such later date as determined by POL):

      i. where such Underlying Agreement does not permit assignment, approve the delivery by the Company of a Confirmation of Transfer (by way of novation by conduct) to such Remaining Transfer Party; and

      ii. where such Underlying Agreement does expressly permit assignment, approve the delivery by the Company of a Confirmation of Assignment to such Remaining Transfer Party;

   g. approve the adoption by the Company of the Payzone Integration Sourcing Strategy;

   h. approve the entry by the Company into the Deed of Assignment of Trade Marks;

   i. approve the entry by the Company into the Direct Award Novation Agreements;

   j. approve the entry by the Company into the British Gas Novation Agreement, novating the settlement agreement between PZ, the Company and British Gas;

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k. approve (or if required, ratify) the entry by the Company into the intra-group Deeds of Termination;

l. subject to the entry by PZ into the Deed of Surrender and the Tripartite Agreement, approve the entry by the Company into the New Lease Agreement;

m. subject to the declaration of the Dividend-in-Specie and the circulation of the Dividend Resolution by PZ:

i. approve the entry by the Company into the Dividend Resolution such that a dividend on the share in the capital of PZ shall be satisfied by the transfer of the entire trade and business of PZ to the Company as documented by the Business Transfer Agreement; and

ii. subject to the approval of the entry by the Company into the Dividend Resolution, approve the entry into the Business Transfer Agreement; and

n. approve the entry by the Company into the Bulk Change Deed and Deed of Indemnity in relation to transfer of PZ bank accounts;

o. approve the entry by the Company into the Power of Attorney;

p. entry into (and, if required, the ratification of the entry into) any other documents necessary and taking any action necessary to give effect to the Payzone Integration including but not limited to the entry into tax election notices and VAT deliverables, and any further documents approving the transfer of ownership of any agreed PZ bank accounts to the Company; and

iii. in relation to the Proposals generally, any person appointed Attorney pursuant to the terms of the Power of Attorney is hereby authorised to do all such acts and things and negotiate, approve, agree and execute on behalf of the Company all such other documents to or in which the Company is a party or is otherwise interested and all other documents as any such person may consider necessary or desirable in the context of the Proposals.

Executive Summary

In January 2023 the PO Board approved the integration of PZ into PO, for the following reasons: i) enablement of transforming technology, specifically the de-risking of New Branch IT (NBIT) and NBIT second device; ii) enablement of the network strategy, and the acceleration of Drop & Collect (D&C) rollout; iii) mitigation and regularisation of known risks; and iv) business model simplification.

Following consultation with tax, accounting and legal advisers, management has proposed that the Payzone Integration be implemented through the process outlined in this Board Report.

The subsequent section of this Board Report presents an overview of the Payzone Integration implementation process from a legal and documentation perspective, while explaining the requirements for the resolutions requested.

At the time of the Board approval in January 2023, it was not clear which Articles of Association would be triggered by the Integration process. In line with PO governance, Board are requested to formally approve the Integration now there is clarity on the Articles of Association which are triggered, in order that it can go to DBT for approval.

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Report

1. By way of summary, the following steps are required to implement the Payzone Integration:

   1.1 the consent of the Company and the Department for Business and Trade (**DBT**) for the Payzone Integration (the **Consent Matters**);

   1.2 the intercompany debts owed by PZ to the Company pursuant to the credit facilities agreement entered into between the Company (as lender) and the Company (as borrower) dated 16 October 2023 (the **Credit Facilities Agreement**) shall be released (the **Released Amount**), and the capital contribution reserve of PZ shall be credited by a commensurate amount (the **Capital Contribution**) and interim accounts shall be prepared reflecting the same (the **Interim Accounts**);

   1.3 if, on the basis of the Interim Accounts, the PZ Board determine there are sufficient distributable reserves, PZ shall declare a dividend-in-specie (the **Dividend-in-Specie**) which is to be satisfied by the entry by PZ and POL into a business transfer agreement relating to the trade and assets of PZ; and

   1.4 existing contracts entered into by PZ with suppliers, retailers and other third parties shall be terminated, novated or assigned (as applicable) (the **Existing Agreement Matters**),

   (together, the **Payzone Integration**).

2. This Board Report seeks approval in relation to all of the matters comprising the Payzone Integration (together, the **Proposals**), and shall explain the requirements for each such approval.

3. With respect to the Consent Matters, in order to comply with the constitutional requirements of both PZ and POL, the following Company actions are proposed:

   3.1 the Company shall approve the form and circulation of a consent request to DBT (the **DBT Written Consent**), in respect of the Payzone Integration, pursuant to which the Company shall:

      3.1.1 in accordance with the articles of association of PZ (the **PZ Articles**), seek authorisation to approve the consent matters included in the consent request circulated by PZ to the Company on or about the date of this Board Report with respect to PZ's entry into, and implementation of, the Payzone Integration. The complete list of such matters is included as Appendix 1 (*PZ Consent Matters*) (the **POL Written Consent**); and

      3.1.2 in accordance with the articles of association of the Company (the **Articles**), seek approval for the Company and PZ to enter into, and implement the Payzone Integration. The complete list of such matters is included as Appendix 2 (*POL Consent Matters*).

4. The Capital Contribution is required to create positive distributable reserves in the accounts of PZ, as evidenced by the Interim Accounts, thus enabling the Dividend-in-Specie to, subsequently, be distributed to the Company in accordance with applicable law (the **Distributable Reserves Position**). With respect to the Capital Contribution, the following Company actions are proposed:

   4.1 the Company shall enter into a deed of release, pursuant to which the Company agrees to release PZ from its obligations arising pursuant to the Credit Facilities

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Agreement in respect of the Released Amount, such amount comprising the Capital Contribution (the **Deed of Release**); and

4.2 the Company shall enter into the capital contribution release letter (the form of which is included as Schedule 1 of the Deed of Release) that specifies the accounting procedures that PZ is requested to comply with in connection with the outstanding balances released pursuant to the Deed of Release (the **Release Letter**, together with the Deed of Release, the **Capital Contribution Documents**).

5. In order to implement the transfer of the trade and assets of PZ to the Company, it is proposed that PZ declares a final dividend on the share in the capital of PZ to be satisfied in specie by way of transfer of the trade and assets of PZ to the Company which shall be effected through a business transfer agreement to be entered into between PZ and the Company (the **Business Transfer Agreement**). In addition to this, POL and PZ shall also enter into a deed of assignment of trade marks pursuant to which all trade marks held by PZ shall be assigned to POL (the **Deed of Assignment of Trade Marks**), this is documented separately to make it easier to register the transfer of trade marks. The payment of the Dividend-in-Specie shall remain subject to the Company approving the written shareholder resolution relating to such Dividend-in-Specie (the **Dividend Resolution**). With respect to the Dividend-in-Specie, the following actions are proposed:

5.1 subject to the receipt of the Dividend Resolution, the entry by the Company into the Dividend Resolution; and

5.2 subject to the Company approving entry into the Dividend Resolution, the entry by the Company into the Business Transfer Agreement.

6. Pursuant to the Business Transfer Agreement the Company shall provide an uncapped indemnity to PZ in respect of any liabilities of PZ that may arise prior to or following the Payzone Integration.

7. In order to effect transfer of ownership of bank accounts from PZ to the Company, the Company shall provide an uncapped indemnity to each relevant credit institution that may make direct debit payment requests on behalf of the Company in order to indemnify against any claim made as a result of incorrect direct debit instructions provided by the Company (the **Deed of Indemnity**). In order to ensure the transfer of responsibility for indemnity claims occurs at the right time, whether for past or future direct debit transactions, the Company and PZ will enter into an agreement that notes that the Deed of Indemnity provided by the Company shall apply from the date of integration and that PZ will remain liable under their indemnity prior to that date (the **Bulk Change Deed**).

8. In relation to the Existing Agreement Matters, PZ has entered into a number of contracts with suppliers, retailers and other third parties in order to conduct its business. As part of the Payzone Integration, it is proposed that these contracts be terminated, novated or assigned (as applicable). With respect to the Existing Agreement Matters, the following Company actions are proposed or have already taken place:

8.1 the Company shall circulate a notice of transfer to certain retailers, notifying such retailers that the Company shall assume the rights and obligations of PZ arising pursuant to the (i) Retailer Terms and Conditions; and (ii) Branch Operating Agreements (as applicable) (the **Underlying Retailer Agreements**) and that PZ shall be released from such obligations as of the date of Payzone Integration (the **Retailer Notices**);

8.2 the Company shall enter into a deed of novation between PZ and certain contractual counterparties (each a **Novated Party**, and together the **Novated Parties**)

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pursuant to which the Company shall assume the rights and obligations of PZ arising pursuant to the relevant underlying agreement (the **Underlying Agreements**), and PZ shall be released from such obligations as of the date of Payzone Integration (the **Deeds of Novation**);

8.3 subject to the execution of any and each Deed of Novation, the Company shall circulate the corresponding novation confirmation notice to the relevant Novated Party (the **Confirmation of Novation**);

8.4 subject to no response being received from a given Novated Party (each such party being a **Remaining Transfer Party**) by the date of Payzone Integration (or such later date as may be determined by the Company), the Company shall enter into the following notices with respect to each such Remaining Transfer Party: (i) a confirmation of transfer of the Underlying Agreement from PZ to the Company by conduct (the **Confirmation of Transfer**), where the Underlying Agreement does not permit assignment; or (ii) a confirmation of assignment of the Underlying Agreement from PZ to the Company pursuant to the terms of the relevant Underlying Agreement (the **Confirmation of Assignment**), where the Underlying Agreement does expressly permit assignment;

8.5 the Company shall enter into five (5) novation agreements between PZ and certain contractual counterparties which are being awarded on a direct basis, and which would otherwise contravene the Company's procurement policy (the **Direct Award Novation Agreements**) and the adoption by the Company of the payzone integration sourcing strategy in respect of such Direct Award Novation Agreements (the **Payzone Integration Sourcing Strategy**);

8.6 the Company shall enter into a novation agreement between British Gas Trading Limited (**British Gas**) and PZ pursuant to which the Company shall assume the rights and obligations of PZ arising pursuant to the settlement agreement entered into between PZ, the Company and British Gas on 22 December 2023 (the **British Gas Novation Agreement**);

8.7 the Company shall enter into a deed of termination with certain contractual counterparties (each a **Terminated Party**, and together the **Terminated Parties**) pursuant to which the Company shall terminate existing services agreements with such Terminated Party/ies (the **Deeds of Termination**);

8.8 if required, the Company shall enter into a deed of termination with PZ with respect to certain intra-group services arrangements (the **Intragroup Deeds of Termination**); and

8.9 subject to the entry by PZ into:

8.9.1 a deed of surrender in respect of the existing lease agreement entered into on 25 August 2016 between, *inter alios*, Organon Pension Trustees Limited (the **Landlord**) and PZ (formerly known as Payzone UK Limited) (the **Deed of Surrender** in respect of the **Existing Lease Agreement**); and

8.9.2 an agreement between the Landlord and PZ pursuant to which the Landlord and PZ shall ensure that the Deed of Surrender and New Lease Agreement (as defined below) are in force, and effective by no later than the date of the Payzone Integration (the **Tripartite Agreement**), the Company shall enter into a lease with, *inter alios*, the Landlord, on similar terms to the Existing Lease Agreement (the **New Lease Agreement**)

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9. Following the conclusion of the aforementioned steps, should the Board wish to do so it would be a fairly straightforward process to place PZ into members' voluntary liquidation, given that the trade and assets of PZ will have been transferred to the Company in their entirety. PZ may be placed into members' voluntary liquidation through the passing of a written shareholders' resolution which: (i) approves that PZ may be wound up voluntarily; and (ii) approves the appointment of an insolvency practitioner to act as a liquidator (the **MVL Resolution**). If the Board wish to pursue this process at some point in the future approvals for any members' voluntary liquidation will need to be requested separately.

10. Due to the high number of documents that require execution to effect the Proposals, it is recommended that a Power of Attorney (the **Power of Attorney**) be granted by the Company so that responsibility for execution can be delegated to an appropriate individual. A Power of Attorney has been drafted to delegate authority to Barbara Brannon to agree, sign and execute all agreements and documents that are necessary in connection with the Payzone Integration. The Power of Attorney expires after a period of three months, and is limited to only those matters that are necessary to deliver Payzone Integration, as well granting authority to appoint a substitute attorney if, for whatever reason, Barbara was unavailable.

Financial Impact

11. One-off integration costs are forecast at **IRRELEVANT** over budget due to the extension of the programme by 4 weeks and additional legal costs.

12. Following the legal integration, we will transition to an interim people model with a phased approach aligned to wider organisational changes within PO. This includes embedding an interim organisation and planning the long-term assimilation of PZ resources. Consequently, the financial benefits of integration attributed to resources have been removed from this project.

13. As part of the transition process, PZBP is likely to extend its accounting reference date such that it will produce accounts for a 14 month period to end of May 2024 rather than end of March 2024. If this decision is made it will trigger Article 8.1(R) in POL's Articles of Association and Article 45.3(S) of the PZBP Articles.

Risk Assessment, Mitigations & Legal Implications

14. The legal considerations have been addressed in a separate paper prepared by NRF and the Legal team, issued alongside this one. It details the legal risks associated with legal integration.

15. [redacted] This is further discussed within the legal risk paper and should be read alongside this paper. A paper setting out the additional details are set out within the reading room.

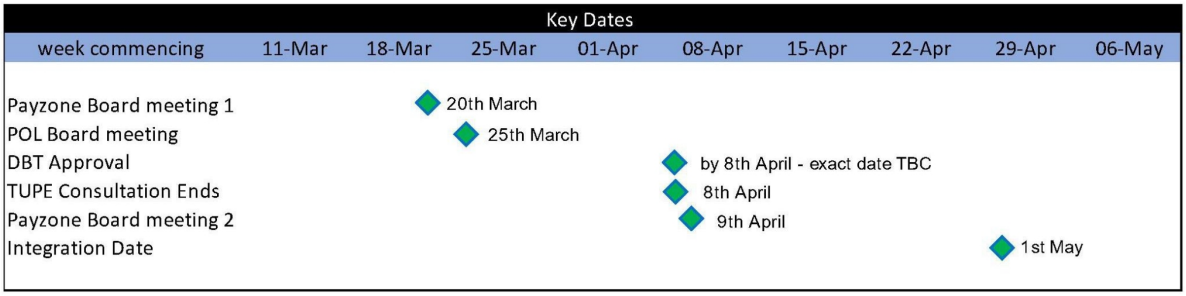
Stakeholder Implications

16. Shareholder consent/approval will be required to proceed with this transaction. Undue delay to this approval will impact the proposed integration date of 1 May 2024.

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Next Steps & Timelines

17. An overview of the remaining tasks to execute the final phase of integration is set out below.
18. If the Board approves the proposed integration, the next step is to seek final shareholder consent.



19. Not all the documentation referred to above has been uploaded to the Reading Room as we appreciate that a number of them are legal process documents which are unlikely to be of interest to the Board.
    The documents uploaded to the Reading Room are the: (i) POL Written Consent; (ii) DBT Written Consent; (iii) Capital Contribution Documents; (iv) Draft Dividend Resolution; (v) Business Transfer Agreement (excluding Schedule 1 – Fixed Asset Register); (vi) Payzone Integration Sourcing Strategy; (vii) Direct Award Novation Agreements; (viii) British Gas Novation Documents; (ix) the Power of Attorney and (x) the Deed of Surrender, Tripartite Agreement and New Lease (Property documents) as these represent the main legal documents.
    If you would like to view any of the other documents referred to above which have not been included in the Reading Room please contact Christian Spelzini and Aimee Daughters and they will send them to you.

Quick Links to the Reading Room:

1. Payzone Integration Sourcing Strategy
2. Legal Risk Note
3. NED Pre-Board Briefing Note
4. DBT Written Consent (from POL)
5. POL Written Consent (from Payzone)
6. DBT Written Consent (from Payzone)
7. Capital Contribution Documents
8. Draft Dividend Resolution
9. Business Transfer Agreement (excluding Schedule 1 Fixed Asset Register which is available upon request)
10. Direct Award Novation Agreements x5
11. British Gas Novation Documents x2
12. the Power of Attorney
13. Property Documents (including the Deed of Surrender, Tripartite Agreement and New Lease).

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Appendix 1: PZ Consent Matters

In accordance with Article 45.4 (*Group Undertakings*) of the PZ Articles and Article 8.2(B) of the POL Articles, the Company shall request that DBT authorises the Company to approve the following PZ actions, each of which are anticipated to be required in connection with the Payzone Integration, as included in the POL Written Consent in accordance with the following provisions of the PZ Articles:

1. **45.3(F)**: The declaration or payment of any dividend or the making of any distribution by PZ other than in accordance with the Group Strategic Plan (as defined in the PZ Articles);

2. **45.3(G)**: Any distribution, payment or return to shareholders of PZ out of capital of PZ;

3. **45.3(H)**: The adoption of a Company Business Plan (as defined in the PZ Articles) or any material variation of a Company Business Plan previously adopted;

4. **45.3(N)**: The amalgamation or merger of PZ with any other company or business undertaking;

5. **45.3(S):** The adoption of any accounting reference date or any material variation of the accounting practices and policies to be applied in the preparation of the accounts of any member of the Group, if different from the practices or policies then adopted or applied by other members of the Group (other than any accounting practice or policy required to be adopted by law or required by generally accepted accounting principles applying in the place of incorporation of the company or the relevant member of the Group); and

6. **45.3(U)**: Save as specifically provided for in the approved Group Strategic Plan, any substantial alteration in the nature of the business carried on by PZ.

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Appendix 2: POL Consent Matters

In accordance with Article 8.1 (*Matters requiring consent*) of the Articles, the Company shall request that DBT authorises the Company to approve the following Company actions, each of which are anticipated to be required in connection with the Payzone Integration, as included in the DBT Written Consent in accordance with the following provisions of the Articles:

1. **8.1(M)**: The amalgamation or merger of any of the Group with any other company or business undertaking;

2. **8.1(O)**: Save for any intra-group arrangements entered into between wholly owned members of the Group in the ordinary course of business by any Group Company (as defined in the Articles), the making of any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits or in the ordinary course of business), the granting of any credit (other than in the normal course of business) or the giving of any guarantee or indemnity (in each case other than in the normal course of business) by any Group Company;

3. **8.1(R):** the adoption of any accounting reference date or any material variation of the accounting practices and policies to be applied in the preparation of the accounts of any member of the Group, if different from the practices or policies then adopted or applied by other members of the Group (other than any accounting practice or policy required to be adopted by law or required by generally accepted accounting principles applying in the place of incorporation of the company or the relevant member of the Group); and

4. **8.1(V)**: Save as specifically provided for in the approved Group Strategic Plan (as defined in the Articles), any substantial alteration in the nature of the business carried on by any Group Company.

Appendix 3: Business Rationale & Integration Benefits

Business Rationale

1. NBIT needs to deliver a legacy pre-pay service to our energy bill payment clients. The business decided this will be delivered through the second device, rather than on the main NBIT counter. While PO can compliantly procure the second device, this does not extend to the software and back-office integrations around the device, and so a legal framework is required for PO to access existing PZ capability.
2. Delivering legacy prepay is technologically complex and costly and therefore the business has considered withdrawing the service but decided against it. Legacy prepay is a requirement for most of our energy bill payment client contracts, and bill payment is part of our core portfolio and SPEI provision. The financial, social, shareholder, and Postmaster fallout of not offering the service would be very significant. To put this in context, bill payment income YTD (as at P9) is IRRELEVANT driving IRRELEVANT in Postmaster remuneration.
3. **Intangible Benefits:** Successful integration supports PO's strategic objectives and offers other intangible benefits.

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- Strategy Enablement: The form of integration and timetable for completion proposed supports the achievement of POL's strategic objectives
- Financial transparency and probity
- No longer needing to have an arm's length arrangement and the relevant intragroup agreements and processes will mean that utilising support from PZ will be far more straightforward, saving time and cost
- Control and Compliance: Integration will enable PO to improve internal control and effective compliance with internal procedures and external regulatory requirements, mitigating existing risks
  - Procurement: preparation of a future procurement strategy, to part mitigate existing risk and establish a clear route to fully regularise procurement
  - Technology: The application of PO standards and procedures is needed in the areas of network/cybersecurity, product development, and IT resilience
- Process Simplification: There are opportunities to simplify processes within PO. Early opportunities have been identified in support functions and are driven by harmonisation of processes, reduced complexity in handovers and information flows and adoption of PO systems. Examples include:
  - Accounting and reporting**:** elimination of duplication in reporting processes
  - Tax**:** simplification of the VAT return, one less Corporation Tax return
  - Treasury: Retain existing PO banking relationships. Explore options for pooling PZ cash and use of existing PO overdraft facilities to support cash settlement
- Future optionality: commercial opportunities around physical/digital payments and around network footprint merit further exploration at a later stage.

4. **Tangible Benefits:** Integration does not deliver tangible benefits, in terms of cashable savings, particularly in the short to medium term:
   - In the short to medium term the two networks (PZ and PO) will remain separate; there is no proposal at this stage to 'merge' the two networks (e.g. create a PO network of 23,000+ locations). The retail model used by Payzone and now PO for the Drop and Collect format offers expansion potential.
   - No material benefits from consolidation of technology, and early transfer onto PO systems, have yet been identified however, combined with NBIT delivery the opportunity to streamline systems over time is an active discussion.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Payzone Letter of Support	**Meeting Date:**	25 March 2024
Author:	Tom Lee, Group Financial Controller; Daniel Ward, Head of Financial & Technical Accounting	**Sponsor:**	Kathryn Sherratt, Interim CFO

Input Sought: Decision

The Board are requested to review the draft Letter of Support ("LOS") from Post Office Limited ("POL") to Payzone Bill Payments Limited ("PZBP") as required for the signing of the PZBP Annual Report and Accounts ("ARA") for the year ended 26 March 2023 and **approve** for signing by the Interim CFO.

Previous Governance Oversight

- PZBP loan agreement update (Board - September 2023)
- Payzone Letter of Support (SEG - March 2024)

Executive Summary

In line with the prior year, in order for PZBP to sign its ARA on a going concern basis, a LOS is required from POL, its parent company. A LOS is required due to the fact that PZBP is unable to support a going concern status independently of its parent due to it being loss-making and being in a significant net liabilities position. Within the net liabilities at the balance sheet date, there is IRRELEVANT of debt owed to POL. The balance has reduced slightly to IRRELEVANT as at P9 2023/24, however if POL were to demand repayment of all amounts outstanding relating to this debt on its maturity, PZBP would not have the cashflows available and as such would become insolvent.

POL and Payzone management have carefully considered the planned integration of PZBP's trade and assets/liabilities into its parent company, POL, through a 'hive-up' transaction in Q1 of 2024/25. Payzone management has determined that the 2022/23 ARA should continue to be prepared on a going concern basis, subject to ongoing support from the parent company. This decision is based on the understanding that deviating from this approach could convey a misleading message to external stakeholders, such that the business will cease trading and may be unable to settle its current and future liabilities.

Without a letter of support, PZBP's external auditors, PricewaterhouseCoopers ("PwC"), will not sign the ARA on a going concern basis. It is therefore POL management's recommendation that POL provides a LOS to PZBP.

Report

1. In line with the prior year, in order for PZBP to sign their ARA on a going concern basis, a LOS is required from POL, its parent company.

2. A LOS is required as a result of the financial position and performance of PZBP. The Company has been loss making since acquisition and in 2022/23, PZBP made a loss after tax of £2.9m with net liabilities of IRRELEVANT as at the balance sheet date.

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3. Within the IRRELEVANT of net liabilities there is IRRELEVANT of debt owed to POL at the balance sheet date. The balance has reduced slightly to IRRELEVANT as at P9 2023/24, however if PZBP were unable to repay the loan in line with its terms, it would be at risk of insolvency.

4. PZBP has continued to make losses in 2023/24, further increasing net liabilities. As such, the Company is unable to support its going concern status independently.

5. POL and Payzone management have carefully considered the planned integration of PZBP's trade and assets/liabilities into its parent company, POL, through a 'hive-up' transaction in Q1 of 2024/25. Payzone management has determined that the 2022/23 ARA should continue to be prepared on a going concern basis, subject to continued support from the parent company. This decision is based on the understanding that deviating from this approach could convey a misleading message to external stakeholders. By not preparing on a going concern it could indicate that PZBP will cease trading and are unable to settle its existing or future liabilities. In reality, PZBP is to be hived up as a going concern and will continue trading. Additionally, no formal decision has been made to liquidate the company, allowing the entity to prepare its ARA on a going concern basis.

6. Without a LOS, PZBP's ARA would either require modification to be on a non-going concern basis ('break-up' basis) or would include a more general material uncertainty around the going concern position (there is a material uncertainty already included, however this is to mirror that within POL given the reliance on a LOS). Neither option is sensible as a set of financial statements which show the parent is unwilling to provide a LOS would likely trigger market concerns.

7. A draft of the LOS is included in Appendix 1. The key points to note are that POL are committing to not seek repayment of the outstanding balances and that POL will advance further amounts to PZBP as required by PZBP, with these undertakings covering a period of at least 12 months from the date of signing the letter – albeit recognising that the risk is mitigated somewhat as PZBP will likely not need additional funding once the integration completes.

8. It is clear from discussions with PwC that any amendment to the proposed wording in the LOS would impact the going concern status and/or disclosures, meaning that signing would be delayed.

9. Given the potential support is uncapped we are seeking Board approval for the Interim CFO to sign the LOS.

10. As referred to in an earlier Board paper (January 2023), previous indicative legal advice was that [redacted] and aiming to be approved at Board in March 2024, is intended to mitigate this risk.

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Appendix 1

[Parent Entity Letterhead]

Payzone Bill Payments Limited
Finsbury Dials
20 Finsbury Street
London
England
EC2Y 9AQ

XX XX 2024

Dear Ladies and Gentlemen,

Funding requirements of Payzone Bill Payments Limited ("the Company")

We confirm that Post Office Limited (the "Parent") has a clear understanding of the strategy and business plan of the Company, including the Company's projected funding requirements for at least the next 12 months from the date of signing of the Company's financial statements for the period ended 26 March 2023.

The Parent will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due. This financial support will include:

- Not seeking the repayment of amounts advanced to the Company by the Parent and/or other members of the Parent group unless adequate alternative financing has been secured by the Company; and
- Advancing further amounts to the Company as required by the Company.

In providing this assurance, we have taken full account of our own funding requirements, obligations and commitments for the same period as this letter covers. We have also ensured that provision of this assurance does not contravene any law, regulation, financing agreement, loan covenant or other contractual arrangement governing or materially impacting upon the operation of the Parent.

This undertaking will remain in place for the foreseeable future and will not be withdrawn during a period of 12 months from the date of signing of the Company's financial statements for the period ended 26 March 2023.

Yours faithfully

Kathryn Sherratt
Interim Group Chief Financial Officer

Signed for and on behalf of Post Office Limited

Internal

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POST OFFICE LIMITED
BOARD REPORT

Title:	Invoke a compliant 2-year extension and compliantly uplift the spend with EntServ UK Limited (DXC) for End User Compute Services	**Meeting Date:**	25 March 2024
Author:	Mike Hancock – Senior IT Supplier Manager, and Dionne Harvey - Head of IT Procurement	**Sponsor:**	Chris Brocklesby, Group Chief Technology Officer

Input Sought: Decision

Board are requested to:

1. approve a recommendation to invoke the two-year compliant extension and approve a modification of the contract for additional spend of £14,002,744, for End User Compute Services from EntServ UK Limited, trading as DXC, for both Colleague & Branch.
2. delegate contract award to SEG and authorise any 2 Directors or any Director and the Company Secretary to execute the contract modification.

Executive Summary

Following approval at the July 2021 Board, a PCR 2015 compliant contract was approved by GE and awarded to EntServ UK Limited trading as DXC Technology, ("DXC"), following a compliant tender for the End User Computing (EUC) managed service using the Crown Commercial Services Technology Services 2 Framework.

The contract commenced on 10 September 2021, for the provision of EUC services, with a contract value of £23,176,003 over a three-year initial term & capped at £34,709,829 over a 5-year term based on predicted costs for the EUC RUN services (~£6.6M/annum), Re-Procurement/Transition (£1.49m) and Win10 project costs (£0.23m). The contract supports optional extensions of either 1) up to two separate periods of twelve-months each or 2) a single 24-month period of extension.

Colleague End User volumes are higher than forecasted and since commencement of the contract, POL has spent an additional ~£5.88M on various Projects/CAPEX which had become necessary and could not be made by an alternative contractor for both economic and technical reasons and would have caused significant inconvenience or substantial duplication of costs if not undertaken by DXC; material commitments include:

Project	Committed Value	Project	Committed Value
PED Rollout	£3,361,064	PX35 Repairs	£177,116
Print Issue	£1,128,893	PCI Compliance	£137,400
EPSON Printers	£279,907	PX35 Motherboards	£93,491

SEG approved on Wednesday 13 March 2024 for the recommendation to invoke the two-year compliant extension and approve a modification of the contract for an additional spend of £14,002,744.

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Report

1. IT are requesting approval for execution of the two-year compliant extension.
2. In addition, a modification to the contract is requested to be approved under PCR regulation 72(1)(b), to increase the value of the contract by £14,002,744; total Contract value £48,712,573.
3. Pursuing this contract modification, will support the immediate need for increased budget to ensure the continuation of services with the supplier, and meet the needs of the Business, including the Inquiry.

Financial Impact

4. Current committed spend, to 26 Feb 2024, is £22,238,573 (£14,224,125 Opex & £8,014,448 Capex), with a forecast expectation to reach £23.176M (the 3-year contract cap) in April 2024.

DXC Spend Forecast

Spend Area	Spend Type	Monthly average	Yearly average	One Off	Total until Sept '26	Comments
IRRELEVANT						

Risk Assessment, Mitigations & Legal Implications

5. [redacted]
6. The legal risks associated with this modification, particularly with regards to the Public Contracts Regulations 2015 are addressed in a separate legal Risk Note.

Stakeholder Implications

7. This Modification and extension will enable POL to commence future projects with DXC (for Branch or Colleague) not yet committed, but in the demand forecast.
8. The reach of DXC engineering services team (including sub-contractors for Counter & Print services), who are fully security vetted for Branch visits play a vital role in maintaining chain of custody for PCI DSS compliance. Continuity of Service is therefore viewed as critical to the business.
9. If the contract value is not increased and the term is not extended, then an urgent re-procurement exercise will need to be undertaken, however, POL will incur significant costs (which are unbudgeted) which will impact upon BAU resources and take circa 12 months (based upon past transition timings) & therefore is not recommended.
10. Should IT require additional services in the future taking the total value of the contract over £50m then DBT approval (CAAG) will be required.

Next Steps & Timelines

11. Contract extension to be finalised and submitted to POL's eCAF process for approval.
12. Procurement to publish a Contract Modification notice to the market.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Optima Health Occupational Health Services	**Meeting Date:**	25th March 2024
Author:	Martin Hopcroft, Director of H&S, Environment and Business Continuity	**Sponsor:**	Karen McEwan, Chief People Officer

Input Sought: Decision

The Board is asked to:

- Approve additional spend of £500,000 (exclusive of VAT) to OH Assist (TA Optima Health) for the provision of Occupational Health and Employee Assistance Services. This is to enable the continuation of Occupational Health, Employee Assistance and Trauma Support services, including support for witnesses to the Public Inquiry, without disruption to employees and postmasters during this period (up to end June 2025).
- Approve the extension to the current contract under regulation 72 (1) (b).
- Contract award decision and authority to sign the contract is delegated to the SEG (Strategic Executive Group).

Executive Summary

1. OH Assist, trading as Optima Health, have provided Occupational Health services to Post Office Ltd for over 10 years including; OH and Employee Assistance services for employees; wellbeing support for witnesses to the Public Inquiry; and trauma support for postmasters.
2. Optima Health understand the current challenges and issues impacting our people and are providing dedicated support to individuals and teams at this turbulent time.
3. The current contract was awarded through the CCS Framework in July 2020 for £1.3m plus annual RPI increases, this contract is in place until 1st July 2024. By extending the contract for a further year, the value of the contract will increase by c£500k.

Report

1. We are coming to the end of our 2+2yr Contract with Optima Health which has a value of £1.3m + RPI which increased pricing during year 2 and year 3 but was frozen for year 4 by agreement. Contract end date is 1st July 2024. The current contract was procured through the CCS Framework in 2020.
2. Optima Health have worked closely with Post Office Ltd to align their services to Post Office Occupational Health needs and provide dedicated support to employees and teams where required, especially over the past two years in response to an increase in organisational stress, mainly due to the impact of the Public Inquiry.
3. At this time, dedicated mental health support is being provided to employees, including wellbeing support to witnesses, and online wellbeing guidance is available to postmasters to support the trauma support service.
4. Extending the Optima Health contract for one year will give us continuity of supplier for employees and witnesses in particular to the end of the Inquiry.

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Risk Assessment, Mitigations & Legal Implications

5. Regulation 72(1)(b) applies due to the following criteria being met:
6. [redacted]
7. [redacted]
8. [redacted]

9. A legal risk note has been uploaded to the Reading Room.

Stakeholder Implications

10. By not increasing the contract value this would mean a procurement exercise would be required, with the possibility of a new supplier being onboarded. This would lead to disruption and likely to be a material impact on the level of service received by employees and postmasters during a critical period.

Next Steps & Timelines

11. The recommendation is that we extend the Occupational Health service for a period of 12 months to provide the current level of service and continuation of support to employees and Postmasters during this turbulent time.
12. This will enable Optima Health to plan delivery of current services and resources during 2024 and H1 2025, during which time a full procurement exercise will be undertaken.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Procurement Sourcing Strategy: Network Consumables	**Meeting Date:**	25th March 2024
Author:	Pete Marsh, Retail Operations Director	**Sponsor:**	Martin Roberts, Chief Retail Officer

Input Sought: Decision

Board is requested to:

- Approve the sourcing strategy for Network Consumables. The proposal is to award a IRRELEVANT year and IRRELEVANT with a IRRELEVANT extension and a total contract value of IRRELEVANT from CCS framework RM6299 'Office Solutions'
- Delegate contract award to SEG and authorise any 2 Directors or any Director and the Company Secretary to execute the contract which results from the Procurement described herein.

Executive Summary

- This paper seeks approval for the proposed sourcing strategy of a further competition from lot 1 – '*Office Stationery and Electronic Office Supplies*' from RM6299 '*Office Solutions*' for a managed service. In the event CCS appoint a single supplier to lot 1 then a compliant direct award would take place.
- The proposed term of IRRELEVANT with an optional and compliant IRRELEVANT extension, provides stability of supply through the transition from Horizon to NBIT, and the following BAU period.

Report

1. Post Office have an enduring need to supply consumables to the Post Office network, branches, supply chain and admin locations. Typical products include branch receipt rolls and printer inks, bullion film-wrap and office stationery.
2. Post Office stock operations as part of the Supply Chain team in Retail order the consumables. Deliveries are made to the National Stock centre for storage, picking and onward distribution to branches and supply chain locations when ordered. Admin office stationery orders are placed through Web3 and are delivered directly.
3. In November 2020 approval was granted for the award of a call-off contract from CCS framework RM6059 '*Office Supplies*' to Banner UK.
4. The term was IRRELEVANT from January the 1st 2021 to December the 31st 2024 with a total contract value (TCV) of IRRELEVANT
5. At the current monthly rate of spend there is a risk that Post Office may exceed the TCV in September/October 2024 and so the re-procurement is being accelerated.
6. The CCS RM6299 '*Office Solutions*' is due to be awarded in April 2024, replacing RM6059 '*Office Supplies*'. Post Office submitted our requirements to CCS for inclusion in framework RM6299 in 2023 and expect to benefit from participation in the IRRELEVANT CCS framework.
7. Approximately IRRELEVANT of the annual POL spend under the existing framework is attributable to Horizon consumables (receipt rolls and ink cartridges). During the proposed term of the call-off contract Horizon is expected to be replaced with NBIT and so long-term stability of supply is a consideration.

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8. Post Office have successfully contracted for Network Consumables on the two previous iterations of this framework, finding the managed service offers value-add through account management with the Post Office Stock Services team, consolidated and flexible supply, cost efficiency and support with supply risk management.

Financial Impact

9. Included in the forecast is a IRRELEVANT year-on-year inflation, a IRRELEVANT year-on-year spend reduction (inline with current trends), a lump sum to account for Payzone integration and a IRRELEVANT reduction in the spend directly related to Branch Horizon consumables for the IRRELEVANT year extension.
10. The TCV of IRRELEVANT includes IRRELEVANT spend headroom for as-yet unknown consumable demand as contingency.

Initial Term Sub-Total (4-years & 9-months)	£	IRRELEVANT
Extension Sub-Total (2-years)	£	
Payzone Integration Allowance	£	
Forecast Total	£	
Spend Headroom Allowance	£	
Total Contract Value	£	

Risk Assessment, Mitigations & Legal Implications

11. There are no known PCR issues at the outset of this procurement.
12. CCS have confirmed there is no term-limit to a call off and legal have provided headline guidance that [redacted] A separate Legal Risk Note will be provided at contract award.
13. Post Office submitted our requirements to CCS for inclusion in framework RM6299 in 2023 and expect to benefit from participation in the IRRELEVANT CCS framework.

Next Steps & Timelines

14. On the basis that SEG & Board approve the sourcing strategy, upon confirmation from CCS that the framework has been let the procurement strategy will be executed by June 24 and return to SEG for contract award approval in July 24.

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POST OFFICE LIMITED
BOARD REPORT

Title:	TB Cardew Contract - PR Services	**Meeting Date:**	25th March 2024
Author:	Karen McEwen, Chief People Officer	**Sponsor:**	Karen McEwan, Chief People Officer

Input Sought: Decision

Board is asked to:

- Approve an increase to the value and Public Relations Services being provided by TB Cardew under their existing contract with POL.
- To facilitate the additional spend and provision of additional services to approve a modification to the existing contract under Regulation 72(1)(b)
- Authorise any 2 Directors or any Director and the Company Secretary to execute the contract modification

Executive Summary

As a result of events that have occurred since the start of 2024 POL has required a substantial increase in services from Cardew, these include:

- the increased public scrutiny that has arisen and the knock-on impact this has had on POL's brand; and
- Cardew backfilling the vacancy left by POL's departing director of communications,

The existing contract has an ostensible cap of £730,800 over its full 4-year maximum term with a monthly retainer of IRRELEVANT and spend until the end of January 2024 of IRRELEVANT

This increase in services has meant a surge in activity under the Agreement that POL estimates will result in incurring an additional IRRELEVANT per calendar month in fees. This will mean that the value of the existing contract will be exceeded in May of 2024. It is POL's intention to procure a replacement provider of the services to commence in September 2024 using the CCS dynamic purchasing system RM6124. To give itself time to achieve this, POL intends to modify the current contract to add the additional services and to bring it to an end when the new provider of the Services is appointed. It is important that we monitor spend and services closely to ensure that we do exceed the value or scope of the modified contract.

Report

1. The current contract was procured through the CCS Framework in 2021 and went live 01 January 2022 with an anticipated spend of £730,800 over the 4 years term.

2. The scope of the contract provides a number of services to POL under a IRRELEVANT per month retainer and these services will continue to be required including:
   2.1. Provide strategic communications advice to senior leaders across the business and tactical delivery with targeted media enabling POL to land POL key messages with journalists and securing positive media coverage for Post Office. The agency will also provide POL advice for dealing with reactive issues that could negatively impact the reputation of the Post Office and will provide advice on how to handle any crisis communications scenarios.

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2.2. In addition, the agency will provide specialist financial PR promoting POL cash and banking services and retail trade press PR promoting the changes POL are making to the business to best support Postmasters to run profitable businesses and overall support the Post Office in securing media coverage which complements POLs ambitious strategy to 2025.
2.3. Strategic communications counsel to be provided to the most senior leaders at the Post Office including the Chief Executive and other members of the Group Executive level and to members of the Communications directorate. Both on proactive and reactive issues that could potentially impact the reputation of the Post Office in the media.
2.4. influence financial journalists at national media outlets to deliver a national financial PR audience strategy in relation to the Post Office's cash and banking services and demonstrate the strategy via successful media and broadcast coverage.
2.5. Influence retail trade journalists to deliver a retail trade press engagement strategy and demonstrate the strategy via successful media coverage.
2.6. Tactical delivery of 'priority' stories in national media, broadcast (TV and radio) and trade publications every quarter. Working closely with the Communications directorate and colleagues across the different parts of the Post Office business, to proactively deliver 'priority' stories which help demonstrate the transformation of the Post Office in line with its strategy to 2025.
2.7. Tactical delivery of 'drumbeat' stories in national media, broadcast and trade publications every quarter. Working closely with the Communications directorate and colleagues across the different parts of the Post Office business, to proactively deliver 'drumbeat' stories which ensure the Post Office continues to appear regularly in the media.
2.8. Write / edit press releases and produce accompanying documents such as Q & As.
2.9. Secure thought leadership pieces in national media and trade press. Draft and secure thought leadership pieces on a range of topics related to the Post Office business.

3. To allow for the additional services we intend to modify the contract under Regulation 72(1)(b) to increase the value by £365,400, this will allow time for POL to run a compliant procurement exercise to put a new contract in place whilst ensuring continuity of service.

Risk Assessment, Mitigations & Legal Implications

4. We consider there to be good arguments [redacted] A legal risk note has been uploaded to the reading room.

Stakeholder Implications

5. POL will run a procurement exercise which will then have sufficient head room to enable POL to manage any future unexpected spend in PR. The new contract will cover the current BAU services and any further surge requirements. The current contract will terminate once the new contract is in place.

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POST OFFICE LIMITED
BOARD REPORT

Title:	SPMP DBT Business Case Update/ Horizon replacement business case update	**Meeting Date:**	25th March 2024
Author:	Chris Brocklesby Chief Transformation Officer, Tim McInnes Transformation & Strategy Director	**Sponsor:**	Chris Brocklesby, Chief Transformation Officer

Input Sought: Noting

POL have drafted the next funding request to support our Horizon replacement activities. This request will be formally submitted on 18th March and we expect to receive HM Treasury approval in June.

Executive Summary

- In December 2023 DBT approved IRRELEVANT of interim funding for the Horizon Replacement business case
- The funding agreed as part of that submission covered activities from April 2023 until June 2024 for SPMP and SDES and until March 2025 for the Horizon Extension. The costs for these activities have now been updated and extended to cover the period from April 2023 to March 2026.

The Horizon replacement business case includes the following components:

- SPM programme: the programme of activity being undertaken by POL that is developing New Branch IT (NBIT), the replacement to the incumbent Horizon system.

- Horizon: this represents workstreams to sustain Horizon while NBIT is being developed. This includes POL being able to extend its commercial arrangements with Fujitsu UK, as well as investment in the core software, infrastructure and branch hardware.

- SPMP Dependent Enabling Spend (SDES). This scope refers to 3 specific projects;
  - the development of the next generation of Self Service Kiosks (SSKs),
  - the rollout of a new '2nd device' as a new mobile platform for Postmasters which will initially replace our existing bill payment capability provided by Paystation
  - a new Identity and Access Management (IDAM) application to provide modern, secure access to all of POL's applications

The business case requires Post Office to update estimates for the total cost of the programmes in scope, whilst seeking funding for spend to March 2026. The latest funding request is estimated to be IRRELEVANT as set out below (excluding optimism bias and contingency):

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NBIT Complete End Dec 28 Nominal Values (excl Run Costs)	23/24	24/25	25/26	TOTAL*
SPMP	IRRELEVANT			
SDES				
Horizon				
Less: Existing Funding				
Variance to Agreed In-Year Funding				
Total New Funding (excl OB)				
Optimism Bias				
Total New Funding (incl OB)				
Contingency				
Total New Funding (incl OB & Contingency)				

Note: we are in discussion with DBT keyholders on the treatment of Optimism Bias and Contingency for this funding request. The internal POL view is that OB in FY24/25 & FY25/26 is unlikely to be needed. If OB is needed it is more likely to arise post-25/26.

Next Steps & Timelines

1. The approval process is expected to be:
    a. Investment Committee review — 11th March
    b. Full business case submission — 18th March
    c. DBT keyholder review — w/c 8th April
    d. DBT investment committee — w/c 18th April
    e. IPA Assurance Review — Early-May
    f. CMA Subsidy Control Assessment — Late-May
    g. HMT TAP committee approval — June

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POST OFFICE LIMITED
BOARD REPORT

Title:	Fujitsu Horizon Agreement Extension	**Meeting Date:**	25th March 2024
Authors:	Simon Oldnall, GLO & Horizon IT Director	**Sponsor:**	Chris Brocklesby, Chief Transformation Officer

Input Sought: Noting

1. To note the timeline for putting in place any potential arrangement to support Horizon beyond 31st March 2025.
2. To note the emergent commercial and legal risks outlined in the paper.
3. To note the potential financial impact of the extension with a likely value of c£250m and the proposed spend of £1.5m to fund resources to deliver the extension, including project, external commercial and legal expertise.

Executive Summary

This paper sets out the current position on the discussions to date around continuation of support services for the Horizon platform beyond March 2025.

Whilst discussions are ongoing, no commitment is yet in place from Fujitsu to continue their support.

An extension to the current agreement carries legal and commercial risk owing to the high probability of challenge to a [redacted] External independent legal and commercial advice is being sought to quantify this risk.

In the interim POL legal have prepared a view on the potential areas we would need to mitigate.

Report

1. The current Horizon Services agreement with Fujitsu Services Ltd (FJS) expires on the 31st of March 2025; This includes all services previously extended under contract modifications in 2023.

2. POL has approached FJS to discuss an extension of the current agreement for a term of up to 5 years (to 2030) in order to ensure we have continuity of support for all aspects of the Horizon platform.

3. Whilst this position is clarified a number of activities have commenced with a view to ensuring that we are prepared to reach an agreement once FJS indicate that they are in a position to do so. These activities are set out below.

Timeline for putting in place support beyond 2025.

4. Discussions have commenced with FJS and our high-level requirement to provide support for a period of up to 5 years was formally communicated at a meeting on 1st November 2023 and subsequently confirmed in writing on the 21st of November 2023.

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5. FJS are yet to provide a formal commitment to an extension of the services agreement and have reinforced their position that they have no desire to extend their services and would encourage POL to replace Horizon as soon as possible.

6. FJS have also indicated that they will require a formal request from government to extend the Horizon services agreement before they offer this commitment. This request may be delayed owing to the current political climate and upcoming General Election.

7. We continue to work with FJS to develop more detailed requirements in the absence of this commitment and have been developing a view on the future duration of the sub-services contained in the agreement. FJS have already indicated that they will not extend the Banking and Payment service (currently subcontracted to Worldline) therefore POL will need to put in place a suitable commercial agreement for these services ahead of March 2025.

8. Subject to a commitment to the extension, the aim is to have a contract variation in place within the next six months. However, this plan will be subject to the dependencies above and also will need to factor in approvals from DBT in the form of their Commercial Assurance and Advisory Group (CAAG) process.

Legal & Commercial Risk

9. The POL commercial and legal team have identified 4 legal avenues under whic[redacted] These are detailed in the report travelling with this paper.

10. We have commissioned a review of the commercial and legal risks associated with these avenues and this review, which is being conducted by Hogan Lovells with support from Mason Advisory, will consider the two potential areas of legal risk, i.e.:

    1) [redacted]

    2)

11. This work remains ongoing and will likely not complete until June. In order to inform Board, the POL legal team have produced a separate risk report. The key areas called out in this risk report are.

    - [redacted]
    -
    -

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12. The POL legal team has recommended that to mitigate the above risks, [redacted]

13. It is also to be expected that the announcement of the proposed extension will attract scrutiny through media attention and Government.

14. The external review will need to fully understand [redacted]

15. Work is underway to collate all relevant materials and our assumption is that [redacted]

Financial Impact

16. Indications from FJS are that any extension, if offered, will be on similar commercial terms as now (with indexation to be applied annually to the service charges over the extension period); the current service charge is approximately IRRELEVANT PA.
17. In common with recent extensions of specific services, FJS have also indicated that investment in the Horizon platform, in order to mitigate end of service life/support risks, will be a condition of an extension. These are currently estimated at IRRELEVANT over the proposed extension period. The entire contract value could therefore be IRRELEVANT.
18. There will also be additional project spend by POL to support both the extension activities and the subsequent upgrade activities. The former of these is estimated at IRRELEVANT in FY 24/25 and is included in our budget.

Next Steps & Timelines

19. POL will continue to engage with FJS on detailed requirements. In parallel we have begun discussions with HMG, both directly with DBT stakeholders and the Cabinet Office (via the Crown Representative) with a view to both securing the pre-requisites and also building understanding of the investments required in the Horizon platform.
20. We will provide Board with a further update in June with the output from the legal/commercial workstream and the proposed heads of term for the continuation of services.
21. Once approved this would enable us to make a submission to the DBT CAAG for their final approval.

Uploaded to the Reading Room: Legal Risk Note.

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POST OFFICE LIMITED
BOARD REPORT

Title:	SPMP Funding Drawdown request	**Meeting Date:**	25 March 2024
Author:	Kelly Goodwin – SPM Programme Director	**Sponsor:**	Chris Brocklesby – Chief Transformation Officer

Input Sought: Decision

To **approve and delegate** authority to IADG (via SEG) release of up to IRRELEVANT to continue development of NBIT and ramp up the resources to enable a scale to up to 5 DMBs, finalise the reorganisation and remediation of the Strategic Platform Modernisation Programme. This will fund the programme until the end of July by which time we expect our next funding request will be approved by DBT and HMT.

Executive Summary

Funding Approvals to Date

Date	Period covered	Stream	£m	£m Cumul.
Mar-21	Mar-21 to Jun-21	SPM	IRRELEVANT	
Jul-21	Jul-21 to Dec-21	SPM		
Nov-21	Jan-22	SPM		
Jan-22	Feb-22 to Mar-22	SPM		
Mar-22	Apr-22 to Jun-22	SPM		
Jun-22	Jul-22 to Sept-22	SPM		
Sep-22	Oct-22 to Jan-23	SPM		
Jan-23	Feb-23 to May-23	SPM		
Jun-23	Jun-23 to Sept-23	SPM		
Jul-23	Feb-23 to Oct-23	RTP		
Sept-23	Sept-23 to Mar-24	SPM (incl. RTP)		
Current	Mar-24 to Jul-24	SPM (incl. RTP)		

Introduction & What has been Delivered against Prior Plan

1. At September Board, IRRELEVANT was approved for the continuation against the materially scaled back plan whilst discussions have been ongoing with DBT and HMT around the longer-term Business case and plans.

2. Since the September board approval there has been a significant amount of change within the programme, this has had activity and financial impact resulting in an underspend of IRRELEVANT in-year. Two critical areas of change to note are the programme reset and the wider replanning required to support the Horizon Replacement Business Case (HRBC) for the next tranche of funding to March 2026.

    a. Initiated from the findings of the Accenture led Programme Diagnostic Review (completed late Oct 2023) the programme has been engaged in reorganisation

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and remediation work across the entirety of the organisation. This work has been conducted in addition to continued delivery of NBIT, and against the backdrop of a >70% reduction in programme resource (see appendix 2). Despite the challenging conditions, the programme has successfully reintegrated all Retail Transformation Programme capabilities, redesigned and reset the organisation and conducted various other people, process and technology reset activities.

b. The HRBC generation has triggered a full reassessment of the nature of the SPMP in two critical areas, delivery timeline and delivery approach. The full reappraisal of the delivery timeline has resulted in an extended view of the end-to-end programme plan out to 2028. In order to make execution of the timeline more manageable the HRBC has divested SPMP enabling activities (IDAM, SSK, 2nd Device) to become separate projects under a Horizon Replacement portfolio.

3. As a result of the change activity over the last funding increment, deliverables and timelines have shifted from those agreed in the last board paper. Detailed explanation referencing each activity from the last paper can be found at appendix 1. Summary progress on critical delivery items relevant to this paper:

a. **Deployment and Go-Live of R2.0**. R2.0 successfully went live in Aldwych 01 Feb 24. However, the decision taken in October 2023 meant that R2.0 went live in a 'mails only' format. Banking functionality was removed and rescheduled to R2.2, expected to deploy Q3/Q4 2024. The key impact of removing banking functionality from R2.0 is the enablement of NBIT to deploy outside of the DMB network, full mails and banking functionality is a prerequisite for deployment to non-DMB branch entities.

b. **Deployment and Go-Live of R2.1**. First Go-Live of R2.1 is currently progressing to plan. Due to the removal of banking from R2.0, R2.1 is no longer an enabler for deployment beyond the DMB network. R2.1 will deploy all Parcel Force functionality to the mails product, add capability to ingest BAU reference data and remediate a number of defects as an enabler to further scaling of NBIT Counter Terminal deployment.

c. **Scaling Counter Terminal Deployment**. Scaling to non DMB branches by 31 Mar 24, as stated in the previous paper, is no longer viable due to the removal of banking functionality to a future R2.2 deployment. The focus is now on deploying Release 2.1 to 5 DMB's starting with Leeds in April.

Current Request

4. The present request is to ensure SPMP can continue and remain in governance while discussions with DBT and HMT are ongoing around the next phase of the Business case approval. The IRRELEVANT requested still reflects a materially reduced level of spend compared to June 2023 and will provide cover up to end July 2024.

5. The next key milestone for SPMP is the deployment of Release 2.1 to two DMBs in London and Leeds. First Go-Live at Aldwych is planned for late March 2024 with Go-Live at Leeds planned to follow on the 4th April. 2.1 will deliver full Parcelforce functionality to the

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counter terminal app, fix high impact defects deemed critical for continued R2.1 branch rollout, and add in the strategic tokeniser allowing NBIT to consume BAU reference data.

6. In parallel with deploying, remediating, and supporting Release 2.1, the programme will also progress to delivering its next key milestone, the technical completion of Release 2.2 which is the minimum capability required to deploy NBIT outside of the directly manged branch network.

7. From a programmatic perspective the following key milestones will also be achieved between now and the end of June 2024:

   a. **SPMP Diagnostic Review:** Expected to be complete by 31 March 2024. Work on longer-term remediation items will fall outside of the 31 March deadline as they are continuous improvement activity and will continue to be tracked by the programme going forward.

   b. **Integrated Assurance Plan:** The programme has been working closely with Group Assurance to mature assurance approach around the programme focussing on priority areas and developing a risk profile of current and future releases. Requirements have been developing and premarket engagement has commenced to secure an Assurance Delivery Partner to accelerate this work. Meanwhile the SPM Assurance team are creating priority work packages with work commencing 18 March. This work will focus on Security, Testing and Defects Management(Risk) and Business Requirements.

   c **Completion of Infrastructure and Projects Authority (IPA) Assurance:** A prerequisite of the programme's onboarding to the Government Major Projects Portfolio (GMPP), and in support of approvals for the HRBC, the IPA will conduct gateway assurance of the programme. The formal planning day to define dates, times and actions will take place 2nd April 2024. Execution is expected within the window of 21st April – 3rd May 2024. The final report expected no later than 17th May 2024.

   d. **Further rollout to DMBs:** 3 further DMB (Glasgow, Brighton and E.Croydon) have been identified for additional rollout across April and May 2024 with the intent of bringing NBIT live operations up to 5 Points of Presence no later than 31 May 2024.

Shareholder Engagement & DBT Approval

8. In parallel to this funding request, the last increment of the extant business case, work is ongoing to complete the submission of the new HRBC. The HRBC will deliver funding to cover the entirety of Horizon replacement as a portfolio of activities: Horizon Extension, SPMP and SPMP Dependent Enabling Spend (SDES) activities. Final draft of the HRBC will be submitted to DBT on the 18th March 2024 to initiate keyholder dialogue & feedback to progress to a final version for the DBT Investment Committee. DBT Investment Committee sits 18th April 2024.

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Financial Context Supporting Drawdown Request

9. In the period between April 2024 and July 2024, the programme is requesting approval from the Board to spend IRRELEVANT which translates into an average run rate of approx. £5.7m per month. The costs break down as follows:

	Apr	May	Jun	Jul	Total
TOTAL (Incl. contingency)					
Tech Delivery					
1.1 Drop and Collect					
1.2 NBIT Platform					
1.3 NBIT Product Journey Tech Delivery					
1.4 NBIT Product Journey Design					
1.5 NBIT Branch Management					
1.6 NBIT Integration					
1.7 NBIT Service & Support					
1.8 NBIT Enterprise App					
1.9 NBIT Architecture					
1.10 Tech Team Management					
1.11 Identity and Access Management					
1.12 Data & Reporting					
Deployment and Training Costs					
2.1 Hardware					
2.2 Deployment and Connectivity					
2.3 Training Planning and Content Development					
Business Change					
3.1 Business Change Management					
3.2 ePOS buy					
3.3 Postmaster Engagement and Communications					
Service & Support Costs					
4.1 Service and Support wrap (non IT)					
Programme Costs					
4.2 Assurance and Testing					
4.3 Procurement & Sourcing					
4.5 SPMP Programme + BTU Resources					
Other Costs					
5.2 Contingency					
5.3 IVAT & SPO Levy					

IRRELEVANT

Spend Type	April	May	June	July	Total
CAPEX					
Exceptional					
Total					

IRRELEVANT

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Next Steps and Timelines

10. Subject to Board approval an update on progress against the deliverables underlying the funding drawdown will be presented to the July Board, alongside a wider update on funding discussions (i.e. a large part of which will relate to progress on discussions with DBT and HMT on SPMP). Monthly updates will be provided to Board thereafter.

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Appendix 1: Detailed Commentary on Prior Milestone Activities

Activity	Status	Commentary
Deployment of Release 2.0 to two DMBs in London and Leeds	Complete to 1x DMB	• The decision was taken in October 2023 to separate banking functionality from R2.0 proceeding with a 'mails only' scope. This was driven by the amount of technical debt that needs to be addressed to enable banking integrations to be successfully deployed, and full engagement with banking framework completed. • Banking functional scope has since been rescheduled into R2.2 which is now expected Q3/Q4 2024 • Mails functionality is live in one DMB in London (Aldwych) with plans to scale to Leeds at the point of R2.1 Live which is expected late March 24. • **Complete (Less deferred Leeds deployment)**
Deployment of R2.1 – To enable scaling outside of DMBs	In Progress	• Due to the shift in planning and functional roadmap capabilities bought about by the decision to remove banking functionality from 2.0 this item is redundant. • Banking functionality is a prerequisite to go outside of DMBs and therefore deployment to other branch entities will not take place until R2.2 is deployed (likely Q3/Q4 2024). • It should be noted that this is not a wholesale delay to scaling deployment of NBIT. Alternative plans are now in place to continue rollout on a DMB only basis. • **R2.1 first deployment expected late Mar 24** • **Scaled to 5x DMB expect 31 May 24**
Resolve 71 outstanding defects that can be mitigated in a pilot in a DMB but which we deem unacceptable in an independent or strategic partner setting	In Progress	• Work ongoing has reduced the number of S1/S2 defects impacting strategic & independent partners down to ~25. • Further resolution of these will take place through the R2.2 build and deployment. • **Resolution work ongoing.**
Address 11 specific cyber security exceptions, which have been deemed acceptable for the Release 2.0 prototype, but not for further expansion in non-POL controlled settings	In Progress	• Over this reporting period the total number of specific cyber security exceptions was rationalised down to 9. • 3 have been resolved, and an additional exception has emerged leaving 7 open exceptions requiring resolution. • **Resolution work ongoing.**

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Activity	Status	Commentary
Design and implement an updated AWS environment strategy to match the scale of SPMP (i.e. 20k-25k counters) and rationalise the total spend on AWS environments.	In Progress	• Architecture team expected to finish design work mid-March. • Implementation is expected to begin in Tech Planning Increment 2 (April start) • An incremental approach will be adopted to rollout improvements environment-by-environment in line with the scalability requirements of the rollout strategy. • **This is a continuous improvement activity that will remain live / in progress for the duration of build and rollout activities.**
Deliver the full slate of Parcelforce services, which were previously deprioritised and are not included within Release 2.0.	In Progress	• Full Parcelforce functionality will be delivered as part of R2.1. • **Expected Complete late Mar 24**
Readiness for a small scale Pilot in March 2024	Complete	• R2.0 was successfully released and put live in Aldwych 01 Feb 24 completing a 4-week operating cycle before being withdrawn to make way for R2.1 live testing. • Original intent was for 2x DMB (Aldwych and Leeds). In order to ensure 2.1 deployment and Go-live timelines were not impacted the 2.0 deployment was scaled back to Aldwych only. • However, the conditions and intent for a 'small scale pilot' have been achieved for 2.0 at Aldwych, useful operating data and user feedback has been obtained from this and will enhance the R2.1 deployment. • **Complete**
Restructuring of the existing programmatic structures into a single programme entity with uniform, GE-level governance and singular programme management and delivery KPIs	In progress	• This item is nearing completion. • All elements formerly split off from SPMP into the RTP structure have been recovered and reintegrated into the programme. • Redesigned SPMP organisation has been implemented at L1 and L2 of the Org. • GE Sub-Ctte Steerco for the programme has been re-instantiated and has been running on a 2-weekly cadence since Oct 23.

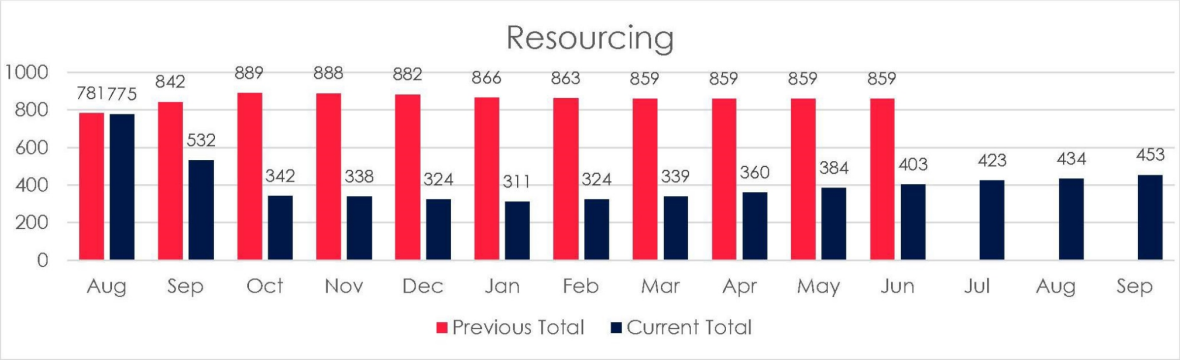
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Activity	Status	Commentary
		• The establishment of a performance measurement framework for the programme remain ongoing at this point. • **Likely complete by 30 April 2024**
Full support and completion of the Accenture SPMP diagnostic review, and commencing implementation of the recommendations they identify	In Progress	• Diagnostic Review has completed Oct 23 with 32 recommendations suggested. Of those recommended, 25 were taken forward for action and are included in the remediation tracking project. • Overall 63% of work has been completed with 6 recommendations closed. **Actual progress is tracking just behind expected progress required to close all issues by 31 Mar 24.**
Transitioning clearly defined areas of scope into separate projects (e.g. Identity and Access Management or 'Second Device').	Complete	• Second Device has been transitioned and has been presented to Board in March 2024 for an interim approval • IDAM will be presented to Board for approval in June 2024.

Appendix 2: Estimated Resource profile

Between August and September 2023 POL has reduced aggregate headcount in SPMP by over 500 FTEs. This level will be maintained until at least March 2024. Within this funding request increment the SPMP intends to conduct a small-scale ramp-up to ensure that the correct capability is in place for transition to the scope and delivery requirements of the HRBC.



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POST OFFICE LIMITED
BOARD REPORT

Title:	"Second Device" – Interim Business Case and Drawdown request	**Meeting Date:**	25 March 2024
Author:	Zdravko Mladenov, Group Chief Digital Information Officer	**Sponsor:**	Chris Brocklesby, Chief Transformation Officer

Input Sought: Decision & Noting

- Board are requested to approve a drawdown of IRRELEVANT Excep IRRELEVANT for the "Second Device" project. The drawdown is primarily to allow for hardware to be procured, while the technical solution completes development.
- Board are requested to note that the drawdown of the above funds is subject to DBT approval to reallocate funds within the interim Horizon Replacement envelope. Should such approval not be granted, the project will have to delay the hardware purchase until the next Horizon Replacement business case is approved.

Executive Summary

As part of the universal service offering, POL is obligated to provide pre-paid bill payment for public utility services. The current legacy solution, Paystation, is being discontinued by the supplier at the end of the contract in March 2025. To continue providing the service, Post Office is planning to deploy a mobile, handheld "Second Device", similar to the technology used in Drop & Collect and leveraging NBIT architecture and components. An additional benefit of this approach is the ability to deploy PUDO and other products on the "Second Device" in the future.

While the software 'build' is progressing well, the March 2025 timeline remains a challenging target, further exacerbated by the supply chain challenges being faced in the Red Sea / Suez Canal. To retain a chance of meeting the timeline, Post Office needs to place an order for the equipment as quickly as possible.

The total project cost is expected to be IRRELEVANT funded through the Horizon Replacement funding envelope. Spend at the end of April is expected to be IRRELEVANT This request is for IRRELEVANT which is primarily for hardware costs. The project will return to Board in July or September 2024 with a status update and the next drawdown. At that point the software build and the deployment/training approach are expected to be completed.

Internal

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Report

1. As part of the universal service offering, POL is obligated to provide universal Bill Payment facilities for public utility services. The obligation runs till March 2025, but there is an assumption that due to critical socio-economic purpose of the service, it will be extended at least through the next Spending Review period. Furthermore, POL has several commercial agreements with energy companies, with three commitments ending beyond 2025.

2. The current legacy solution, Paystation (see Appendix 2 for a visual), is operated by Ingenico / Worldline, including the back-office processing via Horizon. The Paystation solution has reached end of life (both hardware and software), and Ingenico / Worldline have served notice that they will be discontinuing the service at the end of their current contract in March 2025.

3. Post Office's solution to this challenge has been the "Second Device", a hand-held solution similar to what is used in Drop & Collect locations. See Appendix 3 for a Device Strategy on a Page.

4. Alternative options to "Second Device" that were considered and dismissed include (a) discontinuing the pre-paid Bill Payment products altogether after March 2025; (b) deploying Payzone technology and making every Post Office branch also a Payzone location; (c) trying to extend the contractual commitment with Worldline / Ingenico at a likely large extra cost and a multi-year commitment to the legacy technology to justify the supplier investment in it.

5. From a technology perspective, similarly to the next generation Self-Service Kiosks, the "Second Device" leverages components and architecture from NBIT. Due to this architectural approach, in the future Post Office will be able to easily add PUDO and other products to the solution. Note, however, that the immediate focus is on building the legacy pre-paid bill payment products that will stop being offered via the Paystation in March 2025 and that will also not be offered on the NBIT terminals.

6. From a programmatic and funding perspective, "Second Device" work launched in 2023 and was originally part of SPMP. Subject to DBT and Treasury approval, it will continue to be funded via the Horizon Replacement funding envelope. Programmatically, in light of the NBIT slowdown after June 2023, the "Second Device" effort has now been stood up as a separate project, with a much accelerated timeline aiming to meet the March 2025 deadline.

7. From a delivery perspective, the "Second Device" challenge across the 'build', securing connectivity in-branch, delivering training and ultimately deploying the new solution is significant. The technical solution is well advanced and already in early stages of testing, targeting completion in May 2024. However, some of the outstanding major risks include:

    i. Hardware purchase: "Second Devices" will be procured compliantly via an existing contract with SCC. They will then be manufactured via a dedicated production "run" by the manufacturer, XAC, who also supplies the devices for

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Drop & Collect. After the order is placed, there was a 5-month lead time for the devices to be built, shipped from Taiwan and prepared for deployment across 11,000 locations. That timeline is now under further pressure due to the global supply chain challenges, arising from the situation with Red Sea / Suez Canal shipping lanes. The implications for Post Office are that we need to put in a order as quickly as possible in order to maintain the possibility of meeting the March 2025 deadline.

ii. Back-end integrations: Originally, the "Second Device" would integrate and feed data into the NBIT backend applications to enable end-of-day branch reconciliations. With the change in timelines, developing an integration to Horizon has been added to the scope and remains outstanding. The technology team is assessing the options of completing that integration without requiring Fujitsu support, which would otherwise increase the time and cost substantially.

iii. Training and deployment approach: Given the lead times for hardware, there is a very narrow window for branch roll out, which will require extensive cross-POL coordination to deploy by March 2025. Similar coordination will be required with other technology efforts, such as the Copper-to-Fibre migration, the pace of which will influence how branches connect the "Second Device" initially (i.e. via Wi-Fi or 3G/4G).

8. The request in this drawdown (IRRELEVANT) is primarily to allow for placing the required hardware order and complete the application development through the end of July. See the Financial Impact section for further detail.

Financial Impact

9. The total forecast for development and deployment of Second Device is IRRELEVANT broken down in Appendix 1. Actuals at the end of April are expected to be approx. IRRELEVANT This includes IRRELEVANT while "Second Device" was operating under the SPMP umbrella until November 2023, and the remaining IRRELEVANT from the interim DBT Business case for Horizon replacement approved in November 2023.

10. The balance of the forecast is intended to be drawn down in two phases. IRRELEVANT is requested in this paper to place an initial hardware order and continue with technology development through till the end July. This spend is contingent upon agreement from DBT to reallocate spend within the initial interim Horizon replacement Business case, where delays in the progress of Belfast Oracle Database upgrades has created headroom. Should such approval not be granted, the project will have to delay the hardware purchase.

11. The project will return to Board for the remaining IRRELEVANT as well as to provide a status update, in July or September 2024. The funding is included within the Horizon Replacement Business Case that is currently progressing through DBT and Treasury reviews.

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Risk Assessment, Mitigations & Legal Implications

12. See above.

Stakeholder Implications

13. From a public sector perspective, as part of the universal service offering, POL is obligated to provide universal Bill Payment facilities for public utility services. This obligation runs till March 2025 and is assumed to be extended afterwards. From a commercial perspective, POL has several commercial agreements with energy companies, with commitments running past 2025.

Next Steps & Timelines

14. A further update will be provided to Board, in July or September, with a request for the final drawdown to be approved.

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Appendix 1

The Business case requests funding in 2 stages:

1. On IADG/Board approval of the Business case, to place the hardware order & continue with application development IRRELEVANT.

2. To progress Horizon & IDAM integration, Pilot & supplier financial commitment to rollout, the programme will return to IADG for IRRELEVANT

3. Total funding including Prove Case IRRELEVANT

Spend Summary	Cost
Deployment/Decommission	IRRELEVANT
Hardware	
Technical Delivery	
Resource	
Prove + Business Case Total	
SPM Spend	
Total Investment	

Internal

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Appendix 2

Paystation vs. “Second Device”

Paystation today



Second device in the future



Internal

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Appendix 3

CDIO Version

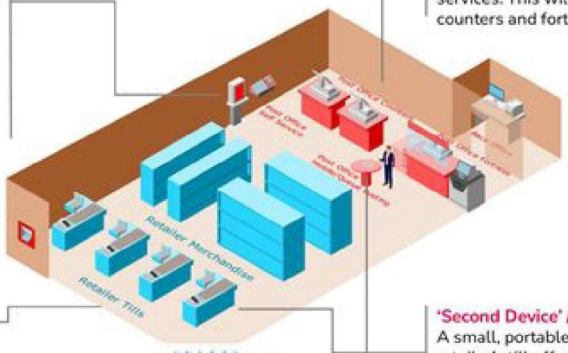
In-branch Technology Device Strategy on a page



Next-Generation customer automation technology (SSK): POL will continue to develop and roll-out our customer self-service kiosks which offer a standalone and self-sufficient system for Post Office products

NBIT/Horizon counter: A larger device at the back of the store offering nearly the full suite of POL services. This will replace the current Horizon counters and fortress







We also aim to develop **retailer integration capability** in the longer-term, which will be particularly valuable for large retailers such as Co-Op

'Second Device' / Retailer Accompaniment Device: A small, portable device that can be kept next to the retailer's till offering a sub-set of POL services. This will be a standalone device and won't rely on there being an NBIT counter to operate



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POST OFFICE LIMITED
BOARD REPORT

Title:	Post Office Horizon IT Inquiry Update	**Meeting Date:**	25 March 2024
Author:	Diane Wills – Inquiry Director		
	SUBJECT TO CONFIDENTIALITY UNDERTAKINGS – NOT FOR FURTHER CIRCULATION **This document contains information which is confidential to the Inquiry. It must not be discussed or shared with anyone who does not hold a confidentiality undertaking accepted by the Inquiry.** SUBJECT TO LEGAL PROFESSIONAL PRIVILEGE		

Input Sought: Noting

Board is requested to note:

i. The disclosure meeting with the Inquiry held on 28 February 2024
ii. The written statement from Sir Wyn regarding POL's closing submissions for Phase 4 and the POL prosecutions expert
iii. The funding request being submitted for Board approval
iv. ISC's approval to release Deloitte from their confidentiality obligations it owes to POL
v. The new Letter of Engagement with HSF

Executive Summary

The senior POL Inquiry team, BSFF, KGKC and KPMG met with the Inquiry on 28 February for a disclosure meeting. It was a positive and productive meeting, during which Jason Beer KC confirmed that the purpose of the meeting was to look forward and agree on how we could work together to meet the Inquiry's hearing schedule, starting in April. Several practical arrangements relating to disclosure were agreed, including direct communication between KPMG and the Inquiry's Senior Information Officer. The meeting was recorded, and the agreed minutes will be shared with Core Participants in due course.

The POL Inquiry team have been working with HSF to finalise a new Letter of Engagement. The original engagement came to an end on 5 March 2024, and a new contract was signed to cover the period 6 March to 19 April 2024.

The Inquiry informed us, via a written statement on 29 February, that it will disregard any reference to the prosecution expert's report in POL's written closing submissions for Phase 4. Sir Wyn was critical for the way in which the report was submitted – in his view without proper communication, and without inviting the inquiry to formally accept it. We do not consider this criticism to be warranted and ISC have therefore agreed to us writing to the Inquiry inviting it to reconsider the position.

SEG separately has a paper seeking agreement to go to Board later this month, to request funding up to the current approved Government amount of IRRELEVANT (for RU and Inquiry, including the contingency fund), currently forecast to last to end September 2024. Significant spend for the next six months includes disclosure remediation, witness preparation, and Phases 5 to 7 hearings and preparation. (See separate 'Inquiry Funding' paper).

Dan O'Mahoney joined the Inquiry Team on 4 March, replacing Gemma Ludgate, as our Inquiry Operations and Strategy Director.

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Report

Phase 4

1. POL submitted the second part of its Prosecutions Expert report (focussing on the criminal case study analysis) to the Inquiry on 2 February 2024. The report was heavily relied on in POL's Phase 4 Closing Submissions which were provided to the Inquiry on 16 February 2024.
2. On 29 February, the Inquiry published a statement from the Chair in response to POL's Closing Submissions. POL had been given advance warning of this only hours before its publication and were not asked for comment. The statement was highly critical of POL's approach to submitting its Expert report to the Inquiry and the way POL had relied on it in Closing Submissions. Consequently, the Inquiry decided to disregard the submissions made by POL where these rely on or refer to the Expert report. On advice from KGKC, [redacted]. The decision does not accord with an 'on the record' conversation Jason Beer KC had with KGKC in early September, and which was the basis for how we proceeded. Separately, we are compiling a chronology and analysis as to the different decisions taken with a view to any lessons which can be learned. This will be shared with ISC in due course.
3. In the event that Sir Wyn does not agree to change his position, KCKC's view is that the [redacted] prosecution expert.

PHASE 5 / 6

4. The full timetable for Phase 5/6 hearings (67 witnesses to provide oral evidence) has been published by the Inquiry so work is being fast-tracked to ensure the team and business are ready for attendance and engagement. There are additionally a significant number of written statements that are expected to be sought (see further below for more detail).
5. Work is progressing with BSFf to ensure POL's objectives for the Phase 5 hearings are central to BSFf's design of a preparation pathway that suits POL (in terms of how we anticipate receiving work products, how we envisage attendance at hearings, and what we want to receive in advance of witnesses appearing).
6. We have now received the analysis prepared by Counsel of the Second Sight transcripts as set out in the previous SEG update. This analysis is being digested by the legal team together with a variety of work products provided relating to the other Phase 5 workstreams. Additionally, further papers prepared by Counsel on Paula Vennells, Angela Van Den Bogerd and the General Counsels in post, have been received and will similarly be reviewed by the Phase 5 legal team. An update will be provided.
7. Disclosure remediation relating to Exchange data continues for Phases 5 and 6 with the Inquiry having now set deadlines as to when documents relating to each witness must be supplied. Letters have also been sent to the Inquiry concerning progress and the methodology taken to ensure fast and effective disclosure, including the use of AI to prioritise pools of documents for review.
8. In order to properly prepare for the hearings, Counsel and BSFf will undertake a significant document review exercise to understand what documents have been disclosed (by POL and other CPs) in relation to Phase, and to then also analyse the witness statements as they are produced. Identification of relevant issues and specific areas to focus our

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attention on within this phase will be crucial in our preparation to better understand what evidence is likely to come out of those hearings.

9. We know that the Inquiry has instructed governance experts who have started reviewing disclosed material. Their appointment has led to additional rule 9/s21 requests which are in hand. At present, it is not clear when we will receive the expert's report on corporate governance. Once the Board has considered the Grant Thornton Governance Review it will be essential that this is shared with the Inquiry team so that we can both advise on its disclosure to the Inquiry and on its impact for phases 6/7.

PHASE 7

10. Preparation for Phase 7 is well underway and Counsel/BSFF and POL have provided a timeline of activities from now to July 2024 which will ultimately result in the production of POL's Phase 7 corporate witness statement by Nick Read. This will likely be one overarching statement, plus additional parts relating to specific technical topics such as compensation and Horizon. Recent events and heightened media activity may lead to the Inquiry deciding to call additional witnesses which we estimate may extend the hearings by a further two weeks.
11. BSFf are undertaking a gap analysis from the Teach-In sessions and associated Elevator Pitches to identify questions and areas of focus that POL need to address. There will then be a series of deep dive sessions to dig into the Elevator pitches so that the team properly understand progress to date and potential areas of criticism. Thereafter, POL business leads will complete narrative documents for each of their business areas for the purpose of amalgamating and preparing the overarching Phase 7 corporate witness statement. Alongside this there are ongoing meetings with the POL Inquiry team, BSFf, Kate Gallafent KC and Nick Read in preparation for his role as the main POL corporate witness. These will increase in frequency once the Rule 9 request is received. This will be an extremely resource heavy period for POL business leads, POL Inquiry team, BSFF, and Counsel.

DISCLOSURE

12. The Inquiry have been clear that our disclosure efforts remain under scrutiny, that they will call a disclosure hearing if there are any other issues and that they expect there to be no delays to Phase hearings because of late disclosure. This is primarily because there is simply no flex in the timetable that Sir Wyn has announced. As such, even a relatively small delay will cause a significant issue for the Inquiry.
13. We sought some greater understanding about likely future disclosure requests from the Inquiry at our meeting with them on 28 February. The Inquiry were not prepared to be definitive but did confirm that they do not currently have any more big structural disclosure requests in mind for Phases 5 and 6. To date some limited disclosure has been made that relates to Phase 7. There may be further Phase 7 requests, but it is currently unclear how exactly the Inquiry will approach that, and recent media interest and Select Committee appearances may make Sir Wyn more interested in current day POL and our practices and culture.
14. Mimecast remediation process and e-discovery priorities: We have implemented plans to manage the competing priorities between the remaining Phase 4 remediation work, which is being undertaken by HSF and P&P, and the work required by BSFf in readiness for Phases 5, 6 and 7. This is a substantial and resource intensive phase of disclosure work, due to the number of high intensity witnesses and the large number of documents

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that we will need to be collected, processed and reviewed. We are making good progress and have prioritised tranches of work in the order of witnesses giving evidence. POL is monitoring progress closely through daily disclosure meetings with delivery partners.

15. eDiscovery priorities: We have enhanced capacity to speed up the process of harvesting documents from POLs eDiscovery platform by providing access to KPMG support.
16. Structural review: The Relativity Workspace consolidation project is on track to complete within budget by the end of March. At the meeting with the Inquiry on 28 February, the Inquiry recognised this project as likely being useful and were keen to better understand the benefits as they have expressed their frustrations around duplicates and near duplicates. Alongside, this we continue to make good progress with BSFf on the completion of the structural review with their report expected imminently. Work with Innovo Law to scope POL's data universe will also be completed by the end of March. The R9/S21 end to end process map, RACI and Risk Register have been shared with the Inquiry Steering Committee and we have implemented monthly MI updates to report the status of POLs and third-party risks and controls.
17. POD Review: The confidentiality review of POL documents being disclosed by the Inquiry to CPs is continuing to be incredibly resource intensive. The impact is being felt heavily within the Inquiry team but also across the business. Whilst considerable amendments have been made to the policy to seek to minimise the burden on the business whilst still protecting the most confidential material, we are considering again whether further changes to the approach are needed.
18. Disclosure Remediation Costs Recovery: POL have part paid invoices submitted by HSF, KPMG and P&P relating to the period June 2023 to December 2023, withholding payment relating to disclosure remediation costs. In total POL have withheld approximately IRRELEVANT million, of which IRRELEVANT relates to HSF invoices. Further amounts may be withheld against Counsel's invoices once further information has been received from P&P. A preliminary meeting was held with KPMG on 29 February 2024 and a meeting with HSF is scheduled for 26 March 2026. A meeting with P&P is expected to be time-tabled shortly. KPMG are only implicated in relation to one issue (de-duplication) in respect of which HSF and KPMG each blame the other. Further information is awaited from KPMG to enable POL to better understand their position, following which it is anticipated that a further meeting will be time tabled. Given the positions adopted by both KPMG and HSF a three-way discussion, possibly via mediation may ultimately be required. Likely level of recovery has not yet crystalised and will be significantly influenced by risk appetite. Further advice is awaited from BSFf and ISC are regularly updated.

SUPPLIER CONTRACTS

19. Board approved a new contract award for Burges Salmon on 30 January 2024. The contract will be fundamentally the same as the existing contract and supports the need for increased budget given timetable extensions and to ensure the continuation of services with the supplier. The new contract is expected to be in place by the end of March 2024.
20. Board approval was received on 26 September 2023 to enter into two further contracts with Herbert Smith Freehills (HSF) in respect of the Inquiry Team and Remediation unit (RU). The RU contract was signed on 27 November 2023. The previous contract with HSF for the Inquiry team expired on 5 March 2024. The new letter of engagement commenced on the 6 March and will run up to and including 19 April 2024. The new contract broadly does two things (1) it confirms a list of tasks (largely disclosure related)

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that HSF will complete; and (2) provides POL with the right to request that HSF take on new pieces of work.

WITNESS SUPPORT

21. Between April and July, 67 Phase 5/6 witnesses will give oral evidence to the Inquiry. In addition, we expect a number of additional witnesses will be required to provide a written statement only. A summary of Phase 5/6 witness numbers is set out in the table below:

Phase 5/6 witness	Current POL Employee/ Contractor/Director	Former POL Employee/ Contractor/Director	Total number of POL witnesses
Oral	5	25	30
Written	2	16	18
Total	**7**	**41**	**48**

22. Whilst the Phase 7 witness list is less certain than for Phases 5/6, we are anticipating there to be approximately four POL witnesses required to give oral evidence in September. The Inquiry may request more and so this is an estimate at this stage.
23. As previously reported to SEG, a high proportion of witnesses are former POL employees (85% are former employees for Phases 5/6). The Inquiry Team has been liaising with POL People and Health & Safety Teams to ensure appropriate wellbeing support is offered to these individuals. Previously, 24/7 Optima support was only offered to current employees however at the end of February this was extended to former employees as well. This is already having a positive impact.
24. The Witness Support Team has also been working closely with POL's communications team to prepare for what could be an increase in demand for witness support with media-related queries. In terms of proactive help, witnesses will be provided with an updated Q&A document which now includes information on the types of press interest they may experience and what their options are should this happen. When it comes to reactive support, there are currently two members of the comms team who are able to join a call with a witness to offer guidance and we are looking to expand this to a pool of three by the time hearings start up again in April.

COMMUNICATIONS

25. Work has continued to increase internal awareness and understanding of the Public Inquiry and the Post Office Inquiry Team's work among colleagues across the business. This includes reviewing, redesigning and rewriting The Hub Inquiry Team webpage and planning for a POL wide lunch and learn session hosted by the Inquiry team at the end of March.

CONFIDENTIALITY RELEASE

26. On 18 January 2024, ISC approved releasing Deloitte (including current and former personnel) from the confidentiality obligations it owes to Post Office, to the extent that such obligations concern matters which are within the Inquiry's Terms of Reference. This

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waiver is solely for the purposes of enabling Deloitte to disclose materials to the Inquiry, make submissions to the Inquiry, or otherwise give evidence to the Inquiry to assist it in fulfilling its Terms of Reference. This general waiver does not release Deloitte (or its current or former personnel) from obligations of confidentiality in respect of any information which is the subject of legal professional privilege retained by Post Office, or any privilege which cannot unilaterally be waived by Post Office (such as without prejudice privilege). This release does not permit the disclosure of information over which Post Office has not waived privilege. We wrote to Deloitte on 12 February 2024 and subsequently to the Inquiry on 15 February 2024 to confirm the above.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Inquiry FY24-25 Funding Drawdown request	**Meeting Date:**	25 March 2024
Author:	Diane Wills, Inquiry Director		
	SUBJECT TO CONFIDENTIALITY UNDERTAKINGS – NOT FOR FURTHER CIRCULATION **This document contains information which is confidential to the Inquiry. It must not be discussed or shared with anyone who does not hold a confidentiality undertaking accepted by the Inquiry.**		

Input Sought: Noting / Approval

Board is requested to:

i. **Note** update in the Inquiry assumptions since January 2024 Board and the updated risks and opportunities within the Programme (detail in **Annex A, B and C**).

ii. **Note** that this forecast is based on the following assumptions holding true (Annex A shows the most up to date assumptions and any movement since January 2024):
   a. Phase 5/6 starting early April 2024; Phase 7 starting September 2024 for four weeks; closing hearings early November 2024; 86 remaining sitting days.
   b. HSF continue to deliver Phase 4 work in accordance with the terms of the letter of engagement.
   c. Review maximum 5m documents from Chesterfield backup tapes by March 2024.
   d. No further new data repositories identified.
   e. Review <1.5m documents for disclosure; produce <490k documents.
   f. No more than three disclosure hearings; Compensation hearings to be rolled into Phase 7. However, Sir Wyn may call an additional hearing prior to this.
   g. Relativity: KPMG consolidate workspaces by end March 2024.
   h. Support <70 POL witnesses (c.40 of them high intensity) for Phases 5-7; D&O recovery 20% average for those with ILR.
   i. Programme resource requirement does not exceed 53 FTE average and only four FTE for post-Phase 7 (and wrap up period) work; Inquiry Programme not responsible for any additional POL resource (other than in current budget).

iii. **Approve** delegated authority to the SEG (via HMFM) drawdown funding of IRRELEVANT for April-September 2024 (**noting** the current lifetime forecast of IRRELEVANT 2 year plan of IRRELEVANT and FY24/25 budget of IRRELEVANT covered in Annex F).

Please see the supporting financial pack uploaded to the Reading Room.

Executive Summary

We are seeking funding up to the current approved Government funding of IRRELEVANT which is the initial IRRELEVANT approved plus the IRRELEVANT contingency (for Inquiry and RU (IRRELEVANT of this IRRELEVANT

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would be for Inquiry). This approved funding is forecast to last Inquiry (and RU) until the end of September 2024. Approval up to the IRRELEVANT is conditional on Government having released the IRRELEVANT funding that Inquiry and RU requested as contingency. Department of Business and Trade (DBT) have confirmed that they have the Chief Secretary to the Treasury (CST) approval and have laid the title for a WMS (Written Ministerial Statement) on Tuesday 19th March 2024. In coordination with this DBT are finalising the funding letter to be issued early week commencing 18th March 2024 confirming POL's access to the IRRELEVANT contingency.

When we came to Board in January 2024, we flagged that Sir Wyn was looking to extend hearings to Autumn 2024. Since then, we have had further communications from Sir Wyn that Phase 7 will take place in September 2024 after the summer break, that there will then be a pause in hearings and then he will regroup to hear closing submissions. This means that closing hearings are likely to be November 2024. Given the considerable optimism in the current Phase 5 timetable we have built around four weeks of additional hearings contingency into the figures. This change in hearing timetable assumptions mostly impacts on our costs in the second half of the year, although there is some knock-on preparatory work in the first half. Overall, this drives lifetime spend to IRRELEVANT

The significant buckets of spend for April to September 2024 are:

- **Disclosure remediation,** IRRELEVANT Material volumes of data exist on Microsoft Exchange which are not on Mimecast and other repositories. Work is needed to remediate disclosure for all Phases. The priority is to remediate Exchange for Phases 5/6 ahead of Phases 5/6 beginning, which means it should be completed in April 2024
- **Witness preparation,** IRRELEVANT We expect Phase 5/6 witnesses to give evidence between April – July and Phase 7 witnesses to give evidence in September. Therefore, witness costs for April to September will include ILR preparation costs, familiarisation sessions, BSFf costs for supporting POL on correspondence with ILRs and liaising with insurers on D&O recovery.
- **Phase 5 hearings,** IRRELEVANT We anticipate the bulk of disclosure for Phase 5 has already been produced. Counsel, BSFF and POL legal teams are working to digest the significant volume of disclosure material produced by POL, together with disclosure from other CPs and the witness statements. The output of this work will be factual narratives, chronologies and likely areas/documents of concern for consumption by POL ahead of key witnesses giving evidence and for the consideration and preparation of Rule 10 questions and closing submissions.
- **Phase 6 and 7 preparation,** IRRELEVANT BSFf and POL will continue to respond to any further information requests alongside reviewing all Phase 6/7 material disclosed by the Inquiry. As with Phase 5, narratives will be prepared in preparation for Phase 6 witnesses. For Phase 7, which will also include compensation matters, we are preparing in advance of receiving any Rule 9 request(s) to provide the corporate statement on current practice and procedure.

Annex E sets out the governance approvals and drawdowns for 2023/24. Today's request is the first for 2024/25. **Annex D** sets out the expected activity and workstream cost breakdown for (1) April-September 2024; and (2) April-May 2024.

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Report

1. Whilst we have reported in previous Board papers on our expected whole life costs, this is our first request for any funding for FY2024/25. At this stage we are requesting IRRELEVANT which will take us until the end of September 2024 and the expiration of the IRRELEVANT funding approved by Government for RU and Inquiry. Alongside this we are having conversations about accessing additional funding over the IRRELEVANT The significant pieces of work that we expect to complete between April and September 2024 are:

Witness preparation

2. Phase 5/6 witnesses are expected to give evidence between April and July. The breakdown of those witnesses (and summary of D&O coverage) is:

Phase 5/6 oral or written POL witness	Total number of POL witnesses	Number of POL witnesses that are current employees	Number covered by AIG policy	Number covered by Allianz policy	Number not covered by D&O (e.g. contractors)
Oral	30	5	21	9	0
Written	18	2	14	3	1
	48	**7**	**35**	**12**	**1**

3. Witnesses will continue to incur ILR costs in the lead-up to their oral evidence date. The five current employee witnesses due to give oral evidence will be offered the chance to take part in a Familiarisation Session with King's Counsel ahead of appearing at the Inquiry. This session aims to ensure witnesses understand what giving evidence at an Inquiry is likely to look and feel like and is there to support them giving their best evidence. These sessions are funded by POL.
4. Whilst the Phase 7 witness list is less certain than for Phases 5/6, with Sir Wyn likely still deciding how to approach current practice and compensation and who to call, we are currently estimating there to be around four witnesses required to give oral evidence.
5. BSFf's witness team continue to support POL with each individual witness; corresponding with the witnesses' ILRs; managing document disclosure to witnesses; and liaising with insurers on D&O recovery. We anticipate that liaison with D&O insurers will be resource-heavy through these months as we continue to be met with challenges from insurers.

Phase 5/6 hearings and preparation

6. To date, Phase 5 document production to the Inquiry has totalled around 180k documents, which is more than the cumulative disclosure total for Phases 1 to 4. POL's counsel and legal teams are continuing their intensive work on the analysis of these documents aligned to the five key workstreams. High level summaries will be shared with senior stakeholders to ensure there is an understanding of the likely evidence to come out of the Phase 5/6 hearings.
7. The published witness timetable is being utilised to focus Counsel/legal resources on the order for construction of witness profiles based on documents disclosed, and in preparation for receipt and dissemination of Core Participant statements. This work collectively will provide POL with the expected key shape of Phase 5 and any specific concerns and

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evidence that is likely to arise. This in-depth understanding and profiling will inform the consideration, timing and wording of any Rule 10 questions.

8. Similar to, and in parallel with, Phase 5, the Phase 6 preparation requires BSFF and Counsel to both support the creation of, and then complete in-depth analysis of, POL responses to Rule 9 requests. Whilst the Inquiry has indicated that there are unlikely to be further large-scale disclosure requests for these Phases (for example spanning 20 year time periods), there will be a flow of new and follow up asks from the Inquiry that will continue to absorb time and resource. The Grant Thornton report on POL Corporate Governance is likely to be relevant to Phase 6 and will need to be analysed once this has been presented to, and accepted by, Board.

Phase 7

9. Preparation for Phase 7 is well underway and Counsel/BSFF and POL have provided a timeline of activities from now to July 2024 which will ultimately result in the production of POL's Phase 7 corporate witness statement by Nick Read. This will likely be one overarching statement, plus additional parts relating to specific technical topics such as compensation and Horizon. Due to recent events and heightened media activity, the Inquiry may decide to call additional witnesses, potentially adding a further two weeks of evidence.
10. BSFf are undertaking a gap analysis from information provided to date to identify questions and areas of focus for POL to address. There will then be a series of deep dive sessions with key business leads to test progress to date and understand potential areas of criticism from Sir Wyn. Thereafter, POL business leads will complete narrative documents for each of their business areas for the purpose of amalgamating and preparing the overarching Phase 7 corporate witness statement. Alongside this there are ongoing meetings with the POL Inquiry team, BSFf, Kate Gallafent KC and Nick Read in preparation for his role as the main POL corporate witness. This will be an extremely resource heavy period for POL business leads, POL Inquiry team, BSFF and Counsel.

Ongoing disclosure

11. The Inquiry have been very clear that our disclosure efforts remain under scrutiny, that they will call a disclosure hearing if there are any other issues and that they expect there to be no delays to Phase hearings because of late disclosure. This is primarily because there is simply no flex in the timetable that Sir Wyn has announced. As such, even a relatively small delay will cause a significant issue for the Inquiry.
12. We sought some greater understanding about likely future disclosure requests from the Inquiry at our meeting with them on 28 February. The Inquiry were not prepared to be definitive but did confirm that they do not currently have any more big structural disclosure requests in mind for Phases 5 and 6. To date some limited disclosure has been made that relates to Phase 7. There may be further Phase 7 requests, but it is currently unclear how exactly the Inquiry will approach that, and recent media interest and Select Committee appearances may make Sir Wyn more interested in current day POL and our practices and culture.
13. The priority is to remediate Phase 5/6 Exchange, which we are aiming to complete in April. This is a substantial and resource intensive piece of work, due to the number of witnesses

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participating in Phases 5/6 and the large number of documents that we will need to be harvest, process and review. BSFf are leading on the Phase 5/6 remediation, and we are currently making good progress. HSF and P&P are leading on the Phase 4 remediation, prioritising those phase 4 witnesses who have been recalled for Phase 5.

Financial Controls, Risks and Opportunities

Cost Controls

14. We continue to ensure proper management of spend and remain incredibly aware that with spend of this size, and competing pressures across both POL and Government, cost controls are of the utmost importance. Having overhauled our processes and controls during 2023[1] we continue to ensure they are properly embedded and operational.

Risks and Opportunities

15. Whilst the budget for 2024/25 is completed on a prudent basis, there are a number of financial risks and opportunities **(Annex C)**. We are managing these risks and opportunities operationally with the programme under the funding envelope approved.

Crystallising opportunities:

16. There are a number of opportunities listed in Annex D, and we are working to maximise the number of opportunities realised in FY 2024/25. This paper is requesting funding for April to September 2024 and there are some items that we anticipate we may be able to start realising in this period:

    a) **Disclosure remediation costs.** There are a series of meetings with KPMG, P&P and HSF across March and April 2024, the aim of which is to reach settlement with the three firms for the costs of remediation of the disclosure errors that came to light in Summer 2023. The cost of remediating those disclosure issues is estimated to be in the region of IRRELEVANT This includes IRRELEVANT for de-duplication, a process in which POL was in no way involved. POL has always accepted that within the overall expense there is a layer of costs that would have been incurred had disclosure been carried out in accordance with the Inquiry's expectations initially. Ultimately recovery will be determined by the progress of those commercial negotiations; POL's recovery objectives will need to be balanced against the risks inherent in a formal dispute process including legal costs and the importance of preserving supplier relationships so as to continue to support the Inquiry. We are aiming to realise this recovery in April, but it will depend upon the response of our suppliers in the forthcoming meetings.
    b) **D&O Recovery.** POL's policy on witnesses is twofold, the first is to provide support (including reasonable legal costs) to current and former POL witnesses and the second is to maximise D&O recovery. To date POL has only made claims under our AIG policy and will continue to seek recovery of costs as they are incurred by Phase 5-7 witnesses under this policy (approx. 75% of witness total). Costs incurred by

[1] See, for example, section 2 of the Inquiry Team's January 2024 Board paper and section 16 of our September 2023 Board paper.

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witnesses under the Allianz policy are expected to take longer to recover given challenges with Allianz's position on confirming cover for individuals *before* they have submitted a witness statement. We are actively exploring options for obtaining certainty as to the likely ultimate D&O recovery rate with Allianz.

c) **Relativity workspace consolidation.** The project to consolidate our 17 main Relativity workspaces into one and to internally deduplicate all documents in that new workspace is due to complete by the end of March. This should bring about (i) efficiencies given in KPMG management costs as there will be fewer places where searches will need to be run; and (ii) savings in legal review costs as there will be fewer duplicates for the reviewers to work through. The project is one that the Inquiry has welcomed given their public frustration with the number of duplicate and near duplicate documents in the productions made by Post Office.

Engagement with Government

17. **Monthly engagement.** We continue to share monthly update packs and meet to discuss our spend with UKGI, DBT and HM Treasury. These conversations are constructive and transparent, and we have come a long way with ensuring that government colleagues understand the detail of our spend profile and levers.
18. **Contingency and future spend.** We have been talking to government colleagues since late 2023 about how we can access the IRRELEVANT contingency that was included in the request for funding (and DBT included in the submission to the Competition and Markets Authority). Unlike the IRRELEVANT the IRRELEVANT contingency was not handed over to DBT from HM Treasury in late 2023. The monthly meetings have been about ensuring that HM Treasury understand our spending and the controls we have in place so that they are comfortable with releasing the contingency funds. DBT are finalising the funding letter to be issued week commencing 18 March 2024 confirming access to the IRRELEVANT contingency. The funding condition HMT have placed on DBT, is that DBT must work with POL to further reduce the costs of POL's spending on its legal fees (without impairing the speed of compensation to postmasters) and provide an update to DBT for mid-April so they can update HMT by the end of April 2024.
19. **Additional spend.** Since late 2023 we have been messaging to government that with the changing timetable and ongoing high levels of disclosure our spend may exceed the IRRELEVANT included in the 3YP. Conversations about the scope and process for an additional business case are ongoing. Government are aware that, on current forecasts, this needs to be completed ahead of the IRRELEVANT running out in September 2024.

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Annex A – Assumptions September 2023 vs March 2024

September 2023 Board Assumptions	March 2024 Board Assumptions
Timetable: Phase 5 starting early January 2024.	Inquiry Phases 5/6 starting w/c 09 April until 31 July 2024. W/C 27 May one week break. Additional three weeks of hearings.
HSF continuing to lead Phase 4; and provide support to BSFf until end FY 2023/24.	HSF continue to undertake disclosure work that should be completed by May 2024; as some Phase 4 witnesses have been pushed into 5 & 6, HSF to support until summer 2024.
Phase 7 would be c.April 24	Phase 7 starting 3 September until 27 September 2024 (four weeks); Up to four POL witnesses
Timetable: Hearings finishing by 14 June 2024 and total remaining sitting days <128.	Closing Statements: One month break expected between Phase 7 & closing hearings early November. Finance assumptions have built in some flex allowing until December.
Backup Tapes: Review of maximum 4m documents from Winchester/Chesterfield backup tapes by end-2023.	Phase 4 searches completed and circa 60 docs produced to the Inquiry. Phase 2 search result numbers have been received by HSF from KPMG and HSF to write to POL with their document review approach. Current approach is for HSF to complete the doc reviews and produce by end March.
Data: No new data repositories identified.	Since September 23 five servers and 12 tapes we identified at Chesterfield and are included in the estimate. No further new data repositories are assumed to be identified.
Disclosure process: Review of c1.5m documents; disclosure of c.90k documents.	Disclosure process: Review <1.5m documents for disclosure; produce <490k documents
Disclosure / compensation hearings: No more than five non-Phase hearings.	No more than three disclosure hearings in 2024. (Sir Wyn statement 31 January 2024: another disclosure hearing likely before or during Phases 5&6)
Compensation: No ad hoc compensation hearing in FY 2023/24, one in FY 2024/25.	No ad hoc compensation hearings. Compensation to be rolled into Phase 7 going forward. (Sir Wyn confirmed compensation will be in Phase 7 but he may call another ad-hoc compensation hearing)
Relativity: KPMG continue managing Relativity in its current format.	Relativity: KPMG consolidate workspaces by end March 2024.
Witnesses: Support for <20 POL witnesses; D&O recovery at 55% average for all POL witnesses	Overall assumption <70 witnesses require support for phases 5-7 (c. 40 of them high intensity). D&O assumptions remain but confirmation of recovery is proving particularly challenging through our Allianz policy. 30 POL witnesses required to give oral evidence in P5/6 with an additional 18 witnesses required to provide a written statement only. The Inquiry have reiterated that these numbers could change.
Programme resource: Team doesn't exceed 45 FTE average and only four FTE for post-Phase 7 work; Inquiry Programme not responsible for any additional POL resource (other than in current budget).	Programme resource: Team doesn't exceed 53 FTE average and only four FTE for post-Phase 7 work; Inquiry Programme not responsible for any additional POL resource (other than in current budget).

Annex B – Hearing day assumptions March 2024

					Hearing Days				
Inquiry Phase	Jun-23 Board - Dates	Sep-23 Board - Dates	Jan-24 Board - Dates	Mar-24 Board - Dates	Jun-23 Board	Sep-23 Board	Jan-24 Board	Mar-24 Board	Change in No. of Hearing Days (Jan - Mar)
Phase 4	June - 13 Oct 23	4 - 6 Jul 23, 19 Sep - 20 Oct 23 & 31 Oct - 21 Dec 23	4 - 28 Jul 23, 19 Sep - 20 Oct 23, 7 - 20 Dec 23, 11 Jan - 2 Feb 24	4 - 28 Jul 23, 19 Sep - 20 Oct 23, 7 - 20 Dec 23, 11 Jan - 2 Feb 24	56	54	62	62	0
Phase 5*	30 Oct - 8 Dec 23	8 Jan - 15 Mar 24	8 Apr - 4 Jul 24	9 Apr - 31 Jul 24	24	40	48	62	14
Phase 6*	12 Dec - 22 Dec 23 & 15 - 19 Jan 24	18 Mar - 10 Apr 24			12	14			
Phase 7	26 Jan - 9 Feb 24	22 Apr - 18 May 24	22 Jul - 16 Aug 24	3 Sep - 27 Sep 24	8	16	16	16	0
Closings	26 Feb - 01 Mar 24	1 - 14 Jun 24	2 Sep - 13 Sep 24	29 Oct - 8 Nov 24	4	4	8	8	0
Total					104	128	134	148	14

* Phase 5 & 6 will now run together

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Annex C – Financial Risks and Opportunities

Risks

Workstream	Risk	£m
Risks not included in the FY24/25 budget relating to cost increases		
Disclosure	Disclosure - emerging issue (high level estimate)	IRRELEVANT
All	Timeline - slippage of 3 months into 2025	
Phase 4	HSF Future Work on P4 that materialises	
All	Further Counsel support requirements	
BSFF	Increase in BSFF costs due to unforeseen issues	
Compensation Hearing	Compensation Hearing (1 day) and prep	
BSFF Post Hearing	Further non Counsel costs post hearing	
Total Risks		

Opportunities

Workstream	Opportunity	£m
Opportunities not included in the FY24/25 budget relating to cost savings		IRRELEVANT
Remediation	Reclaim 42% remediation costs	
Cost of specific items held within FY24/25 budget		
All	Further cost control measures for legal partners	
All	Possible 10% saving on BSFF costs, based on current run rate	
Data Assurance	Data assurance spend may not be required	
All	Hearing Timeline - hearings finish in November, saving December's costs	
Disclosure	Reduced BSFF costs linked to disclosure requests	
Witness	Increased D&O Claim	
Compensation Files	Handover of HSF compensation files - costs lower than expected	
Strategic Advice	May not be required	
Data Restructure	Data restructure repository	
Total Opportunities		
Total Risk		

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Annex D – Planned Activity for (1) April and (2) April-September 2024

Workstreams	Total Request Apr-Sep 2024 £m
Documents & Disclosure Witness Support Supporting Supplier Cost (incl KPMG) Internal Resource Counsel Support Inquiry Hearings Programme Cost De Minimis	IRRELEVANT
Total	

Annex E – Previous Governance

This is the first request made of Board for funding for FY 2024/25. In 2023/24 the Inquiry team sought funding from Board (in March, June and September 2023, and January 2024) of IRRELEVANT The following table sets out the approved Board funding and HMFM drawdown approvals for the full FY 2023/24.

Board Approvals		
Mar-23 Board	IRRELEVANT	April – May 23
Jun-23 Board		June – Sept 23
Sep-23 Board		Oct 23 - Mar 24
Jan-24 Board		Feb - Mar 24
Total to date		Delegated authority for 2023/24
HMFM Approved Drawdowns		
May-23 HMFM	IRRELEVANT	April 23 spend
Jul-23 HMFM		June 23 - Sept 23 spend
Sep-23 HMFM		Increased costs to end of Sept
Oct-23 HMFM		Oct 23 - Dec 23 spend
Dec-23 HMFM		Increased spend Dec 23 - Jan 24
Jan-24 HMFM		Increased spend Feb - Mar 24
Total to date		

Annex F – 2 year view and lifetime approvals

	Feb 24 forecast view (£m)			
	23/24	24/25	2YP	Lifetime
Mar 24 Board	IRRELEVANT			
Sep 23 Board (£150m Envelope)				
Var				

	£m	Cumulative 2YP	Cumulative Lifetime
Approved pre 23/24	IRRELEVANT		
Approvals from Apr 23			
Request until Sep 24			
Remainder until Mar 25			
Remainder after Mar 25			

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POST OFFICE LIMITED
BOARD REPORT

Title:	Sensitive Issues request and Inquiry SteerCo ToR	**Meeting Date:**	25 March 2024
Author:	Joanne Waites, HM Risk & Resourcing Manager and Dara Carton, Delivery Lead	**Sponsor:**	Diane Wills, Inquiry Director

Input Sought: Approval and Noting

Board are asked to approve the following (paras 10 to 13):

i. Delegate decision making in respect of individual cases as to the appropriate course of action where the identity of a Speak Up reporter could be revealed in documents that are of relevance for disclosure to the Inquiry to the Senior Independent Director and one other independent Non-Executive Director
ii. The removal of the Sensitive Issues Panel as a sub-committee of ISC (Report points (10 to 13)

Board are also asked to note the following (approved by SEG)

iii. The proposed amendments to the Inquiry SteerCo (ISC) governance model set out in the report below (Report points 1 to 9)
iv. The ISC Terms of Reference (ToR) version 1.8 set out in Appendix 1 (reflecting the proposal in point (iv)) Appendix 1
v. Changes in the Delegated Authority Matrix 'DAM' as highlighted to reflect the removal of the Strategic Executive Group (SEG) and other minor amends to reflect the current Inquiry structure (Separate Attachment).

Executive Summary

The ToR and DAM were approved at Board on 8th July 2021 with subsequent minor updates made during 2021, 2022 and 2023. The Group Executive (GE) further approved amendments to the ToR on 15th November 2023 and it was noted at Board on 28th November 2023. More recently ISC and GE have approved minor amendments to membership on 12th and 14th February 2024 respectively. More recently ISC and SEG approved the changes detailed within this paper on 07 March 2024 and 13 March 2024 respectively.

Recognising the need for flexibility based on Inquiry timelines and the ad hoc nature of items arising, and recognising the senior management team construct of ISC, this paper sets out the rationale to facilitate a straight-through route for ISC papers to travel to Board, without the need to be reviewed/approved by SEG first.

Additionally, following a review of governance with the Company Secretary, it is proposed that decision making in respect of Inquiry disclosure matters pertaining to speak-up matters, will be retained by the Board, and delegated to the Senior Independent Director and a further named Independent Board member.

The Company Secretary and Chief of Staff have both been engaged regarding the rationale and approach to implementing the proposed changes to the Governance model and are fully supportive. They have recommended that the proposed changes are captured within the ISC ToR.

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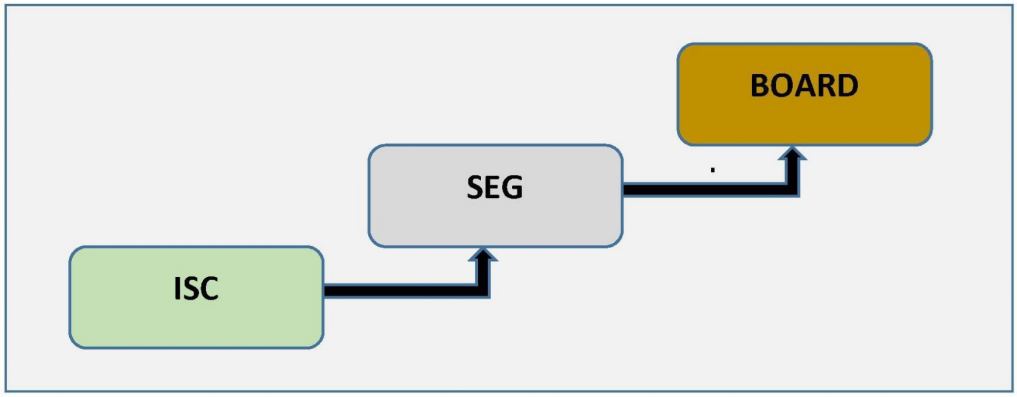
Report

SEG/ISC Governance Arrangements

1. Whilst at its core, the requirement from POL in support of the Horizon IT Public Inquiry (Phases 1-6) is the provision of historic documentation and witness statements in a timely manner, there are many complexities and considerations that arise on an hoc basis that require nimbler decision-making than what is in place currently.

2. Whilst ISC and/or the Inquiry Director hold an appropriate amount of delegated authority for decision making, it is the flightpath to once-per-month Board meetings that can be particularly challenging, with decision papers having to navigate ISC and SEG, then onto Board.

Current governance operating model



3. Whilst SEG has a pan-POL operational guardianship responsibility, including being the gateway for Board papers, SEG itself holds delegated authority for only one Inquiry related matter which in itself is limited to **'recommend for approval'** to the Board for the *Lifetime Inquiry Budget*. The Board, the ISC, and/or the Inquiry Director and team, hold delegated authority for all other material matters with the exception of **'Drawdown of Board Approved Funding'** which is held by HMFM.

4. The table below displays the primary activities with associated Delegated Authorities. The proposal would be to remove SEG from this matrix, with Funding being 'recommended for approval' from ISC directly to Board going forward.

	Board	SEG	ISC	Inq Dir	HMFM
Approval of overall Strategic Approach to Inquiry	X				
Approval of topics for closing submissions Phases 1-6 and ad hoc Comp hearings	X				
Approval of content of skeleton closing submissions Phase 1-6 and ad hoc Comp hearings			X		
Approval of final content for closing submissions Phases 1-6 and ad hoc Comp hearings				X	

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Approval of topics, content for skeleton and final closing submissions for Phase 7	X				
Approval of overall approach to Legal Privilege	X				
Approval of ad hoc decisions on legal privilege within the overall Board approved approach*			X		
Approval of funding for the life of the programme	X				
Approval proposed funding request for Board Approval		**X**			
Approve drawdown of Board approved Funding					X
Approve drawdown of funding over annual budget and/or agreed tolerances					X

5. As the CEO, interim CFO (ie one of the Board directors and two out of five SEG members) and at least three members of the new senior leadership team (Diane, Tim and Simon) have voting rights at ISC, then from an oversight and expediency of decision making basis it is our reasonable proposal that ISC can recommend papers for approval by Board without the need for these papers to be approved by SEG first.

6. We propose we would instead provide SEG members with copies of the papers travelling to Board (subject to appropriate redactions or conflict of interest considerations). The Inquiry director will continue to attend monthly SEG meetings to additionally provide a brief verbal general update.

7. HMFM was put in place to approve the drawdown of funding from the Board approved budget. HMFM provides for drawdown within and outside of approved budget within certain tolerances. This committee also approves funding drawdown for the Remediation Unit, such that all Historical Matters funding drawdown is governed in the one place, and the funding can be considered holistically and separately as required.

8. The primary driver for this change in governance structure is to provide greater flexibility to the Inquiry team in terms of preparation, review & challenge, and approval from ISC for papers travelling onto Board. Removing the formal SEG oversight/approval element from the mix extends the timeline for submission of papers by roughly a week, but also avoids a scenario like the one we are having now, when SEG is sometimes scheduled in advance of ISC during the course of the week which means some members hear updates before others, or are hearing them more than once

9. Taking this approach would, as we understand it, align with one of the propositions underpinning the new structure that information is shared with the right groups. Given the overlap in membership of Board, SEG and ISC it is much more effective use of senior leadership time, not to spend time on the same papers in multiple forums if this can be avoided.

Sensitive Issues Panel

10. The **Sensitive Issue Panel** was constituted on 15/11/2023 and added to the ISC ToR as a sub-committee. The remit of this committee was to consider redaction proposals in respect of documents to be disclosed to the Inquiry which contain confidential Speak-Up information. The construct of the committee was two non-Executive Board members and one Executive member (voting members) supported by Inquiry director and a number of SMEs.

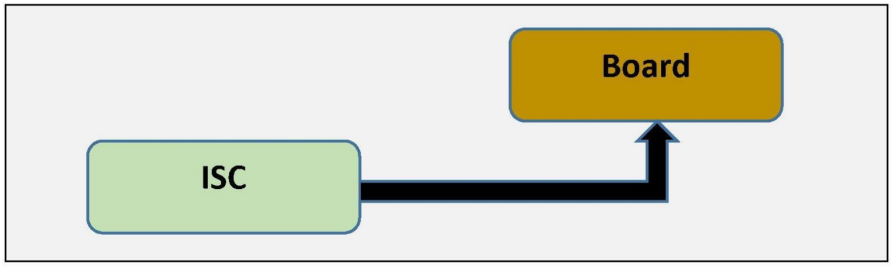
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11. This sub-committee has met twice to date and has opined on two cases.

12. However, following discussions with Company Secretary, the separation of powers between the Board and the Executive is compromised under this construct with the ISC membership drawn from the Board and the Executive, blurring accountabilities and responsibilities for decision making.

13. Under direction from Company Secretary, it is therefore proposed to stand down this committee, and instead to seek agreement for decision making to be delegated to the nominated Board members. On that basis it is therefore proposed to amend the ISC ToR to remove reference to the Sensitive Issues Panel.

Proposed Governance Structure



Amendments made to the ISC Terms of Reference

i. **Removal of the para 3.1.A.c:** the recommendation by ISC to GE for onward transmission to the Board
ii. Amending GE to SEG
iii. **Para 6 b added:** The Chair also has discretion to reshare approval papers with SEG (prior to onward transmission to Board) if deemed appropriate
iv. **Para 6 f added:** To ensure SEG are informed all papers being sent to Board are to be shared to the SEG Reading Room
v. **Removal of para. 3C:** the Sensitive Issues Panel as a Sub Committee of ISC.

Financial Impact

14. There are no financial implications to these changes.

Risk Assessment, Mitigations & Legal Implications

15. The Inquiry team have discussed the proposal to issue papers directly from ISC to Board; and the proposed change to the Sensitive Issues Panel with the Company Secretary and Chief of Staff, who are supportive of this arrangement given the amendments encompassed in the paper carry minimal risk and no corporate governance issues.

Uploaded to the Reading Room: ISC ToR – Tracked Changes.

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Appendix 1 – Amended Inquiry SteerCo ToR

Input / Reviewed By:

Date	Version	Document Revision History	Document Author/Reviser
5/7/2021	1.0	Inquiry SteerCo ToR	Kevin Hutchinson
4/4/2023	1.1	Changes made to reflect need for swifter decision-making around the strategic approach, reduction in quorum, introduction of emergency provisions for urgent decision-making, introduction of formal minutes, introduction of delegates	Helen Bussey **Reviewers:** *Diane Wills* *Gemma Ludgate* *Louise Sivey* *Evelyn Hocking* *Andrew Mortimer*
16/05/23	1.2	Updated to reflect latest external advice on management of potential conflict	Helen Bussey
16/06/23	1.3	Updated to reflect the feedback from CoSec with regards escalation routes where there is a potential conflict of interest. Incorporates escalation to Senior Independent Director and at least two other Non-Executive Directors	Helen Bussey
26/07/23	1.4	Update to reflect the proposed changes to ISC membership. The addition of 2 voting members (Anshu Mathur, Group Assurance Director and Kathryn Sherratt, Finance Director). The Removal of one non-voting member, Helen Bussey.	Donald Peacock
06/11/2023	1.5	Updates to Members and changes to reflect additional delegation of authority to Inquiry Director and Introduction of Section 3c	Joanne Waites
15/11/2023	1.6	GE Minor amends	Joanne Waites
08/02/2024	1.7	Updates to Members	Joanne Waites
29/02/2024	1.8	Updates to Governance Structure, removal of the Sensitive Issues Panel as a Sub Committee of ISC para. 3C within the ISC ToR Updates to the DAM in line with Inquiry Structure and Finance Forum out of spend requests	Joanne Waites

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Governance

Committee	Version	Decision	Date
Inquiry Steering Committee	V1.1	For approval in principal to submit to GE	04/04/2023
Inquiry Steering Committee	V1.2	For approval	16/05/23
Group Executive Committee	V1.3	For approval	28/06/23
Group Executive Committee	V1.4	For approval	09/08/23
Inquiry Steering Committee	V01.5	For approval	08/11/2023
Group Executive Committee	V01.5	For approval	15/11/2023
POL Board	V01.6	For Noting	28/11/2023
Inquiry Steering Committee	V01.7	For approval	12/02/2024
Group Executive Committee	V01.7	For approval	14/02/2024
Inquiry Steering Committee	V01.8	For approval	07/03/2024
Strategic Executive Group "SEG"	V01.8	For approval	13/03/2024
POL Board	V01.8	Noting	

1. Background

The Inquiry Steering Committee (ISC) ultimately derives its authority from the Post Office Limited Board. Board retained authority for certain strategic matters and delegated other matters to the Group Executive committee [GE]. ISC was established in December 2020, as a focused GE sub-committee, to provide oversight of the Inquiry Programme and to make decisions in meeting POL's Inquiry objectives.
The objectives of the programme are:

1. Support and cooperate with the Inquiry in its work, which include timely response to requests (e.g. rule 9s / S21's);
2. Demonstrate the good progress that has been made in respect of these issues and the ongoing plans that POL has to ensure that these issues would never happen again;
3. Appropriately support witnesses through this process.

2. Purpose

The purpose of the ISC is to provide Executive oversight of the Inquiry Programme.
The ISC:

a. Acts as the Executive Sub-Committee accountable for making decisions as to the strategic approach to the Inquiry and 3rd parties (other than for those matters reserved to the Board)
b. Provides direction, guidance and support to the Inquiry Director in delivering the Inquiry Programme on any matter that is escalated for discussion or approval.

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The responsibilities and delegated authorities of the ISC are as set out in these terms of reference, changes to which must be approved by the Strategic Executive Group and noted by the POL Board.

3. Responsibilities

A. Responsibilities of the ISC:

1. ***Decisions on the strategic approach to Inquiry and Third Parties including to:***
   a. Approve the content of skeleton closing submissions for each phase (approval of topics must first be approved by Board);
   b. Approve the content of skeleton written submissions for ad hoc hearings on compensation matters;
   c. Approve for recommendation to the Board issues reserved to Board for decision (such as on the approach to legal privilege and as set out in the Delegated Authority matrix);
   d. Approve the overall Inquiry Communications strategy;
   e. Confirm the need to acquire documents not in POLs custody/control;
   f. Approve decisions relating to issues of substance on which POL may seek to challenge the Inquiry's approach through a legal process.

2. ***Approve the strategic approach to 3rd parties in respect of documents/legal privilege including but not limited to:***
   a. Royal Mail Group
   b. Fujitsu
   c. UKGI/BEIS
   d. Former advisers
   e. Former executives and POL employees.

3. ***Approval of principles and guidelines for key Inquiry processes in particular in relation to:***
   a. proactive information sharing with the Inquiry;
   b. witness support (pastoral and financial) for former and current POL employees (including D&O insurance);
   c. commercial sensitivity document reviews and whether POL should seek a Restriction Order in any case.

4. ***Decisions on urgent and operational matters which have the potential to impact on the relationship with the Inquiry or otherwise have wider implications, such as:***
   a. POLs own phase preparations, e.g. whether to appoint experts, whether to seek to proactively offer the Inquiry various work products.

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5. Oversight and direction on programme delivery

a. Overseeing status of Rule 9 and Section 21 requests and closure of Human Impact tracker measures;
b. Advising on risks and issues escalated to ISC.

B. Responsibilities of individual Steering Committee members:

1. To understand the goals, objectives, and desired outcomes of both the Inquiry Programme and any wider operational improvement programmes and projects, including those governed by IDG;
2. To consider the impact of the actions of the Inquiry Programme in relation to Post Office's responsibility to respond to the Inquiry;
3. To prioritise attendance at ISC meetings;
4. Review all material circulated to ISC members and clarify as necessary their own understanding of key issues;
5. To complete actions within the timescales set by the Chair;
6. To provide constructive challenge on matters on the agenda, considering the best long term interests of POL;
7. To apply a horizontal lens, assessing and understanding impacts across the organisation, highlighting any anomalies, overlaps and gaps;
8. To work collaboratively to achieve agreed strategic objectives;
9. To promote continuous improvement and alignment to best practice, providing regular feedback;
10. To act on opportunities to communicate positively about the programme and to share learnings where it will support positive change in other projects and Post Office more generally.

4. Authority

The Board has granted delegated authority to ISC, via SEG, to make decisions in support of the strategic approach to the Inquiry and 3rd parties, as set by Board, and in establishing principles for the proactive information sharing.

Decisions may be taken within the authority of ISC and within the approved Programme spend limits. ISC have no authority to approve funding requests. Further details are set out in the Inquiry Delegated Authority Matrix.

5. Quorum

A minimum of two (2) standing attendees are required for the meeting to be quorate. The quorum must include at least one attendee invested with delegated authority, i.e. the Group CEO or the Inquiry Director (or their delegate).

6. Decision-making

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a. Decisions shall be made by a majority of the ISC members in attendance, with a casting vote from the Chair.
b. The Executive Members (those on SEG) retain discretion to direct approval papers to SEG (prior to onward transmission to Board) if deemed appropriate
c. Under exceptional circumstances, or where an urgent decision is required, the Group CEO, in consultation with the Inquiry Director (or Inquiry Operational & Strategy Director as delegate), may, at their discretion, take decisions off-line on behalf of ISC and without reference to other attendees. In such circumstances the Inquiry Director (or Inquiry Operational & Strategy Director as delegate) shall arrange for the decision to be followed up in writing (with the full approval trail) and recorded on the Inquiry Decision Log.
d. If approval is required between scheduled meetings, a decision may be sought from ISC members over email and such decisions should meet quorum requirements set out above. In such circumstances the decision shall be shared with all members at the earliest opportunity and the decision recorded on the Inquiry Decision Log.
e. Decisions taken and actions raised or updated at the forum will be recorded and a log kept by the Inquiry Programme Office.
f. To ensure SEG remain informed of Inquiry matters, the Inquiry Director will provide a monthly update and all ISC papers will continue to be shared to the SEG Reading Room (redacted papers as appropriate)

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7. Meetings

Frequency:

a. Meetings will take place at least monthly.
b. Extraordinary meetings may be required for rapid decision making in relation to critical matters arising and where possible at least one day's notice will be provided to attendees. Such extraordinary meetings may be called at the request of the Chair.
c. If no critical decisions are required, and a meeting is not needed, a report may be issued to update members on progress and upcoming activities.
d. A decision will be taken by the Inquiry Programme Office in consultation with the Inquiry Director and ISC members during the week prior to the meeting as to whether any scheduled meeting is required. Where the ISC is not required, attendees will be notified promptly, no later than two days in advance of the meeting.
e. Notice of each meeting shall be given to all those entitled to attend but notice need not be given in writing.

Format:

a. The ISC may meet in person, by telephone or by other electronic means, so long as each member can contribute to the business of the meeting simultaneously.

Minutes:

a. Minutes will be produced by the Secretariat and circulated promptly following the meeting along with actions and decisions. These meeting records will be maintained by the Inquiry Programme Office.
b. Minutes will be assumed to have followed the agenda items as included in the agenda.

8. Standing Agenda

Standing agenda items are as follows:

1. Minutes from previous meeting
2. Items requiring ISC decision or for Noting
3. High level programme update:
    - Update on Inquiry since previous meeting
    - Forward view of activities
    - Open actions and actions closed since last meeting
4. Financials and MI reporting to include Key Risks & Issues will be on a monthly basis in line with financial data availability (WD7).

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9. Supporting Materials

All papers will be submitted a minimum of one working day before the Group meets. Papers for every ISC will include the following:

1. Agenda for upcoming meeting;
2. Minutes, actions and decisions from the previous meeting;
3. Decision/discussion/noting papers;
4. Status report including:
    a. Summary of progress since last meeting
    b. Open actions and actions closed since last meeting
5. Management information to include Financials, Key Risks & Issues and a summary of Inquiry commitments and any other supporting documents to be provided on a monthly basis.

10. Membership

Role	Voting Rights
Group CEO	Yes
Group Chief Finance Officer	Yes
Finance Director Deputy for Group CEO and Group Chief Finance Officer	Yes
Director of Integrated Communications, Planning and Delivery	Yes
Strategy & Transformation Director	Yes
Horizon and GLO IT Director	Yes
Inquiry Director (Chair)	Yes
Group Assurance Director	Yes
Inquiry Operations & Strategy Director Deputy for Inquiry Director (Chair)	Yes
Secretariat	No

Other attendees:

Other attendees may attend ISC as required to present agenda items or to assist in decision-making, as requested by the ISC Chair, and if required for that agenda item, must have an approved Confidentiality Undertaking in place.

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11. Management of potential conflicts

The following process will be followed where a Steering Committee member has a potential interest in any proposed agenda item.

Step 1 – Preparing ISC meeting papers

a. Based on the agenda, the Inquiry team (led by the Inquiry Director) shall identify potential interests and consider whether any of those interests create an actual or potential conflict of interests.

Step 2 – Assessment of potential conflicts

a. Before sending the meeting pack to the ISC members, the Inquiry Director shall discuss and agree with the relevant ISC member whether an interest should be disclosed, or if a potential conflict arises, applying the principles. If an interest or potential conflict is identified this will be documented per the principles, see Appendix 1.

b. Where the interest may give rise to an actual or potential conflict of interest, the Inquiry Director will work with the ISC member to determine the correct course of action.

c. If the ISC member (who is not the CEO) and Inquiry Director fail to agree on whether there is a potential conflict, the Inquiry Director shall liaise separately with the CEO, who shall determine if a conflict arises.

d. If the relevant ISC member who may have an interest in the agenda item is the CEO, and if the CEO and Inquiry Director do not agree on whether there is a potential conflict, the Inquiry Director shall discuss the matter with the Senior Independent Director and Legal Non-Executive Director of the POL Board who shall decide the issue.

e. If for any reason the Inquiry Director believes the Senior Independent Director and Legal Non-Executive Director of the POL Board may have a potential conflict, then the CEO's potential conflict shall be considered by the Chairperson of the POL Board without any identified interest in the matter.

f. To support the Inquiry Director in consulting (as appropriate) with the Senior Independent Director of the Post Office Limited Board or the Chairperson of the POL Board, as regards a potential conflict, per the above, the Inquiry team shall prepare a written summary of: (i) the relevant decision that needs to be made; (ii) the potential conflict issue that has arisen; (iii) a proposed recommendation / course of action to be taken.

Step 3 – Circulation of meeting packs

a. The agenda shall be circulated to ISC members together with the full meeting packs and at this point the ISC members will be asked to review the papers

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and consider whether they have any potential interest in the matters to be discussed (particularly where the Inquiry team may not be aware of it).

b. In the majority of cases where a potential conflict has been identified it will be appropriate for the relevant ISC member to: (a) receive the entire board pack; and (b) remain in the meeting room during the discussion of the matter in relation to which they have a conflict. However, such ISC member shall not participate in any decision-making in relation to the matter, per the principles.

c. Only where the potential conflict of interest raises specific sensitivities will it be appropriate: (a) to send the relevant ISC member a modified version of the board pack with the materials pertaining to that agenda item removed or redacted; and / or (b) for the ISC member to step out of the meeting during the discussion of the relevant matter. In assessing the existence and gravity of any such potential sensitivities, regard shall be had to POL's best interests, taking into account any particular external stakeholder scrutiny in relation to the matter to be discussed.

d. Where the above scenario applies, the cover email sent to the ISC members with the pack will outline the potential interest of any parties and explain that to avoid a potential conflict the members in question will not participate in the specific discussion/decision item on the agenda:

Step 4 – Interests identified during the meeting

a. On rare occasions, an ISC member may identify that they have an interest in a topic (which may give rise to a potential conflict of interest) during a meeting where this was not previously identified through Steps 1 to 3.

b. In this scenario, the Inquiry Director shall exercise their discretion as Chair of the ISC to pause the discussion pending a consideration of whether a potential conflict of interest arises, applying the process set out at Step 2 above.

12. Future updates to ISC ToR

The Committee will undertake a review of the Terms of Reference at least every twelve months. Significant changes proposed to the Terms of Reference will require ISC approval for recommendation to SEG for approval and to Board for noting.

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APPENDIX 1 – PROPOSED PRINCIPLES FOR MANAGING POTENTIAL CONFLICTS OF INTEREST

1. All Inquiry Steering Committee (ISC) members shall consider at the earliest opportunity whether they have an interest - be it actual or potential, direct or indirect, or financial or otherwise - in any matter which is under consideration by the ISC. For further guidance on what constitutes an "interest", please consult the POL conflicts of interest policy.

2. In advance of any ISC meeting, the Inquiry Director shall circulate an agenda of the matters to be discussed. Prior to the meeting, ISC members shall consult the agenda and identify whether they may have an interest in any agenda items for the upcoming meeting.

3. Where any ISC member has an identified interest in matters to be discussed at a forthcoming meeting, the ISC member with the relevant interest shall, together with the Inquiry Director, assess whether such interest may give rise to an actual or potential conflict, considering all the relevant circumstances and information that may give rise to a conflict between the identified interest of the relevant ISC member and POL.

4. In assessing whether there is a potential conflict, the question to be asked is whether, taking into account what the relevant ISC member knows or ought to know, a fair-minded and informed observer would think there is a real possibility of an actual or potential conflict of interest arising between the interest(s) of the ISC member and the best interests of POL.

5. This question should be considered taking into account what reasonable steps may be put in place to mitigate the risk of conflict or perceived bias or partiality on the part of the ISC member, bearing in mind that in the ordinary course the ISC is better equipped to determine a strategy when all of its members participate in the decision-making process.

6. If the ISC member and the Inquiry Director agree that there is a risk of a potential conflict between POL's interests and those of any ISC member(s) in relation to any matter to be discussed, the ISC member shall decline to participate in the decision-making pertaining to such matter, in the best interest of both POL and the ISC member. No impropriety is assumed on the part of the ISC member.

7. If the ISC member and the Inquiry Director do not agree on whether a potential conflict arises, the Inquiry Director shall seek the opinion of the CEO regarding whether the ISC member should participate in decision-making on the relevant matter.

8. If the interest referenced at point 3 relates to the Inquiry Director, but not the CEO, the decision as to whether the Inquiry Director has a potential conflict of interest shall be taken by the CEO, having regard to the considerations listed at points 4 and 5 above.

9. If the interest referenced at point 3 relates to the CEO, then the decision as to whether the CEO has a potential conflict of interest shall be taken by the Senior

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Independent Director and Legal Non-Executive Director of the POL Board, having regard to the considerations listed at points 4 and 5 above.

10. If for any reason the Inquiry Director believes the Senior Independent Director and Legal Non-Executive Director of the POL Board may have a potential conflict of interest such that a perception of a conflict may arise if the Senior Independent Director and Legal Non-Executive Director of the POL Board were to decide on the issue of whether the CEO's interest in a matter rises to the level of a potential conflict, the question shall be considered by the Chairperson of the POL Board without any identified interest in the matter.

11. Where the Inquiry Director consults with the Senior Independent Director and Legal Non-Executive Director of the POL Board or the Chairperson of the POL Board, per the above, the Inquiry Director shall prepare a written summary of: (i) the relevant decision that needs to be made; (ii) the potential conflict issue that has arisen; (iii) a proposed recommendation / course of action to be taken.

12. If the Inquiry Director and the CEO are both potentially conflicted on account of identified interests, the General Counsel (if not potentially conflicted) or another member of the ISC (if the General Counsel is potentially conflicted) shall prepare the materials referenced in point 11 above.

13. Any disclosure of an interest or any conflict should reflect the following 'disclosure' principles:

    a) Specifically describe and document the identified interest or conflict in sufficient detail to allow for a decision to be made as to the existence of the potential or actual interest or conflict

    b) In relation to an identified interest where the ISC concludes no conflict arises, document the basis for the conclusion.

    c) In relation to a potential or actual conflict, document: (i) the general nature and/or source of the conflict; (ii) the risks that arise from the conflict; and (iii) risk mitigation steps taken.

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APPENDIX 1 – INQUIRY: FINANCE DELEGATED AUTHORITY MATRIX

	POL Board	CEO	GE	ISC	Programme Sponsor	Inquiry Director	Inquiry Operations & Strategy Director	~~Inquiry Programme Manager~~	Inquiry Head of Legal	~~Phase~~ Delivery lead	Workstream lead	Historic Matters Financial Management	Director of Integrated Communications, Planning and Delivery	Group Chief Financial	Strategy & Transformation Director	Inquiry Finance Director
F. FINANCIAL APPROVALS																
Approve funding for full life of programme	X															
Approve proposed funding request for Board approval			Remove	NEW	X	X								X	X	
Approve drawdown of agreed funding												X				
Approve funding requests over annual budget and agreed tolerances												X				
Approve new spend requests within agreed overall programme budget						NEW		Remove								NEW
Approve new spend requests over agreed budget but within agreed tolerances						NEW		Remove								X

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	POL Board	CEO	~~GE~~	~~ISC Sub Group Sensitive Issues~~	ISC	Programme Sponsor	Inquiry Director	Inquiry Operations & Strategy Director	~~Inquiry Programme Manager~~	~~Programme Delivery Forum~~	Inquiry Head of Legal	Phase Delivery lead	Workstream lead	Historic Matters Financial Management	~~Group General Counsel~~	~~Group Chief Communications Officer~~ Director of Integrated Communications, Planning and Delivery	Group Chief Financial Officer	Strategy & Transformation Director	Inquiry Finance Director
A. STRATEGIC APPROACH:																			
Approval of overall strategic approach to the Inquiry	X																		
Approve decisions on matters of substance on which POL may seek to challenge the Inquiry's approach through a legal process					X														
Approve other matters to Inquiry approach							X												
Approve the strategic approach to third parties, including RMG, Fujitsu, UKGI/DBT/Former Advisers/Former Execs and POL Employees					X														
Approve operational/tactical decisions for each phase, e.g. whether to appoint experts, whether to seek to proactively offer the Inquiry various work products					X														
B. CLOSING SUBMISSIONS - WRITTEN:																			
Phases 1-6:																			
Approval of topics for closing submissions for phases 1-6	X																		
Approval of content of skeleton closing submissions for phases 1-6					X														
Approval of final closing submissions for phases 1-6							X												
Phase 7:																			
Approval of topics for Phase 7 closing submissions	X																		
Approval content of skeleton closing submissions for Phase 7	X																		
Approval of final submission for Phase 7	X																		
C. COMPENSATION HEARINGS:																			
Approve topics for ad hoc compensation hearings	X																		
Approve content of skeleton submissions for compensation hearings					X														
Approve written submissions for ad hoc compensation hearings							X												
D. DOCUMENTS & DISCLOSURE:																			
Approve written submissions for ad hoc disclosure hearings							X												
Approve written submissions for interim disclosure statements							X												
Approve need to acquire documents not in POLs custody/control											X								
Approve requests to share documents within POLs custody/control											X								
E. LEGAL PRIVILEGE:																			
Approve overall approach to legal privilege	X																		
Approve ad hoc decisions with regard to legal privilege (where these fall within Board's decision on overall approach to legal privilege)					X														
F. FINANCIAL APPROVALS																			
Approve funding for full life of programme	X																		
Approve proposed funding request for Board approval			Remove		NEW	X	X										X	X	
Approve drawdown of agreed funding														X					
Approve funding requests over annual budget and agreed tolerances														X					
Approve new spend requests within agreed overall programme budget							NEW		Remove										NEW
Approve new spend requests over agreed budget but within agreed tolerances							NEW		Remove										X
G. COMMUNICATIONS:																			

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POST OFFICE LIMITED
BOARD REPORT

Title:	Remediation Unit Programme Update	**Meeting Date:**	25 March 2024
Author:	Simon Recaldin, Remediation Unit Director	**Sponsor:**	Simon Recaldin, Remediation Unit Director

Input Sought: Noting – **POL Board is asked to Note:**

The key strategic issues highlighted in the Executive Summary below:

- Ongoing uncertainty in respect of management and delivery of OC and HSS claims; negative publicity around the speed of redress payments; uncertainty around a potential Appeal Process; as well as reaction to not only the ITV drama but also the Government Select Committee on 27th February, combine to present a challenging environment within which RU is operating.
- Significant replanning is currently being undertaken to enable RU to further accelerate the payment of redress to PMs whatever scheme they have applied to. Consideration is being given to a range of options to address head on the challenge to further expedite payments.
- Following feedback at the Government Select Committee, RU will refer to redress instead of compensation wherever possible going forward. This responds to the claim from PM's that they are being repaid money they gave to Post Office, while being aware that some HoL's are compensatory in their nature.
- In OC, RU await a decision from Government regarding future delivery of claims, while in HSS 1,146 Late Applications had been received by 29th February 2024.

Executive Summary

Overturned Convictions:

1. As at 29th February, 102 convictions have been overturned, with 35 full and final settlements reached and more than ~£38m in compensation made to claimants.
2. DBTs agreement, and subsequent 26th February announcement, of the POL proposed £450k top up payment (on receipt of pecuniary claim), is a positive development. Early indications from claimant representatives is that this will accelerate claim submission for the 54 outstanding pecuniary claims, and the OC team stands ready to progress on receipt.
3. POL remains largely unsighted on HMG proposals regarding the proposed exoneration Parliamentary Bill both in terms of timing and scope; ownership of future claims handling (i.e. will it be POL or Government or a combination of both); and any potential changes in approach as regards HM the Treasury compensation Value for Money (VfM) directive (currently considered to be redress amounts analogous with litigation outcomes, rather than "commercial" settlements which additionally consider Operational and legal costs). These all continue to present material risks for OC, in terms of budget, scope, approach and timelines. We continue to seek clarity from DBT, and will provide further updates as and, when, available.

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HSS:

4. As at COB 29th February 2024, POL had received 1,146 Late Applications of which 472 have had eligibility confirmed. 697 of these late applications were received following the *Mr Bates vs The Post Office Drama* in January.
5. Late applications continue to come in, coupled with enquiries about the HSS from current and former Postmasters, branch employees and strategic partners. For now, POL continues to decline HSS applications from assistants/employees since the HSS eligibility criteria requires applicants to have held a direct contract with POL.
6. A growing number of PMs who have settled their HSS claim are also asking to have their claim reopened and such requests are being declined. The possible introduction of an Appeals Process may allow previous settled claims to be re-opened though discussions continue.
7. As at COB 29th February 2024, POL has issued 242 Offers and 61 ineligible outcomes from the late applications. No Offers were issued in February as a decision was put through relevant governance channels to remove 'Without Prejudice' labelling from outcome letters. The matter is now resolved. Letters restarted on 1st March and the website has been updated with a full explanation for postmasters and the public as to the issue.
8. An interim Late Apps plan has been proposed by HSF, given the rise in volumes, to allow all parties to be measured against more realistic targets. This interim plan is expected to be superseded by a new, formal plan once a decision is reached about implementing the £75k full and final fixed sum offer in HSS. A decision on this is anticipated by early April 2024.
9. Discussions about an end date are on hold while the media coverage of the Post Office scandal continues, given it would seem inappropriate to be seen to be 'rushing' PMs to submit an application.
10. We are working towards the next DBT/HMT target which is to have issued outcomes to 95% of all late applications received by 30th September 2023 on or before 31st March 2024. We are at 85.7% having issued 241 Offers and 52 ineligible outcomes to this population.

GLO:

11. The DBT contract has been signed and was published by 4th March. POL has provided input on redactions.
12. POL have identified that in a minority of cases (0.05% in the sample) additional branch files are being found for cases already disclosed. DBT have been made aware and this is being monitored to understand whether there is any impact to SFAs. To date, the risk has been found to be minimal.
13. Freeths have requested that POL provide an SFA teach in to support their understanding of the information provided. POL have advised that a specific session can be held if Freeths are able to provide a list of queries in advance to support training requirements.
14. The GLO disclosure/SFA plan and corresponding resource plan have been reviewed with input from DBT due to the claims which have accepted the £75k. Decisions required by DBT include what level of resource is required to mitigate any actions going forwards once the main disclosures and SFA's have been completed.
15. POL remains on target with disclosure and SFA requests. 294 disclosure requests have been completed against a target of 294, and 86 SFA requests have been completed against a target of 86.

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Criminal:

16. There are 6 live appeals in the CACD – two are opposed and the disclosure deadlines have been met. The other two are in their early stages and are likely to be opposed. 2 cases have only recently been lodged with the Court of Appeal Office.
17. In Scotland, there remain two live appeals, one of which is opposed and listed for a substantive hearing on 24th April 2024. Disclosure is being prepared in relation to the other appeal and this is listed for a procedural hearing on the same date. There is one contested live appeal in Northern Ireland, for which disclosure has been provided.
18. Mrs A (of the couple who absconded) is due to be sentenced on 3rd April 2024.
19. There are now 3 CCRC references currently at Southwark Crown Court. Two of those are Magistrates' Court deceased cases where the families of the appellants have now decided that they do wish to continue with the appeals notwithstanding the Government announcement. The case is due to be listed in April 2024 and involves complex legal issues.
20. POL continues to prioritise competing disclosure requests. The SCCRC have recently complained about the timescales provided for the provision of material. A response has been sent confirming that the SCCRC applicants are being prioritised directly below live appeals and that the timescales provided are reasonable in the circumstances.

Suspension Remuneration Review:

21. As at 22nd February, 539 offer letters have been sent, of which 285 have been accepted. Payments have been made on 238 of the accepted cases totalling IRRELEVANT The majority of the remaining 47 cases awaiting payment are with Treasury for approval. Process changes have been made to avoid these delays moving forward. CL claims are starting to rise, with an increase of +7 this week to 27 albeit from a low base.
22. RU remain on track to have made offers to all accepted disclosures by the end of March 2024. Process work continues to finalise letter types (i.e. deceased/ insolvents etc) and the query process.
23. Work has commenced to start to lock down the SRR population and disclosure letters on the new c 500-700 cases will start to be sent from next week.

POL Process Review:

24. The CMA published their report on the IRRELEVANT PPR funding on 22nd February, it remains open for one week for comment before being finalised.
25. A proposal for a PPR de minimis level of IRRELEVANT before interest to be applied to PPR claims is going went to RC for approval on 28th February. RC did not have time to consider the paper, so we are looking to hold a separate meeting with DBT to agree the approach. We anticipate this IRRELEVANT is high enough to cover the majority of claims made across the ten areas of actual and potential detriment identified. This will make the process simple for both postmasters and the RU operations team and greatly reduce the length of the scheme. We aim to launch a small pilot in March/April to ascertain the reaction to the offer and test the remediation process.
26. Papers are going through governance confirming the final scope of PPR investigations and listing those items which have been excluded. This will include how claims made for shortfalls in the HNG-A period leading up to the review and dispute process being introduced in April 2021 should be managed. Currently, HNG-A claims are outside the scope of HSS. When these items have been through governance, a paper for consideration will come to a future GE for consideration by the wider business.
27. Consideration will then be given to how we address postmasters who we have asked to pause making payments against their outstanding balances. The majority of postmasters who were making payments have been asked to pause these. There are some postmasters

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who have not been asked to pause but these are for specific reasons which have been signed off by Legal. Some of these matters may be addressed by PPR disclosures but many will not.

Capture:

28. Capture was a software package which aimed to replace the manual cash and stock records kept by postmasters, simplifying the process, and reducing error rates. It was not mandatory and appears to have been used in a minority of branches; most postmasters kept manual records. Capture did have bugs/defects, but it appears they were communicated to users, sometimes with workarounds or news of future updates. Based on the information known to date, it appears less likely that Capture would have caused serious detriment to postmasters by itself, in fact there is some evidence that postmasters found it helpful. At this early stage, the potential for detriment appears more likely to have been caused by the use that was made of Capture data in audits and investigations into the difference between Capture reported balances, centralised paperwork and/or cash and stock in branch. RU continue to investigate this. Postmasters were on the same contracts from 1991 (Capture was introduced in late 1992) as they were during the Horizon period i.e., they were expected to make good any shortfalls and were suspended without pay while investigations took place.
29. Pre 1999 there is very little information to support claims as there is no transactional data to investigate shortfalls. Therefore, if claims are to be remediated, we will be heavily dependent on information provided by Postmasters.
30. RU legal is investigating POL's potential liability for the claims that we have already received.
31. IRRELEVANT
32. A discussion paper has been to RC and we are discussing funding options with DBT.

Finance Update:

2023/24 Approved Funding & 3YP

33. At P11, RU is IRRELEVANT under Board Approved Funding YTD despite significantly higher HSF costs associated with Late Applicants to the HSS scheme. Underspend is due largely to cost slippage of PPR resourcing and assurance into FY24/25. The Full Year forecast is expected to be IRRELEVANT under Board Approved Funding, again due to costs slipping onto FY24/25 and, notably, the re-phasing of the Tax Top Up.
34. The forecast for FY24/25 has been significantly impacted by recent events and a resultant surge in HSS applications. This is expected to continue, although estimates still currently assume a scheme closure date of September 2024 – risks are being held should this date be extended further. Risks associated with further late applications, OC exonerations and HSS IRRELEVANT payments are not yet quantified and remain outside of the current budget forecast.

Legal Fees

35. The inclusion of Legal Fees reporting came from an Internal Audit report recommendation based on both RU and the Inquiry where, in February 2023, there were IRRELEVANT of unpaid invoices, with IRRELEVANT awaiting a PO, equating to IRRELEVANT IA recommended GE should be sighted of outstanding amounts, including invoiced amounts without a PO.

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Outstanding Legal Fees as at 28th February 2024

	No Purchase Order					
By Supplier	Count	Value £000	Count	Value £000	No PO %	WoW £000
HSF						
BSFf						
P&P						
WBD						
DACB						
Innovo						
KPMG						
Brodies						
Pin Mas						
1COR						
4PC						
Inquiry						
RU						
Total						

IRRELEVANT

Table 1 – Invoice Ageing by Work Date (Workstream & Supplier) as at 28th February 2024

			By Value													
By Workstream	Count	Value £000	Pre-FY 22/23	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Total
CCRC																		
HSS																		
HSS/PO																		
Inquiry																		
Central																		
LGA																		
OC																		
Ops/Det																		
GLO																		
PPR																		
Small Projects																		
Stamps																		
Total																		
Inquiry																		
RU																		

IRRELEVANT

			Value £000													
By Supplier	Count	Value £000	Pre-FY 22/23	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Total
HSF																		
BSFf																		
P&P																		
WBD																		
DACB																		
Innovo																		
KPMG																		
Brodies																		
Pin Mas																		
1COR																		
4PC																		
Total																		

IRRELEVANT

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POST OFFICE LIMITED
BOARD REPORT

Title:	Remediation Unit Funding Request	**Meeting Date:**	25 March 2024
Author:	Jamie Tebbutt/Chris Elliott, Project Manager	**Sponsor:**	Simon Recaldin, RU Director

Input Sought: Approval

POL Board is requested to approve:

i. the request that the Remediation Unit seeks Budget approval to delegate authority to the SEG (via HMFM) for FY24/25 (noting the 24/25FY budget of IRRELEVANT (Budget breakdown detailed in Appendix 1).

ii. drawdown funding of IRRELEVANT for April-September 2024.
DBT have confirmed that they have the CST approval and have laid the title for a WMS (Written Ministerial Statement) on Tuesday 19th March. In coordination with this DBT are finalising the funding letter to be issued early week commencing 18th March confirming POL's access to the IRRELEVANT ontingency.

Executive Summary

We are seeking funding up to the current approved Government funding of IRRELEVANT which is the initial IRRELEVANT approved plus the IRRELEVANT contingency (for Inquiry and RU). This approved funding is forecast to last Inquiry and RU until the end of September 2024. Approval up to the IRRELEVANT is conditional on Government having released the IRRELEVANT funding that Inquiry and RU requested as contingency.

Report

Activity across the Remediation Unit through FY24/25:

1. **HSS Offers:** continue to process HSS Offers for the late application cohort. Original forecast for Late applications is under challenge due to sustained media focus throughout 24/25 together with the potential widening of HSS Eligibility Criteria. Expectation is that volumes will increase significantly above that original forecast and therefore further funding will need to be secured from POL Board.
2. **HSS Dispute Resolution Team:** Offer 100% IP to all late applicants and revised offers by December 2024. Pay all IP top ups by September 2024. Make payment to the 4% of applicant counter offers where the counteroffer is proportionate to the original panel offer. Ensure all applicants are paid in full and final settlement by March'25
3. **POL Process Review (PPR)** – for the 24/25 period – Launch the process by writing to ~27k Postmasters with details of the potential detriment we have found and ask them to apply for redress. With a pragmatic level of de minimis we aim to make this a very simple process for the Postmasters and aim to have the majority of payments made within the year.

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4. **Suspension Remuneration Review (SRR):** Issue 100% of initial offers to disclosed cases and to have made 100% payments to accepted cases as well as making Offers on 100% of the Consequential Loss cases by March end 2025.
5. **CCRC - PFA disclosure** - expected to see an increase in volumes during 2024/25. Continue to take forward appeals of convictions, Third Party Information Requests and PFA Outreach Management.
6. **OC** - As at 6th of March, 102 convictions have been overturned, with 35 full and final settlements reached and more than IRRELEVANT in compensation made to claimants. The updated HMG policy position regards eligibility of claims previously considered "not in the public interest", has streamlined the interim payment/claim assessment process, although is likely to result in short-term adverse media coverage. POL continues to support the data requests from the MoJ, which will inform the scope of the proposed Parliamentary bill regards the potential overturn of all previous Horizon related convictions. The bill has the potential to materially change the anticipated volumes, timings, scope, and approach for the Overturned Convictions workstream. Currently POL visibility is limited, although a full impact assessment will be provided once details are confirmed. Irrespective of external factors, the OC workstream has continued to progress outstanding claims and initial/further interim payments. The establishment of the Independent Assessment Panel (chaired by Sir G Hickinbottom) is a key milestone for OC and is anticipated to be an essential component for expediting the Pecuniary claim submission and settlement.

Financial Impact

7. Budget approval ensures that RU stays within Financial Governance and can deliver against all priorities for the FY 24/25.

Risk Assessment, Mitigations & Legal Implications

8. Effect on schedule: Schedule will be delayed without the ability for timely drawdown of funding against approved budget, this could impact the organisation both reputationally and financially.
9. Effect on resource requirements: Current resource requirements would be delayed without RU Budget approval.
10. Effect on other projects /activities /programmes: Without budget approval and subsequent timely release of funding the Remediation Unit would not be able to provide effective and fair resolution for claims beyond the Sept 2024. This would impact the organisation both reputationally and financially.
11. Effect on Postmasters of this change to the project: Claims will be progressed through to completion providing closure for impacted applicants.
12. Effect on benefits plan: Without timely release of funding POL will not deliver against the current targets or be able to effectually resolve claims for those who may have experienced detriment related to previous versions of the Horizon computer system.
13. Effect on risk profile: This will mitigate the risk that RU falls out of financial governance in FY24/25.

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Stakeholder Implications

14. Budget Approval ensures that DBT and POL can provide fair recompense as swiftly as possible without further litigation.

Next Steps & Timelines

15. On approval at POL Board RU drawdown will be accessible following approval at HMFM for the months of April – Sept 24. RU will report back to HMFM/SEG and Board in Sept.

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Appendix 1

Budget Forecast 24/25 against 3 YP:

Workstream	Actuals FY22/23	Forecast FY23/24	Forecast FY24/25	Forecast 3YP	Approved 3YP	Additional Funding
Horizon Shortfall Scheme	IRRELEVANT					
Overturned Convictions						
CCRC						
POL Process Review (Detriment)						
Central						
Operations						
Workstream Total						
Tax Top Up						
Exit Costs						
Remediation Unit						

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Budget FY24/25 – Remediation Unit 3YP Overview

Consolidated position for Budget FY24/25 is IRRELEVANT being IRRELEVANT above Approved Funding.

By Programme	FY22 Actual	FY 23/24 Forecast	FY 23/24 Board	FY 23/24 Variance	FY24/25 Forecast	FY24/25 Board	FY24/25 Variance	3YP (FY22-24) Forecast	3YP (FY22-24) Board	3YP (FY22-24) Variance	FY24/25 Headcount (Mar 25) Forecast	FY24/25 Headcount (Mar 25) Approved	FY24/25 Headcount (Mar 25) Variance
Horizon Shortfall Scheme	IRRELEVANT												
Overturned Convictions													
CCRC													
POL Process Review													
Central													
Operations													
Exit Costs													
Programme Total													
Tax Top Up													
Remediation Unit Total													

FY24/25 - Cost Walk from Approved Funding (£m)

IRRELEVANT

Summary

- Increase driven by extension of HSS and an increase to estimated volume of Late Applications to 1,500 – including Panel and Mediation/Arbitration costs IRRELEVANT new activities relating to PCDP IRRELEVANT and Restorative Justice IRRELEVANT and higher Internal Resourcing costs in Operations and Central as programmes extend into FY24/25 and volumes of cases increase.
- Headcount forecasted to be 90 above Approved Funding driven by extension Operations and Central teams into FY24/25 costing IRRELEVANT offset by reductions on OC.
- **Note:** Forecast excludes risks relating to mass-exonerations in OC, changes to the HSS Appeals Process and further associated additional disclosure requirements – all to be quantified pending decisions.

Budget FY24/25 – Horizon Shortfall Scheme

HSS Budget FY24/25 is IRRELEVANT above Approved Funding.

IRRELEVANT

FY24/25 Headcount - Horizon Shortfall Scheme

IRRELEVANT

Summary

- Cost increases driven the extension of HSS into FY24/25 and an increase of Late applications to 1,500 from 416:
  - HSF Fixed Rate volume and post offer processes IRRELEVANT
  - Independent Advisory Panel (IAP) costs increase by IRRELEVANT due to higher volume of complex cases requiring panel decisions as it the scheme extends into FY24/25.
  - Mediation and Arbitration IRRELEVANT
- Core HSS resource increases to 7 headcount (including 3 legal support) due to the extension of the HSS Programme Lead and an uplift to the legal team.

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Budget FY24/25 – Operations

Operations Budget FY24/25 is IRRELEVANT above Approved Funding.

IRRELEVANT

Operations Headcount -

IRRELEVANT

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

Summary

- Increase to FY24/25 costs driven entirely by Internal Resourcing extending into FY24/25 and the increased volumes of cases relating to Late Applications.
- Comparing headcount as of March 25, Operations resourcing increases by 87 – broken down by team, as follows:

As at Mar 25	Budget	Approved Funding	Variance
Operations	IRRELEVANT		
DRP			
Ops			
SRR-PRR			
Claims review HSS			
Claims review SRR			
DSAR			
HSS			
SRR			

- Proposed reductions relating to expected OD have been removed with volume of cases increasing.

Budget FY24/25 – Central

Central Budget FY24/25 is IRRELEVANT bove Approved Funding.

FY24/25 - Cost Walk from Approved Funding (£m)

IRRELEVANT

FY24/25 Headcount - Central

IRRELEVANT

Summary

- Increases to FY24/25 predominantly driven by Internal Resourcing costs IRRELEVANT as RU schemes extend into FY24/25 – increases in COO, FOI &DP and Legal teams.
- Comparing headcount as of March 25, Central resourcing increases by 9 – broken down by team, as follows:

As at Mar 25	Budget	Approved Funding	Variance
Central	IRRELEVANT		
Comms			
COO			
Finance			
FOI & DP			
Legal			
PMO			

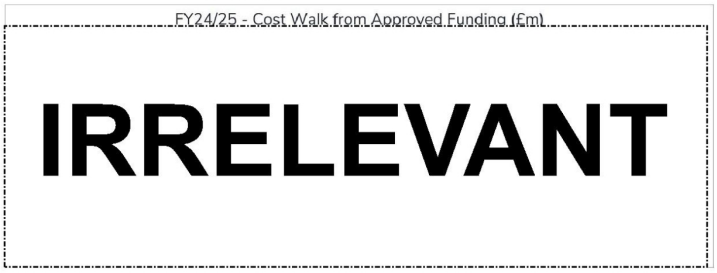
- Total cost of funding FOI & DP Team is IRRELEVANT or FY24/25.
- External Cost increases IRRELEVANT due to HSF activities in governance, general meetings and ad hoc advice.

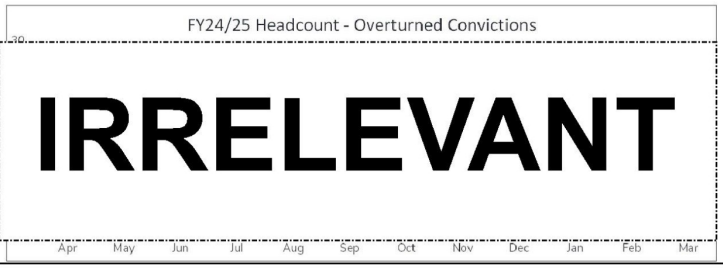
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Budget FY24/25 – Overturned Convictions

OC Budget FY24/25 is IRRELEVANT above Approved Funding.



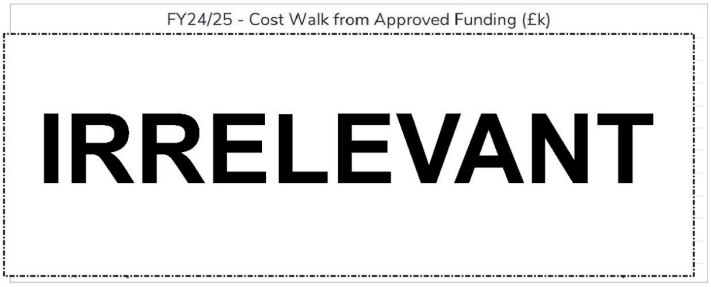


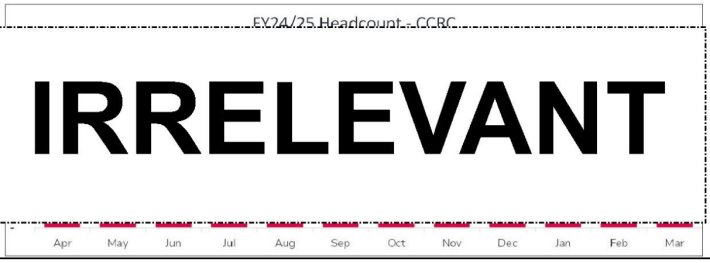
Summary

- Increase in OC costs driven by Restorative Justice IRRELEVANT
  - Restorative Justice costs relate to mediation sessions held with postmasters and POL senior leaders.
  - New activity so not previously forecast.
  - Opportunity to be funded by government.
- Other increases include software costs associated with DGA Data Transfer IRRELEVANT due to prolonged Criminal Appeals requiring data-sharing.
- Cost reductions due to:
  - Internal resourcing IRRELEVANT with headcount reducing to 9 (a reduction of 9) by Mar 25 as processes expected to move to BAU.
  - PI Mediation IRRELEVANT where it is expected IRRELEVANT settlements will reduce the volume of cases.

Budget FY24/25 – CCRC

CCRC Budget FY24/25 is IRRELEVANT above Approved Funding.





Summary

- CCRC cost increases are driven by the additional activities associated with the Post-Conviction Disclosure Exercise (PCDE) for Potential Future Appellants (PFAs).
  - Need driven by identification in the Inquiry of a large number of potentially relevant unsearched repositories that have been required by the Crown in Scotland.
- Other costs increases relate to the extension of Citizen Advice Support IRRELEVANT and marginal increases to P&P (£0.1m) relating to Matter 1 (Criminal Summary).

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Budget FY24/25 – POL Process Review

PPR Budget FY24/25 is IRRELEVANT above Approved Funding..

FY24/25 - Cost Walk from Approved Funding (£m)

IRRELEVANT

IRRELEVANT

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

Summary

- Slippage of costs from FY23/24 relating to the PPR Database and consultancy work IRRELEVANT
- Offset by reductions in both resourcing and KPMG costs.
- Potential opportunity included in R&O as an assessment of programme activities ongoing.

Budget FY24/25 – Risks & Opportunities

Net opportunity position is IRRELEVANT not currently in FY24/25 budget submission.

Risks

BU	Risk	£m	RAG
Risks not included in the FY24/25 budget relating to cost increases			
HSS	Volumes of Late Applicants reach 2,000 (currently budgeted for 1,500) - Extension of closure date		
Operations	Consultation processes relating to OD aborted for FY24/25		
HSS Appeals Process	Data and intelectual property transfer into DBT		
GLO Disclosure	Requirement for additional risk to speed up process		
PCDE Expansion	Initiatives to encourage claimants to come forward		
HSS	Capture/HNG-A assessment		
OC/HSS	Stratgeic Partners/Advisory Board impact on relatives		
HSS	£75k minimum payment (HSS) - Under Review		
OC	OC Disclosure - 983 convictions (vs 154)		
Total Risks			

Opportunities

BU	Opportunity	IRRELEVANT	RAG
Opportunities not included in the FY24/25 budget relating to cost savings			
Central	Efficiencies in resourcing and processes through the formation of an RU Data Centre		
CCRC	Change of supplier (P&P) on disclosure.		
Cost of specific items held within FY24/25 budget			
PPR	Programme review of activities and resourcing needs. Dependent on agreement of pragmatic de minimis approach.		
Central	Reduce attendence of HSF at RU in-house meeings.		
Operations	Review of DRP processes.		
CCRC	Re-assessment of PCDE requirements.		
CCRC	Determine vlaue for money of Citizens Advice Support Line.		
Tax Calculations	Process efficiencies generated by the internal team vs using 3rd party resource		
Total Opportunities			
Total Risk			

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POST OFFICE LIMITED
BOARD REPORT

Title:	Remediation Committee updated Terms of Reference	**Meeting Date:**	25 March 2024
Author:	Evelyn Hocking, RU COO Programme Lead	**Sponsor:**	Simon Recaldin, RU Director

Input Sought: Approval

Post Office Board is asked to approve an updated Remediation Committee (RC) Terms of Reference as detailed in **Appendix 1.**

Executive Summary

The HRC Terms of Reference were previously approved by POL Board on 28 September 2021. An updated Delegated Authorities Matrix was approved by HRC on 10 November 2022.

An updated HRC Terms of Reference and updated Delegated Authorities Matrix was approved for recommendation to POL Board by HRC on 19 April 2023 and approved by POL Board on 6 June 2023.

An updated RC Terms of Reference was approved by RC offline on 11 March 2024, and an updated RU Delegated Authorities Matrix was approved by RC offline on 1 March 2024.

Updates to the RC Terms of Reference are required to reflect the decision in July 2023 to remove references to the term "Historical".

Updates have also been made to the RC Terms of Reference to reflect the changes made to the RU Delegated Authorities Matrix.

POL Board is also asked within a separate paper submitted to this Committee to approve an updated RU Delegated Authorities Matrix. It should be noted that the RC Terms of Reference align with the RU Delegated Authorities Matrix and should be referenced together.

Next Steps & Timeline

1. If approved, CoSec will update the intranet with the clean final version of the RU Delegated Authorities Matrix and RC Terms of Reference.
2. As new governance protocols and changes to existing arrangements are made this paper will be updated and brought back through Governance as required.

A tracked changes version of the ToR has been uploaded to the Reading Room.

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APPENDIX 1

The Remediation Committee (RC) is a Committee of the Company Board ("the Board") from which it derives its authority and to which it reports at each scheduled meeting. Its authority is always subject to the powers and duties of the Board, as set out in the Articles of Association.

A. PURPOSE

1. The purpose of the RC is to:

   i) Oversee the administration of the Horizon Shortfall Scheme (HSS); consider the principles that underpin how HSS claims are assessed for the consideration of the HSS Independent Advisory Panel (IAP); oversee and consider as required claim outcomes recommended by the IAP (including those recommending offers of financial compensation); recommend to the Board decisions on precedent setting matters; and consider any other matters escalated to the RC for decision;

   ii) Oversee the administration of the Stamps Scheme;

   iii) Decide, in accordance with decision making tools approved by the Board, the Company's stance on appeals to the Court of Appeal (Criminal Division), Scottish Court of Appeal and Crown Court of convictions where Post Office acted as prosecutor;

   iv) Oversee the efforts made by Post Office to contact potential appellants to encourage them to apply to overturn their convictions, including where they were convicted by prosecutors other than Post Office;

   v) Oversee the management of claims for compensation made by those who have had their convictions overturned/exonerated; consider policies, parameters, and principles that underpin how claims are assessed; recommend to the Board decisions on precedent setting matters; and consider any matters escalated to the RC for decision;

   vi) Oversee the administration of providing financial compensation to Postmasters deemed to have suffered detriment as a result of the review of past and continuing Post Office business practices following the Post Office Group Litigation "Common Issues" and "Horizon Issues" judgments[1];

   vii) Consider recommendations made by, and matters, observations and feedback arising from, the Post Office Horizon IT (POHIT) Inquiry in respect of matters relating to compensation and potential future appellants;

   viii) Oversee the processes in place for the management of litigation costs across all workstreams and those sufficient resources are in place to support the management team and enable effective delivery;

   ix) In all matters considered by the Committee, take an approach which is transparent, promotes fair outcomes for appellants and claimants overall, while representing Value for Money for taxpayers' money and safeguarding the reputation of Post Office Limited; and

   x) Address such other matters as may from time to time be delegated to it by the Board.

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[1] The Board retains oversight of the review of policies, processes and support previously provided to Postmasters to ensure previous and ongoing conformance with the "Common Issues" and "Horizon Issues" judgments.

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B. DUTIES AND RESPONSIBILITIES WITH REGARDS TO THE HORIZON SHORTFALL SCHEME (HSS)

2. **Review** and constructively challenge reports, management information and financial information from the Remediation Unit (RU) and the Legal Team on the management (including discretionary decisions within delegated authorities) of the HSS and consider any recommendations and decisions sought.

3. **Review** and discuss inputs to and outcomes from the IAP on any matters requiring the Board's view or decision, following consultation with UKGI and the Shareholder[2].

4. **Approve for recommendation to the Board** HSS cases which have been escalated by the Horizon Matters Committee (HMC) that have been deemed to be of particular complexity, public interest concern or financial consequence.

5. **Approve** HSS Interim Payments (including relating to Hardship) requests escalated by HMC.

6. **Approve** the principles and approach to be taken within the HSS to settlement offers which have been rejected by claimants, prior to their submission to the DBT SteerCo.

7. **Approve for recommendation to the Board** the IAP's Case Assessment Guidelines and significant changes to these guidelines, which set out the key applicable legal principles outlined in the HSS Terms of Reference and Consequential Loss Principles and Guidance.

8. **Approve for recommendation to the Board** the principles for the assessment of different cohorts of claims, which are intended to assist the consistent treatment of cases by the IAP, in consultation with UKGI and the Shareholder, before final submission to the DBT SteerCo for approval.

9. **Approve for recommendation to the Board** HSS decisions which materially affect scheme cost and/or timetable or (in the discretion of RC) set significant principles or establish significant precedent for how different types of claim may be assessed (e.g. quantified, part-quantified, unquantified, shortfall only, consequential losses), and how those claims may be treated within a settlement offer, prior to their submission to the DBT SteerCo and the IAP.

10. **Approve for recommendation to the Board** any significant changes to the HSS or IAP Terms of Reference, prior to their submission to the DBT SteerCo.

11. **Escalate to the Board** any issue which the RC considers requires the attention of the Board.

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[2] A POL / DBT HSS Operations Agreement is in place, and this sets out HMG approval points during the HSS process. A DBT SteerCo for the HSS has also been established.

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12. **Approve** decisions relating to Cautions in the HSS where the recommendation made is to not concede, or when escalated at the discretion of HMC.

13. **Approve** decisions relating to payment of Legal and Expert Fees, Forensic Accountant Fees, and Medical Expert Fees in respect to HSS Claims when escalated by the RU in accordance with the RU Delegated Authorities Matrix.

C. DUTIES AND RESPONSIBILITIES WITH REGARDS TO THE STAMPS SCHEME

14. **Review** and constructively challenge reports, management information and financial information from the Remediation Unit (RU) and Legal Team on the management of the HSS and consider any recommendations and decisions sought.

15. **Approve** the principles that underpin how Stamps Scheme claims are assessed.

16. **Approve** decisions which establish a precedent for how other Stamps Scheme claims may be treated, and any other cases escalated at the discretion of HMC.

D. DUTIES AND RESPONSIBILITIES WITH REGARDS TO CRIMINAL CASE APPEALS INCLUDING POTENTIAL APPELLANTS, COURT OF APPEAL AND CROWN COURT CASES

17. **Review** and constructively challenge reports, management information and financial information from the Remediation Unit and Legal Team on the management of cases from Potential Future Appellants (PFAs) received by the Court of Appeal, Scottish Court of Appeal or referred to the Crown Court by the Criminal Cases Review Commission (CCRC) and consider any recommendations or decisions sought.

18. **Review** and constructively challenge the reports, management information and financial information from the Remediation Unit and Legal Team on the approach to contacting PFAs to encourage them to apply to set aside their convictions, including PFAs who were prosecuted by other agencies.

19. **Approve** stance on cases or refer cases to the Board for decision on stance in accordance with the decision-making tools approved by the Board.

20. **Approve** procedural steps, correspondence and submissions in appeal proceedings as required.

21. **Approve for recommendation to the Board** any changes to the decision-making tools which guide how the stance on cases will be decided.

E. DUTIES AND RESPONSIBILITIES WITH REGARDS TO THE ESTABLISHMENT OF COMPENSATION ARRANGEMENTS FOR OVERTURNED CRIMINAL CASES AND CIVIL CASES

22. **Review** and constructively challenge reports from the Remediation Unit and Legal Team on legal, financial and operational advice on managing claims for

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compensation made against the Company by those who have convictions overturned.

23. **Approve** proposed policy / principles prior to submission to DBT and 3rd party claimant representatives.

24. **Approve for recommendation to the Board** the policy / principles or parameters within which RC may approve compensation offers and / or payments, including the extent to which POL Board and DBT / UKGI approval may first be required.

25. **Approve** decisions on compensation offers and / or payments which fall within the policy / principles or parameters approved by the Board, from time to time, prior to their submission to DBT.

26. **Approve for recommendation to the Board** decisions which fall outside the policy / principles or parameters within which RC may make compensation offers and / or payments, prior to their submission to DBT.

27. **Escalate to the Board** any issue which the RC considers requires the attention of the Board.

F. DUTIES AND RESPONSIBILITIES WITH REGARD TO THE ADMINISTRATION OF FINANCIAL COMPENSATION to Postmasters deemed to have suffered detriment as a result of the review of historic and continuing Post Office business practices following **THE COMMON ISSUES AND HORIZON ISSUES JUDGMENTS**

28. **Review** and constructively challenge reports, management information and financial information from the Remediation Unit, Legal Team and Post Office Limited BAU on work to establish compensation schemes to provide compensation for detriment identified.

29. **Approve for recommendation to the Board** decisions on the establishment of schemes to provide compensation where there has been Postmaster Detriment.

30. **Approve** policy / principles and or parameters within which HMC may make decisions on compensation offers and or payments where there has been Postmaster Detriment.

31. **Review** decisions on aspects of claims such as consequential loss claims, prior to their submission to DBT/UKGI.

G. REPORTING RESPONSIBILITIES/ INFORMATION SHARING/ GOVERNANCE

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32. The Committee Chair shall **report** to each scheduled Board meeting on the nature and content of the Committee's discussion, recommendations and action to be taken.

33. **Report** to the Board whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed.

34. **Report** on its activities in the Company's annual report describing the work of the Committee.

35. **Approve** any changes proposed to the delegated authority to the Horizon Matters Committee.

36. **Approve** any changes proposed to the Horizon Matters Committee Terms of Reference.

37. **Approve for recommendation to the Board** RU Funding Commitment Letters and related Operations Agreements.

H. AUTHORITY

38. The Committee shall have authority to appoint to obtain, at the Company's expense, legal or other professional advice on matters within its terms of reference as required, up to a financial limit determined by the Board.

I. COMPOSITION AND GOVERNANCE

Membership

39. The Committee Chair and members of the Committee will be appointed by the Board, acting on the recommendation of the Nominations Committee.

40. In the absence of the Chair of the Committee at any meeting, the Committee members present shall determine who shall chair the meeting.

41. It shall consist of at least three members, including at least two independent non-executive directors and the DBT Shareholder Representative.

Quorum

42. The quorum necessary for the transaction of business shall be two members.

Committee Secretary

43. The Company Secretary, or his or her nominee, shall act as Secretary to the Committee and shall attend all meetings to keep minutes and record actions.

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Frequency

44. The Committee shall meet as often as required but at least 12 times per year.

Governance

45. Meetings may be held in person or by telephone or other electronic means, so long as all participants can contribute to the meeting simultaneously.

46. Notice of each meeting shall be given to all those entitled to participate at least two working days before the meeting.

47. Meetings for the Committee may be convened by the Secretary in consultation with the Chair, or by any member of the Committee, at any time. The Secretary will be responsible for setting the venue date and time of meetings in conjunction with the Chair. All papers supporting the meeting will be issued not less than 2 days in advance of the meeting date.

48. Minutes of each meeting will be circulated to all members of the Committee.

49. The Committee Secretary shall provide current and new Committee members with any training, briefings or induction required under the supervision of the Chair.

50. Only members of the Committee have the right to attend Committee meetings. Others may be invited by the Chair to attend all or part of any meeting, as and when appropriate.

51. The Committee shall have access to sufficient executive time and resources in order to carry on its duties, including access to the Company Secretariat.

52. If there should be disagreement between the Committee and the full Board, the Chairman of the Board shall make time available for discussion of the issue so that the matter may be resolved.

J. ANNUAL REVIEW AND APPROVAL

53. The Committee will undertake an annual review of its performance and the Terms of Reference. The outcome of these reviews will be recommended to the Board for approval (notwithstanding amendments approved by the Board whenever so required).

Approved by:	Date:	Version:	Effective from:
Post Office Limited Board	06/06/2023	1.0	06/06/2023
Post Office Limited Board	25/03/2024	2.0	25/03/2024

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BOARD REPORT

Title:	Remediation Unit Delegated Authorities Matrix Update	**Meeting Date:**	25 March 2024
Author:	Evelyn Hocking, RU COO Programme Lead	**Sponsor:**	Simon Recaldin, RU Director

Input Sought: Approval

Post Office Board is asked to approve an updated Remediation Unit (RU) Delegated Authorities Matrix as detailed in **Appendix 1**.

Executive Summary

The original HM Delegated Authorities Matrix was reviewed/approved in an 'Historical Remediation Committee protocols' paper by HRC on 12 August 2021 and approved by Post Office Board on 28 September 2021.

An updated HM Delegated Authorities Matrix was approved by HRC on 10 November 2022.

A further updated version of the HM Delegated Authorities Matrix was approved by HMC on 11 April 2023, HRC on 19 April 2023 and by POL Board on 6 June 2023.

An updated version of the RU Delegated Authorities Matrix was approved by HMC on 20 February 2024 and by RC offline on 1 March 2024.

An updated HM Delegated Authorities Matrix was approved by POL Board on 6 June 2023 to reflect the decision making at the time. With the project having matured further, updates to the matrix are now required to reflect changes which have already been taken through Governance and approved as detailed in **Appendix 2**.

Amendments have also been made to the matrix to reflect changes in terminology/abbreviations agreed in July 2023, including in respect of RC (previously HRC), RU (previously HM/HMBU) and OC (previously OHC).

Detailed in Appendix 1 is the updated RU Delegated Authorities Matrix which is proposed for approval. For ease of reference the coloured elements are the changes proposed compared to the previous version of the Delegated Authorities Matrix approved by POL Board on 6 June 2023.

POL Board is also asked within a separate paper submitted to this Committee to Approve an updated Terms of Reference for the Remediation Committee (RC). It should be noted that the RC Terms of Reference align with the RU Delegated Authorities Matrix and should be referenced together.

Next Steps & Timeline.

1. If approved, CoSec will update the intranet with the clean final version of the Delegated Authorities Matrix.
2. As new governance protocols and changes to existing arrangements are made this paper will be updated and brought back through Governance as required.

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Appendix 1 – Remediation Unit (RU) Delegated Authorities Matrix

Decision	Horizon Matters Committee (HMC) or HMC Sub-Group denoted by * Delegated to (denoted by role) **	Remediation Committee (RC)	POL Board	Shareholder	Independent Advisory Panel (IAP)	Notes
NB: Spend authority. The POL Board reviews and approves the spend levels annually, including a spend authority for the CEO of up to £5m. The CEO has delegated to the Historical Matters Director a spend limit of up to £2m. The Board approves the annual budget, including RU spend, for recommendation to the Shareholder.						
1. Horizon Shortfall Scheme (HSS)						
1.1 Consider the Case Assessment Guidance (setting in detail the key applicable legal principles outlined in the HSS Terms of Reference and Consequential Loss Principles and Guidance) and any significant material changes to the guidance.	Review the draft Case Assessment Guidance provided by Herbert Smith Freehills for recommendation to RC	Review the draft Case Assessment Guidance provided by Herbert Smith Freehills for recommendation to the POL Board	Approve for recommendation to DBT Steer Co	Approve for submission to the IAP	Adopt	
1.2 Consider the principles that underpin how HSS claims are assessed by cohort (e.g. Heads of Loss) and any significant material changes to the principles for consideration by the HSS Independent Advisory Panel (IAP)	Review the draft Principles provided by Herbert Smith Freehills for recommendation to RC	Approve for recommendation to POL Board	Approve for recommendation to DBT SteerCo	Approve the principles for submission to the IAP If the Steer Co has material concerns about the proposed principles these shall be considered by the POL Board	Review and comment on the principles. Adopt Guidance subject to resolving any issues raised.	
1.3 Consider decisions relating to the treatment of claims or claimants which fall outside of the principles detailed in 1.1, 1.2 and 1.6	Provide recommendations to RC	Approve	-	-	-	
1.4 Consider Pre and Post Offer Interim Payment Requests for HSS Cases **	Approve Pre-Offer Interim Payment requests up to £30k (subject to sufficient Shortfall Analysis) and Post-Offer Interim Payments up to 100% of offer already made. - Authority delegated to the RU Director in respect of Pre-Offer and RU Ops & Dispute Resolution Director and Head of HSS in respect of Post Offer Interim Payments **	Approve Pre-Offer Interim Payment requests over £30K or Interim Payment Requests escalated at the discretion of HMC	-	-	-	-
1.5 Consider HSS Claim Outcomes *	Exceptions 1. Referencing high level information, review and consider whether to Approve Herbert Smith Freehills	Exceptions 1. Referencing high level information, review and Note HSF recommendations, which meet the pre-panel exceptions		Consider and approve recommendations, including cases escalated by HMC/RC/POL Board. Any material concerns to be considered by POL	Make claim offer following RC / POL Board / DBT Steer Co approval* * POL retains final approval over all	

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Decision	Horizon Matters Committee (HMC) or HMC Sub-Group denoted by * Delegated to (denoted by role) **	Remediation Committee (RC)	POL Board	Shareholder	Independent Advisory Panel (IAP)	Notes
	recommendations, which meet the pre-panel exceptions criteria* 2. Referencing high level information, review and consider whether to Approve post-panel recommendations which meet the exceptions criteria. This may include considering whether at its discretion to increase an award to a claimant, or alternatively referring back to the Panel for further information/discussion. Should it be considered that the increase impacts the financial envelope then see 1.5.5 below or if the increase sets a precedent, then refer to 1.6* Non-Exceptions 3. Without referencing case information, Note HSF pre- panel non-exception recommendations* 4. Without referencing case information, consider whether to Approve post-panel non-exception recommendations* Other 5. Referencing high level information escalate to RC cases that have been deemed to be of:* - Particular complexity - Public interest concern - Financial Consequence	criteria, prior to submission to the IAP 2. Referencing high level information, review and Note post-panel recommendations which meet the exceptions criteria. This may include noting an increase to an award, or alternatively referring back to the Panel for further information/discussion. Should it be considered that the increase impacts the financial envelope then see 1.5.5 below or if the increase sets a precedent, then refer to 1.6. Non-Exceptions 3. Without referencing case information, Note pre-panel HSF non-exception recommendations, before submission to the IAP 4. Without referencing case information, Note post-panel non-exception recommendations Other 5. Referencing high level information consider whether to Approve for recommendation to POL Board cases that have been deemed to be of: - Particular Complexity - Public interest concern - Financial Consequence 6. RC Members can at their discretion ask for additional information on any case for further discussion and Noting at RC	Consider and approve HSS decisions which are of particular complexity, public interest concern, or financial consequence. Consider and approve HSS decisions escalated at the discretion of RC including those which set significant principles or establish significant precedent on how different types of claims may be assessed, prior to submission to DBT Steer Co and the IAP	Board before a decision is taken.	offers made by POL to applicants, which right of approval extends to DBT through the Operations Agreement.	

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Decision	Horizon Matters Committee (HMC) or HMC Sub-Group denoted by * Delegated to (denoted by role) **	Remediation Committee (RC)	POL Board	Shareholder	Independent Advisory Panel (IAP)	Notes
1.6 Decisions which establish a significant precedent for how other HSS claims may be treated	Provide options/ recommendations to RC (including cost implications to the Scheme overall)	Approve for recommendation to POL Board	Approve for recommendation to DBT SteerCo	Approve for recommendation to the IAP. Where there are material concerns POL Board will be asked to review their recommendation.	Approve	
1.7 Provision of cases for consideration by the Independent Advisory Panel: 1. Test cases by cohort	Provide options/ recommendations to RC	Approve for recommendation to POL Board	Approve for recommendation to DBT SteerCo	Approve for recommendation to the IAP. If there are material concerns POL Board will be asked to review their recommendation.	Review recommendations and advise POL Board of the approach it will take to the category of case illustrated by the test case.	
1.8 Concession decisions relating to Cautions in the HSS	Consider HSF Assessment and Approve decisions to concede Cautions, ahead of review and recommendation of claim outcome by Panel. Escalate to RC decisions not to concede, or cases at the discretion of HMC.	Note approach in respect of Cautions conceded. Consider and approve decisions where recommendation is to not concede or where cases are escalated at the discretion of HMC.	-	-	-	
1.9. Define the DRP principles covering the approach settlement offers rejected by claimants	Provide recommendations to RC	Approve for recommendation to DBT SteerCo	-	Approve		
1.9.1 Approach to settlement offers rejected by claimants in line with DRP principles* – Test cases.	Provide recommendations to RC	Approve for recommendation to DBT SteerCo-	-	Approve	-	
- Subsequent cases	Approve	-	-	-	-	
1.9.2 Approach to settlement offers rejected by claimants outside of existing DRP principles*	Provide recommendations to RC	Approve for recommendation to DBT SteerCo	-	Approve	-	
1.9.3 Approach to Negotiation Limits for Mediation Meetings* – Test cases	Provide recommendations to RC	Approve for recommendation to DBT SteerCo	-	Approve	-	
- Subsequent cases	Approve	-	-	-	-	

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Decision	Horizon Matters Committee (HMC) or HMC Sub-Group denoted by * Delegated to (denoted by role) **	Remediation Committee (RC)	POL Board	Shareholder	Independent Advisory Panel (IAP)	Notes
1.10 Significant Changes to the HSS or Terms of Reference for the IAP (Independent Advisory Panel)	Provide recommendations to RC	Approve for recommendation to the Board	Approve for recommendation to DBT SteerCo	Approve	Adopt	
1.11 Decisions and Payments of Legal and Expert Fees, Forensic Accountant Fees and Medical Expert Fees in respect of HSS Claims **	Approve requests up to - Complex Case - £36k plus additional allowances - Moderate Case - £18K plus additional allowances - Straightforward Case - £11k plus additional allowances - Forensic Accountant Fees – £15K - Medical Expert Fees - £6k (per discipline) - Authority has been delegated to the RU Director **	Approve requests more than - Complex Case - £36k plus additional allowances - Moderate Case - £18K plus additional allowances - Straightforward Case - £11k plus additional allowances - Forensic Accountant Fees – £15K - Medical Expert Fees - £6k (per discipline) -	-	Approve		
2. Stamp Scheme						
2.1 Consider the principles that underpin how Stamp Scheme claims are assessed	Approve for recommendation to RC	Approve	-	-	-	
2.2 Consider claim outcomes recommended (including those recommending offers of financial settlement)	Approve recommendations	Note recommendations Consider and approve any cases escalated at the discretion of HMC.	-	-	-	
2.3 Decisions which establish a precedent for how other Stamp Scheme claims may be treated.	Escalate cases to RC where appropriate, such as precedent setting	Approve	-	-	-	
2.4 Approach to settlement offers rejected by claimants	Approve recommendations.	Note recommendations	-	-	-	
3. Criminal Case Appeals including Potential Appellants, Court of Appeal and Crown Court Cases						
3.1 Stance on cases which are within the parameters of the decision-making tools approved by the Board	~~Consider cases as required before approval at RC~~	Approve		To be briefed	-	
3.2 Stance on cases requiring Board approval as per the decision-making tools	~~Consider cases as required before approval at RC~~	Approve for recommendation to POL Board	Approve	Consult	-	

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Decision	Horizon Matters Committee (HMC) or HMC Sub-Group denoted by * Delegated to (denoted by role) **	Remediation Committee (RC)	POL Board	Shareholder	Independent Advisory Panel (IAP)	Notes
3.3 Changes to Decision-making tools	Provide recommendations to RC	Approve for recommendation to POL Board	Approve	To be briefed	-	
4. Compensation Arrangements for Overturned Criminal Cases and Civil Cases						
4.1 Decisions on proposed policy / principles for the treatment of compensation payments for overturned criminal cases and civil claims prior to submission to 3rd party claimant representatives	Provide recommendations to RC	Approve subject to prior consultation with DBT / UKGI	-	Consider recommendations from RC. Any material concerns to be considered by RC before approval.	-	
4.1.1 Approve proposed minor amendments to Pecuniary Principles** (Delegated from 4.1)	Co Approved Authority delegated to Head of OC & Head of OC Legal **	Note minor amendments	-	Note minor amendments	-	
4.2 Decisions on the policy / principles or parameters within which RC may take decisions in relation to compensation offers and or payments	Provide recommendations to RC	Approve for recommendation to POL Board	Approve subject to prior consultation with DBT / UKGI	Consider recommendations from POL Board. Any material concerns to be considered by POL Board before a decision is taken.	-	
4.3 Decisions on compensation offers and or payments claims which fall within the policy / principles or parameters approved by the Board from time to time * Transitional Cases (Post-Pecuniary Principles Baselined pre-full Exception Criteria)	Claims which do not meet the exceptional case criteria set by DBT Approve decisions in respect of -Non-Pecuniary Claims* Claims which meet the exceptional case criteria set by DBT Provide recommendations for decisions to RC in respect of - Non-Pecuniary Claims* Pre-Exception Criteria Provide recommendations for decisions to RC in respect of - Pecuniary Claims (Min of 5 Claims) *	Claims which do not meet the exceptional case criteria set by DBT Note decisions Claims which meet the exceptional case criteria set by DBT Approve subject to prior consultation with DBT / UKGI -	Consider and approve decisions which materially affect the scheme cost and/or timetable. Consider and approve decisions escalated at the discretion of RC including those which set significant principles or establish significant precedent on how different types of claims may be assessed, prior to submission to DBT / UKGI	Consider and approve recommendations, including cases escalated by HMC/RC/POL Board. Any material concerns to be considered by POL Board before a decision is taken.	-	

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Decision	Horizon Matters Committee (HMC) or HMC Sub-Group denoted by * Delegated to (denoted by role) **	Remediation Committee (RC)	POL Board	Shareholder	Independent Advisory Panel (IAP)	Notes
4.3.1 Decisions on compensation offers and or payments claims which fall within the policy / principles or parameters approved by the Board from time to time* *Replaces 4.3 once Shareholder is comfortable on HMC Sub-Group operation (min 5 Pecuniary claims settled) & Pecuniary exception criteria agreed with DBT*	Claims which do not meet the exceptional case criteria set by DBT Approve decisions in respect of* -Non-Pecuniary Claims -Pecuniary Claims Claims which meet the exceptional case criteria set by DBT Provide recommendations for decisions to RC in respect of* -Non-Pecuniary Claims -Pecuniary Claims	Claims which do not meet the exceptional case criteria set by DBT Note decisions Claims which meet the exceptional case criteria set by DBT Approve subject to prior consultation with DBT / UKGI	-	Consider and approve recommendations on cases escalated by HMC / HMC Sub-Group / RC.		
4.3.2 Decisions on Advance Payments relating to Prosecuted related sums / shortfalls and/or Advance Payments relating to ColleagueShare Plan sums */**	Approve Authority delegated to Head of OC (<=£20k), RU Director (>£20k) ** Note payments *	-	-	-	-	
4.3.3 Decisions on £450,000 top-up to Interim Payments on submission of a sufficiently particularised claim*	Approve *	Note decisions	-	-		
4.3.4 Decisions on counter-offers before submission to the IAP*	Provide recommendations for decisions to RC*	Approve subject to prior consultation with DBT /UKGI	-	Consider and approve recommendations from HMC/HMC Sub-Group/RC		
4.4 Decisions which fall outside the policy / principles or parameters within which RC may take decisions in relation to compensation offers and or payments	Provide recommendations to RC	Approve for recommendation to POL Board	Approve subject to prior consultation with DBT/ UKGI	Consider recommendations from POL Board. Any material concerns to be considered by POL Board before a decision is taken.	-	
4.5 Decisions on Interim Payments in overturned criminal cases and civil claims within the parameters of the policy approved by the Board */**	Approve Authority delegated to RU Director ** Note Interim Payment requests which meet the DBT funding	-	-	-	-	

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Decision	Horizon Matters Committee (HMC) or HMC Sub-Group denoted by * Delegated to (denoted by role) **	Remediation Committee (RC)	POL Board	Shareholder	Independent Advisory Panel (IAP)	Notes
	criteria in respect of interim payments *					
4.6 Decisions on £600k Offer Payments in overturned Criminal Convictions and Civil Claims *	Approve £600k Offer requests which meet the DBT eligibility criteria* - Eligible (Horizon reliant OT) - No case complexities to hinder payments (e.g. bankruptcy) - Confirmation of residual payment (net of IPs, part settlements)	Note decisions	-	Note £600k Offer Requests which meet DBT eligibility criteria		
4.7 Payments of Claim Related Legal Costs and Disbursements (including Expert Fees) */ **	Approve Authority delegated to RU Director following recommendation from the Head of OC ** Note Legal Costs and Disbursements *	-	-	-		
4.8 General Financial Adjustments relating to compensation */** E.g., Interest Calc amendments, prosecution shortfall discrepancies, and other minor one-off exceptions	Approve Authority delegated to Head of OC (<£20k) ** RU Director (<£60K) ** HMC Sub-Group (>£60k) *	-	-	-		
5. Postmaster Detriment - Compensation arrangements resulting from historic and continuing Post Office business practices following the Common Issues and Horizon Issues Judgements						
5.1 Decisions on the establishment of schemes to provide compensation where there has been Postmaster Detriment	Provide recommendations to RC	Approve for recommendation to POL Board	Approve subject to prior consultation with DBT / UKGI	Consider recommendations from POL Board. Any material concerns to be considered by POL Board before a decision is taken	-	
5.2 Decisions on policy / principles and parameters within which HMC may make decisions on compensation offers and or payments	Provide recommendations to RC	Approve	-	To be briefed	-	

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Decision	Horizon Matters Committee (HMC) or HMC Sub-Group denoted by * Delegated to (denoted by role) **	Remediation Committee (RC)	POL Board	Shareholder	Independent Advisory Panel (IAP)	Notes
5.3 Unpaid Postmaster Suspension Remuneration Offers **	Approve Offers where the principal sum is more than £60,000. Offers where principal sum is between £40,000 and £59,999 - authority delegated to Remediation Unit Ops & Escalations Director **	-	-	-	-	
5.4 Principles that underpin how Consequential Loss claims are assessed	Provide Recommendations to RC	Approve	-	To be briefed	-	
5.5 Decisions on Consequential Loss claims relating to unpaid Postmaster Suspension Remuneration* - Test Cases / Assured Cases	Approve subject to prior consultation with DBT / UKGI	Review Claims	-	Approve	-	
- Subsequent cases (meeting exception criteria)	Approve subject to prior consultation with DBT / UKGI	Review claims escalated at the discretion of HMC	-	Approve	-	
- Subsequent cases NB – HMC have delegated authority to an HMC Sub-Group ("Panel") for CL Claims below £50k	Approve	-	-	-	-	
6. Governance						
6.1 Changes to Delegated Authorities Matrix for the Horizon Matters Committee	Provide recommendations to RC	Approve	To note	To be briefed	-	
6.2 Changes to the Terms of Reference for the Horizon Matters Committee	Approve for recommendation to RC	Approve	-	-	-	
6.3 Report to each scheduled POL Board meeting	Draft report	Approve for submission to POL Board	Review	-	-	
6.4 Reports to UKGI / DBT in line with Operations Agreements	Draft report	-	-	Review		
6.5 RU Funding Commitment Letters and related Operations Agreements	Approve for recommendation to RC	Approve for recommendation to POL Board	Approve	Approve		

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Appendix 2 – Previous Governance relating to proposed changes to RU Delegated Authorities Matrix

	Section of DA Matrix	Details	Previous Governance
Horizon Shortfall Scheme (HSS)	1.4	Payment of 100% Interim Payments	Approved by HMC on 11 July 2023, RC on 26 July 2023 and HMC on 12 Sept 2023
	1.8	Concession Decisions relating to Cautions.	Approved by HRC on 16 Feb 2023, HRC offline on 22 Feb 2023 and POL Board offline on 27 Feb 2023
	1.11	Decisions relating to the payment of Legal and Expert Fees	Approved by HMC on 14 November 2023 and RC on 13 December 2023
Overturned Convictions (OC)	4.1.1	Minor Amendments to Pecuniary Principles	Approved by RC on 5 July 2023 and detailed within the OC Delegated Authorities Matrix approved at HMC on 10 Oct 2023 and RC on 18 October 2023. Updated paper noted by RC on 15 November 2023.
	4.3, 4.3.1	Decisions on compensation offers and or payments / claims.	Approved by HMC on 10 Oct 2023 and RC on 18 October 2023. Updated paper noted by RC on 15 November 2023. Further delegated authority detailed in this matrix as per OC Delegated Authority paper approved by HMC on 13 Feb 2024 and RC on 28 Feb 2024.
	4.3.2	Decisions on Advance Payments relating to prosecuted related sums / shortfalls	Previous limits approved by HMC on 15 March 2023 and HRC on 22 March 2023. Revised limits and further delegated authority detailed in this matrix as per OC Delegated Authority paper approved by HMC on 13 Feb 2024 and RC on 28 Feb 2024.
	4.3.3	Decisions on £450,000 Top-Up to Interim Payments	Authority Delegated to HMC by RC offline on 28 January 2024. Quantum of Top Up approved by POC on 31 January 2024.
	4.3.4	Decisions on counteroffers	No previous Governance. Delegated authority detailed in this matrix as per OC Delegated Authority paper approved by HMC on 13 Feb 2024 and RC on 28 Feb 2024.
	4.5	Decisions on Interim Payments	Authority delegated to HMC by HRC on 3 March 2022, and detailed within Delegated Authorities Matrix approved by HRC on 10 November 2022. Further delegated authority detailed in this matrix as per OC Delegated Authority paper approved by HMC on 13 Feb 2024 and RC on 28 Feb 2024.
	4.6	Decisions on £600k offer payments	Approved by HMC on 10 Oct 2023 and RC on 18 October 2023. Updated paper noted by RC on 15 November 2023.
	4.7	Payments of Claim related Legal Costs and Disbursements (including Expert Fees)	Various including HMC on 25 April 2023, RC on 5 July 2023, HMC on 18 July 2023, and RC on 16 August 2023. Limits summarised and approved by HMC on 10 Oct 2023 and RC on 18 October 2023. Updated paper noted by RC on 15 November 2023. Further delegated authority detailed in this matrix as per OC Delegated Authority paper approved by HMC on 13 Feb 2024 and RC on 28 Feb 2024.
	4.8	General Financial Adjustments relating to compensation.	
Suspension Remuneration Review (SRR)	5.3	SRR offers	Revised SRR approach approved by HMC on 3 October 2023 and RC on 18 October 2023. Revised DA Limits approved by HMC on 7 November 2023.

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Governance	6.4	Reports to UKGI / DBT in line with POL / DBT Operations Agreements	Reflects existing arrangements
	6.5	RU Funding Commitment Letters and Operations Agreements	

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POST OFFICE LIMITED
BOARD REPORT

Title:	New Group Customer Complaints Policy	**Meeting Date:**	25th March 2024
Author:	Charlotte Johnson, Head of Customer Complaints	**Sponsor:**	Martin Roberts, Group Chief Retail Officer

Input Sought: Approval

The Board is asked to review and approve the following new group policy for the business to take forward and confirm preference of communication to postmasters:

i. Group Customer Complaints Policy

Executive Summary

- Reviewed and approved by RCC & ARC (29th January 2024)
- Reviewed & approved by FRES, Payzone and POMs Risk & Compliance teams
- Pending Reviewed & approved by Martin Roberts Group Chief Retail Officer
- Reviewed & approved by Laura Joseph Director of Customer Experience,
- Reviewed & approved by Russell Tavener Director of Service Delivery & CC
- Reviewed & approved by POL Kirsty O'Connor, Head of Legal, dispute resolution and brand protection
- Reviewed & approved by Rebecca Barker, Head of Risk

The Customer Dissatisfaction Group Risk was introduced and approved by the group board July 2023 which outlines the risks and our cautious appetite to customer dissatisfaction. This Customer Complaints Policy has been established to set the minimum operating standards relating to group risk management of customer dissatisfaction.

This new Customer Complaints Policy firmly establishes and mitigates customer dissatisfaction by setting clear standards and outlining the procedure by which we will manage customer complaints. The policy owner is Laura Joseph, Director of Customer Experience, Digital and Marketing and the GE sponsor is Martin Roberts, Group Chief Retail officer.

Many of our partnership and client agreements such as the banking framework will also benefit from this policy being in place, as it gives reassurance that we as a brand will provide support and manage customer dissatisfaction effectively, with integrity and transparency.

This policy also meets the legal regulations and obligations applicable to us, such as the Consumer Rights Act.

Compliance with this policy supports the Post Office in meeting its business objectives and to balance the needs of customers, shareholders, colleagues, and other stakeholders.

Group Policies are not currently communicated to Postmasters or Strategic Partners, however as this includes operational standards which they will need to support, the relevant sections of this policy will be communicated to these groups.

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The policy will be communicated to colleagues via an email & hub message which will link to the new policy. For Postmasters a message will be surfaced on branch hub.

Conclusion

Once approved, we will continue to work with Policy Owners and Company Secretariat to ensure we maintain our policy governance responsibilities and undertake assurance that the polices are working as expected. This is a key part of the wider Post Office controls work.

Uploaded to the Reading Room: Group Customer Complaints Policy.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Health & Safety Monthly Report	**Meeting Date:**	25th March 2024
Author:	Martin Hopcroft, Director of H&S, Environment and Business Continuity	**Sponsor:**	Kathryn Sherratt, Interim Chief Finance Officer

Input Sought: Noting

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

Executive Summary

We continue to support our people, including those who may be impacted by heightened media coverage of Post Office and the Public Inquiry. Colleagues are signposted to occupational health, including bespoke support for witnesses which has been extended to ex-employees. Those who visit branches or work in contact centres, and therefore may have difficult and emotional conversations with Postmasters or customers, have attended live webinars from Optima Health on 'supporting ourselves and others during turbulent times'. We have asked colleagues to report incidents of abuse or harassment and our Security, Business Continuity and H&S teams have reviewed and tightened up access and visitor procedures at our central offices. Mental Health Ambassadors are receiving annual refresher training during March/April.

We have reviewed the end to end support Postmasters receive following a serious incident in branch eg. robbery. The process will ensure a review is undertaken at 1, 3 and 6 months post incident with the offer of trauma support, where required.

We continue to respond to the recent property risk identified in the industry, the deterioration of RAAC (Reinforced Autoclaved Aerated Concrete). Whilst we believe the risk in our estate is low, we continue to undertake a full assessment of our properties with our Facilities Management partners. We have requested assurances from landlords, and are sending a stronger legal letter to 19 who have failed to respond. Where properties are of higher risk, we have asked the FM provider to undertake a more intrusive survey, however, inspections to date confirm our view that the risk is low and building fabric in a good state of repair.

Overall, we continue to see a relatively low number of accidents reported. There has been an increase of minor accidents in Directly Managed Branches, all of which are investigated with learnings and best practice shared with colleagues. We continue to develop our people and implement initiatives to mitigate risks. ATM and Cash Vans in Transit (CViT) attacks remain low, and robberies in January were lower vs expected levels for the time of year (9 vs 13) and lower than the average (11). 6 of the 9 were successful and 2 suffered high losses. YTD there have been 57 robberies vs 66 expected. 40% were unsuccessful, an improvement on last year (33%).

Report

1. At Appendix 1, we summarise KPI performance for the last four years. Whilst YTD accidents reported are higher at P11 than in 22/23 (49 vs 40), more serious lost time related accidents are level and days lost have reduced by 64% (9 of 117 days vs 9 of 324

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days), especially in Supply Chain where there has been a 50% reduction in lost time incidents and a 88% reduction in lost days.

2. Over the past couple of years, accident causation in DMBs has been mainly due to falls indoors, however, we have seen a reduction this year. Whilst accidents due to striking against objects or equipment, including bumping into or stepping onto objects reduced in 22/23, we note an increase this year. We will continue to strengthen safety culture in DMBs, adopting good practice, including use of safety champions, improved reporting and applying learnings from accident and near miss investigations.

3. The H&S Team are progressing a programme of Individual Risk Assessments, as approved by Safety Board; following completion of business driver risk assessments. Workplace, DSE and Lone Worker risk assessments are being rolled out to business areas during Q4.

4. The Security Intelligence Team maintains ongoing collaboration with law enforcement and industry partners feeding into our daily operational assessments of crime and weekly tactical analysis discussions to stay ahead of emerging trends and to adopt best practices for mitigating threats and risks. Security Awareness guidance has been issued including 'Personal Safety', 'CCTV in your branch' and 'Need help with your alarms' as part of the Winter Darker Nights Campaign. There were 132 branch security health checks conducted during the period, providing support to Postmasters and branches.

5. Robberies during P10 (Jan) were down against the expected level for this time of the year (9 vs 13), and level when compared to last year (9). Year to date there have been 57 robberies vs 66 expected levels and 60 last year. Reported abuse shows reductions on last year with 283 YTD vs 343 at the same point last year and favourable against expected level of 324. There were 26 reported incidents during the period, 30 last month, down on the average (35). New self-help guidance and support is held on the Branch Hub site.

6. In P10 there was 1 PO CViT robbery related incidents and 0 PO ATM attacks. POL continues to deploy gas suppression and the new ATMs are resistant to both gas and soft/solid explosives. ATM trackers have been deployed in the higher risk areas to mitigate ram raid/rip out attacks. Industry ATM crime continues to be low and there was a decrease in December and January. There were 6 industry ATM attacks in the P10 (7 previous mth) and FYF is expected to outturn around 190 vs pre-pandemic levels of 326.

7. We have reviewed the Supply Chain Safety Plan and are progressing a number of initiatives including; reviewing the robbery risk assessment and cross pavement risk profiling data; enhancing the Safety Champion role; implementing recommendations from the Occupational Health musculoskeletal / fatigue review in CViT. During recent viewing of CCTV footage downloaded from CViT vehicles to investigate traffic incidents, a number of near misses due to driver distraction were identified. To address legal and Union concerns about privacy, we are scoping telemetry with AI technology that can intervene in such situations. We have issued new driver standards and the Road Risk Policy and are piloting an increase in the value of cash being carried in the cross pavement cash boxes to reduce the time crews spend outside the vehicle to reduce risk in line with industry.

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8. A 'people risk' for mental wellbeing has been recorded due to an increase in 'at work' stress reported in some business areas. Stressors include excessive workload due to insufficient resource; the pressure of responding to the Inquiry on top of the day job; alongside additional 'personal' pressures colleagues may have to deal with e.g. cost of living. We have communicatied with colleagues across the business following the Bates vs Post Office TV drama and we are providing additional guidance to those who engage Postmasters or customers. We are providing bespoke support to PO Inquiry witnesses including a Wellbeing helpline and counselling for ex-employee witnesses.

9. We have launched an online wellbeing resource with content suitable for Postmasters, their owners and staff. We are issuing quarterly campaigns and work closely with the Retail teams and NFSP to signpost and to help raise awareness of the new resource.

Financial Impact

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

Risk Assessment, Mitigations & Legal Implications

11. Our highest risks include; violence and abuse aimed at postmasters and employees. The security and health and safety teams will continue to strengthen mitigation; the potential change to our risk profile due to increasing levels of cash in the network and; the growing impact on colleague wellbeing due to the impact of the Inquiry, either directly or indirectly.

Stakeholder Implications

12. Training should be provided to new directors and, where required, directors, management and colleagues of Group subsidiaries.
13. Information – directors should consider the H&S information that flows to the Board to support directors, subsidiary directors and management teams carrying out their duties.

Next Steps & Timelines

Safety Sub-Committee is held bi-monthly, next meeting scheduled 10th April 2024. Board and GE H&S reports will include updates, recommendations and decisions made by the Sub-Committee.

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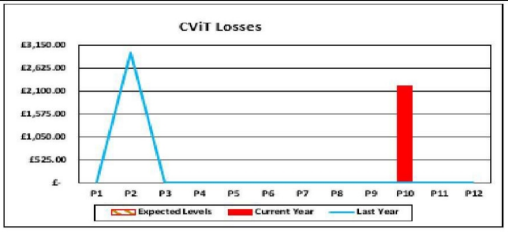
Appendix 1 - Safety Board Dashboard

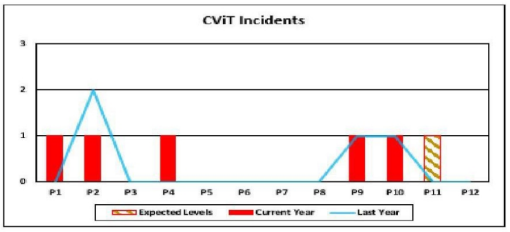
Accidents P11 (23/24) and Security P10 (23/24)

Health & Safety 4yr Performance

Year/KPI	19/20	20/21	21/22	22/23	22/23	23/24
	P12 YTD	P12 YTD	P12 YTD	P12 YTD	P11 YTD	P11 YTD
All accidents	70	40	50	41	40	49
All accidents / 1000 employees	18.6	11.8	15.2	12.1	11.8	13.7
DMB	21.0	22.7	26.9	23.5	22.5	35.4
Support	7.5	0.7	2.1	0.6	0.6	1.2
Supply Chain	33.8	15.3	23.5	20.1	20.1	13.6
Lost Time related accidents	10	5	16	10	9	9
Lost Time related accidents / 1000 employees	2.6	1.5	4.9	2.9	2.7	2.5
*LTIFR (lost time accidents/100,000hrs)	0.150	0.083	0.281	0.169	0.168	0.160
Days lost due to accidents	214	28	484	328	324	117
Days lost / 1000 employees	57	8	147	97	96	33
*LTR (Accident days lost/100,000 hrs)	3.2	0.5	8.5	5.5	6.0	2.1
Days lost due to robbery (assault and trauma)	105	16	23	255	255	0
*LTR (Total days lost/100,000hr inc trauma)	4.8	0.7	8.9	9.9	10.8	2.1
RIDDORS (Employee)	2	3	6	4	4	5

NOTE: Whilst the number of days lost following an incident (assault / trauma) rose in 22/23 when compared to 21/22 (255 vs 23), this was due to one incident with a resulting long-term absence. NOTE: **It should be noted that one single lost time accident increases LTIFR markedly by approx. 0.200 per month, LTIFR is the number of incidents / 100,000hrs and should always be read alongside the Lost Time Rate (LTR) which is the number of lost days / 100,000 hrs and an indication of the seriousness of the accident.*



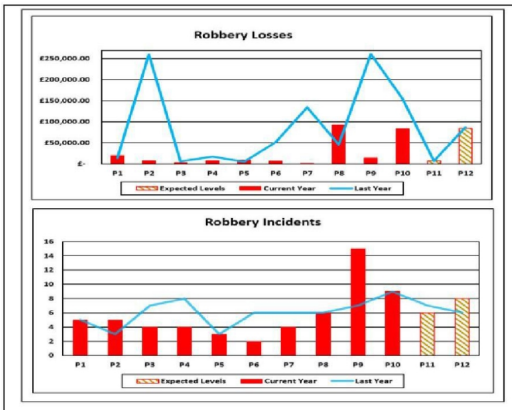


Commentary
Period CViT robberies 1 (£2k loss)
YTD 5

- 102 CViT cross pavement observations conducted during the month.
- Overall crewmembers followed most security procedures, 95%, however there were 1 Helmet failure, 1 vigilance failure (both Norwich). & 4 failures carrying coin and box together (Hemel & London)
- Security awareness focused on CViT 'Safety on the Road' as well as completing the deployment of the Security Notice boards in CViT & CC depots.
- **Industry CViT attacks remain low**. FYF is expected to outturn c. 30 vs pre-pandemic levels of 198.
- 5 Industry CViT robbery in the period (calendar). 2* Loomis, 2 * G4S, 1* POL
- 28 Industry CViT robberies YTD (27 last year).
  - Hotspots - 5 GMP, 4 Merseyside, 5 West Mids,

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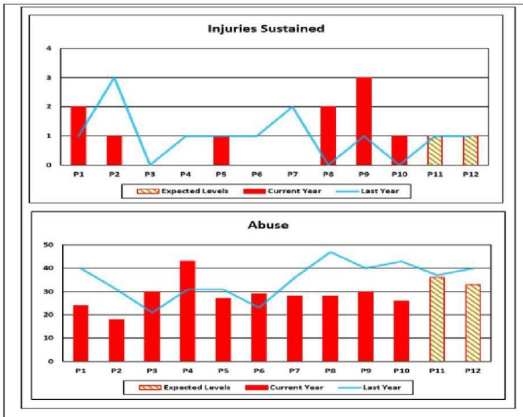
Commentary
Period

- Robberies were lower vs expected levels for the time of year (9 vs 13), and last yr (9).
- Of the 9, 6 were successful, of which 2 suffered high losses. 4 incidents > £1k
- Sydenham, Morrisons, £71k, before opening, staff opened back door to two offenders, safe emptied
- West Heath, £10k stolen from a till
- **£83k losses**

YTD

- 57 robberies vs 66 expected YTD, 60 last year
- Of the 57, 34 were successful, 23 were attempted
- £247k loss vs £454k expected YTD, £952k last yr

- 40% of robberies were unsuccessful YTD, **an improvement** on last year same point at 33%
- **132 branch security** health checks conducted providing Postmaster support. 2% (3) access doors left open, 0% (0) safes left open, and 0% (0) failed till limits.
- **Retail robberies** reported, 1 vs 3 last month. YTD 16 vs 26 last yr



Commentary
Period 1 injuries.

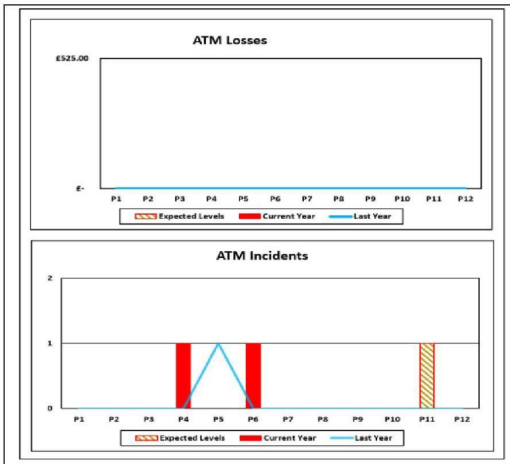
- Congresbury, BS49. Minor bruise to hand following counter jump-over. Panic button activated; 2 males decamped

YTD 10 injuries YTD, same as last year (10).

Abuse & Aggression

- **Reported abuse shows reductions** on last year with 283 YTD vs 343 at the same point last year. Also favourable against expected levels at 324
- 26 reported incidents during the period, 30 last month.
- New self-help guidance and support is held on the Branch Hub site.

- Focus on Abuse, Aggression & Violence guidance as part of the Darker Nights Campaign: **Don't leave Security out in the cold.**



Commentary
Period ATM incidents 0
YTD 2 vs expected levels of 5, and vs 1 last year

- In perspective pre-pandemic, we suffered 61 ATM attacks during 2018/19, decreasing to 36 during 2019/20 and 17 during 2020/21.
- As a comparison between 2023/24 to an already low year of 2020/21, POL have seen a decrease of 88%, whereas the industry notes a 51% decrease
- POL continues to deploy gas suppression & trackers in high-risk areas.

- 6 industry ATM attacks in the period (7 last month)
- Industry ATM attacks decreased in January & December, FYF is c. 190 vs pre-pandemic levels of 326. 159 YTD, including Cardtronics (47%), Tesco (20%), POL 0.63%
- We have reduced ATM cash holdings in high-risk areas, some of which includes areas where the fire services have seen thefts of cutting equipment used later for ATM attacks

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POST OFFICE LIMITED
BOARD REPORT

Title:	POI Accenture Managed Service Contract Extension	**Meeting Date:**	25th March 2024
Author:	Carl Roe, Head of IT & Change	**Sponsor:**	Simon Par, POI CEO

Input Sought: Approval

The POL Board are asked to approve an extension to the Post Office Insurance (POI) Accenture managed service support contract which extends the contract until November 2026. The consecutive spend over the full 8 years, 3 months totals £6,156,667 requiring POL Board approval.

Executive Summary

POI Board approved the spend and onward submission to POL Board on 22nd January 2024.

Accenture Contract Extension for POI IT Services

1. POI use Accenture support services across 4 separate statement of works, namely Managed Services, Application Insurance Support, Hosting & Change Capacity Spend.
2. Accenture host, manage and configure the Duck Creek policy and billing insurance platform, on behalf of POI, to sell and administer travel & home insurance policies.
3. The four statement of works have received POI board approval to extend until 2026, which allowed a full upgrade of the insurance Duck Creek platform to complete, which had not received an upgrade since inception in 2018.
4. Advice from the POL legal team has stated that [redacted]
5. With the exception of the Managed Service contract, all other individual statement of works do not exceed a total of IRRELEVANT
6. The managed service contract provides a number of services supporting POI and 3rd party services providers. Capabilities including Service Desk, cloud services, service management, integrations, database, and cyber security.
7. The first-year extension saw a IRRELEVANT increase in contract spend due to the need to review all capabilities, with a IRRELEVANT
8. Accenture were the previous owner of Duck Creek at the time of the implementation, for both travel and home, which is why they are the current technical partner.
9. Duck Creek (provider of the insurance platform) are also expected to move to a software as a service model which will change the hosting landscape and the support model required in future.
10. Over the next 3 years a strategic review will take place to look at future technical services & providers, including the relationship with Accenture.
11. The POL board are asked to approve the extension of the managed service contract which will exceed the IRRELEVANT approval limit.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Annual Governance Report	**Meeting Date:**	25th March 2024
Author:	Cordelia Hagan, Assistant Company Secretary	**Sponsor:**	Rachel Scarrabelotti, Company Secretary

Input Sought: Noting & Approval

The Board is asked to **note** the Directors' Register of Interests (full document in the **Reading Room**).

The Board is asked to **approve** the following:

a) Updates to the Delegated Authorities from the Board (full document in the **Reading Room**);
b) Changes to the Authorised Signatories list as set out in the report (**Appendix 1**);
c) The revised Matters Reserved to the Board ("MRB") including the Spend Approval Limits appendix (Spend Approvals extract at **Appendix 2**, full MRB document in the **Reading Room**); and
d) The revised Nominations Committee Terms of Reference ("ToR") (full document in the **Reading Room**).

Executive Summary

The last Annual Governance Report was considered by the Board at its meeting on 28th March 2023. At that meeting, the Board approved a revised version of the Authorised Signatories list, and revised versions of the Remuneration Committee ToR and the ARC ToR.

This Annual Governance report is intended to cover the main governance reviews required by the Board, listed at paragraphs 1-5 below. The Company Secretariat also asks Directors to review their biographies so that we can ensure that the information on the Post Office corporate website is up to date.

Report

1. **Delegated Authorities**

The Board is required to act within its powers, which are set out in the Post Office Limited ("the Company") Articles of Association. Excluding those matters specifically reserved to the Board or which require Shareholder approval, the Board has delegated levels of authority to the Board Committees and the Group CEO to enable decision making.

As such, the Company Secretariat maintains a delegated authorities document. It is proposed that minor changes are made to the delegated authorities document, including to:

- amend references from the 'GE' to the 'SEG' following a change to the membership of this executive forum; and
- update the document to reflect the status of some key SEG sub-committees.

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The revised delegated authorities document can be found in the **Reading Room**.

2. **Authorised Signatories**
As part of the Contract Approval Process, the Company Secretariat arranges signatures for documents such as contracts, statements of work, order forms and terms and conditions, to be signed by authorised signatories.

It is recommended that references in the list to 'GE Members' are amended to 'SEG Members'. Additionally, it is recommended that the job titles for those personnel who are authorised to sign specified contracts are updated.

An extract of the authorised signatories' list can be found in **Appendix 1** which has been revised to reflect the above proposed changes.

3. **Authentication of the Affixing of the Company Seal**
The Board is asked to note those individuals with delegated authority to authenticate the affixing of the common seal of the Company in accordance with Section 45 of the Companies Act 2006 as set out in **Appendix 1**.

The Company Seal is primarily used to execute documents as deeds (such as trust documents and in the case of property transactions). The Directors receive and confirm the list of documents executed via the Company Seal at each Board meeting.

No changes are currently proposed to the list of individuals authorised to authenticate the affixing of the Company Seal.

4. **Committee Terms of Reference Reviews and Matters Reserved to the Board Review**
The Company's Remuneration, Nominations, Audit Risk and Compliance, Investment Committees and Remediation Committee ("the Committees") each have a Terms of Reference (ToR) in place. Provision 21 of the 2024 UK Corporate Governance Code recommends that there should be an annual evaluation of the activities and performance of each Committee against their Terms of Reference.

The Nominations Committee considered its ToR review at its meeting on 27th February 2024. Following approval by the Nominations Committee on 30th January 2024, of changes to the direct reports of the Group Chief Executive, and the CEO establishing a new executive management forum, the SEG, changes were proposed to the Nominations Committee Terms of Reference to update references to the 'Group Executive' to the 'Strategic Executive Group'. The revised Nominations Committee ToR can be found in the **Reading Room**.

The ARC will consider its annual ToR review at its meeting in May 2024.

The Board approved the updated Remuneration Committee ToR at its meeting on 1st March 2024. This can be found in the **Reading Room** for information.
The Investment Committee will review its ToR later this year, given that is has only been in operation since September 2023.

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A revised version of the Remediation Committee ToR was approved offline by the Remediation Committee on 11 March 2024, and the Board has been asked to review and approve the ToR during this meeting.

A review of the Post Office Matters Reserved for the Board ('MRB') has also been undertaken. Accordingly, it is recommended that references in the MRB to the 'Group Executive' be amended to the 'Strategic Executive Group'.

Furthermore, it is proposed that the Spend Approval Limits appendix, included at paragraph H of the MRB, be revised so that the job roles that were previously part of the GE, but who are not members of the current SEG, are able to maintain their £2m delegated spend approvals. The job titles are: the Group General Counsel; the Group Chief Retail Officer; the Strategy and Transformation Director, and the Group Corporate Affairs, Brand and Communications Director.

An extract of the Spend Approvals Limit list can be found at **Appendix 2**. The full revised version of the MRB can be found in the **Reading Room**.

5. **Register of Interests**
Pursuant to Section 175 of the Companies Act 2006 ("the Act"), a director must avoid a situation in which they have or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. Accordingly, the Company Secretariat maintains a Register of Interests for directors, and this is formally reviewed on an annual basis. Additionally, the first agenda item for each meeting is a declaration of conflicts of interest. The current Register of Interests is in the **Reading Room**.

Furthermore, in accordance with Section 180 of the Act, and Section 80.2 of the Company's Articles of Association, the Board may authorise any matter which would otherwise involve a director breaching his or her duty under the Act, to avoid conflicts of interest. The ARC last approved updates to the Conflicts of Interest Policy on 23rd January 2023 and this is in the **Reading Room** for information.

Stakeholder Implications

6. The Company's stakeholders, in particular our Shareholder, The Department for Business and Trade, have a vested interest in the Company maintaining high standards of corporate governance.

Quick Links to the Reading Room:
1. Register of Interests
2. Delegated Authorities
3. Matters Reserved to the Board – Clean
4. Mattes Reserved to the Board – Tracked Changes
5. Annex 1 to the MRB
6. Nominations Committee ToR – Tracked Changes
7. Remuneration Committee ToR – Clean
8. Current Conflicts of Interest Policy

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Appendix 1 – Authorised Signatories

Authorised Signatories

The following positions are approved to sign documents that will bind the Company such as, but not limited to, contracts, statements of work, change notes, order forms and terms & conditions.[1] Signature is subject to applicable internal policies, processes and documented exceptions:

- Any Statutory Director;
- The Group Company Secretary[2];
- The Deputy Company Secretary
- Any member of the Strategic Executive Group[3]; and
- Any Senior Assistant Company Secretary.

The following positions[4] are permitted to sign employment contracts and similar HR related agreements (together "HR Contracts"), or Postmaster contracts, including franchise agreements as part of the DMB programme (together "Postmaster Contracts") (for the purpose as specified only) as set out below:

Job Title	Purpose
People Functional Services Manager	HR Contracts
People Lead Team	
Talent Acquisition Team	
People Business Partnering Team	
Retail Engagement Director	Postmaster Contracts
Senior Postmaster Onboarding Manager	
Lead Onboarding Manager	
Onboarding Team Manager	

Any one of the following positions is approved to authenticate the affixing of the Company Seal pursuant to Article 78 (C):

- A Statutory Director;
- Group General Counsel;
- Group Company Secretary[5]
- Deputy Company Secretary; or
- Senior Assistant Company Secretary.

The following positions[6] are permitted to sign standard Post Office intellectual property licensing letters[7] (for this specified purpose only):

- Head of Brand
- Group Corporate Affairs, Brand and Communications Director

[1] The Board authorised the Company Secretariat to keep a list of authorised signatories in its meeting on 22 January 2016 (see minute reference 69 of 2016).

[2] This includes any persons holding this position in the interim.

[3] These are executives reporting directly to the Group Chief Executive Officer (Strategic Executive Group) , other than executive directors and excludes Personal, Executive Assistants or Team Supports who report directly to a Strategic Executive Group member.

[4] Or positions equivalent to this. Authority is given to the role holder where job titles are modified or updated however the scope of the role remains the same. The Company Secretary will determine if it is appropriate to update the authorised signatories list following a change in job titles.

[5] This includes any persons holding this position in the interim.

[6] Or positions equivalent to this.

[7] Or where any amendments are made within the Post Office house position. This will be determined by the Legal team. Non-standard licences and licences that require stronger/wider obligations or indemnities from Post Office, will go through the contract approval process before signature.

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The following position[8] is permitted to sign fraud recovery letters with a value up to £250,000 (for this specified purpose only):

- Banking Director

The following positions[9] are permitted to sign IT Software Sales Orders subject to an eCAF and up to the amount of £250,000 (for this specified purpose only):

- IT Vendor Manager – Software

The following positions are permitted to sign exit assistance notices and termination letters (for this specified purpose only)[10]:

- Procurement Director

[8] Or positions equivalent to this. Authority is given to the role holder where job titles are modified or updated however the scope of the role remains the same. The Company Secretary will determine if it is appropriate to update the authorised signatories list following a change in job titles.

[9] Or positions equivalent to this.

[10] The termination of contracts, whereby exiting or ending the agreement does not trigger any liabilities nor additional costs, are exempted from requiring an eCAF and may be signed by the Procurement Director. Termination outside of these parameters (for example, where early exit fees apply) will be subject to the contract approval process.

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Appendix 2 - Spend Approval Limits

Spend Approval Limits

The Board has delegated to the Group Chief Executive Officer (CEO) spend approval of up to £5,000,000 and the Group CEO recommends to the Board the following standard spend approval limits subject to applicable internal policies and processes[11]:

Job Title	Spend Approval Limit
Group Chief Finance Officer (CFO)	£4,000,000
Strategic Executive Group Member[12]	£2,000,000
Group General Counsel	£2,000,000
Group Chief Retail Officer	£2,000,000
Strategy and Transformation Director	£2,000,000
Group Corporate Affairs, Brand and Communications Director[13]	£2,000,000
Direct Reports to the Strategic Executive Group[14]	£250,000

The Group CEO may sub-delegate up to his or her spend limit of £5,000,000 and determine the conditions of that delegation. Such delegation must be provided to the Group Company Secretary in writing.

The Group CFO and Strategic Executive members may delegate up to their £4,000,000 and £2,000,000 spend approval limits respectively, on a permanent or *ad hoc* basis, to their direct reports or below, provided such delegation is provided to the Group Company Secretary in writing. For the avoidance of doubt, direct reports to Strategic Executive Group members automatically have a £250,000 delegation, unless the Strategic Executive Group member advises the Company Secretariat otherwise[15].

[11] OPEX spend may be approved in accordance with these levels. CAPEX spend requires prior approval from the Investment Approvals and Delivery Group. The spend is measured over the life of the contract or project.

[12] These are executives reporting directly to the Group Chief Executive Officer (Strategic Executive Group), other than the Group Chief Financial Officer and excludes Personal, Executive Assistants or Team Supports who report directly to a Strategic Executive Group member.

[13] This includes positions equivalent to the role of the Group Corporate Affairs, Brand and Communications Director, and any persons holding this position in the interim.

[14] Please note that although the Group Chief Retail Officer, the Strategy and Transformation Director, and the Group Corporate Affairs, Brand and Communications Director, are direct reports to a SEG member, they each have £2m delegated spend approval limit as above.

[15] This does not apply to Personal, Executive Assistants or Team Supports who report directly to a Strategic Executive Group member.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Sealings Report	**Meeting Date:**	25th March 2024
Author:	Rubia Khanom, Company Secretariat Administrator	**Sponsor:**	Rachel Scarrabelotti, 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 numbered 2242 - 2247 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 2242 - 2247 inclusive in the Sealings Register are hereby confirmed.

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Date Created
15/03/2024

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
2242 / RX3 Land Registry application	07/02/2024	07/02/2024	Land Registry form RX3 - Application to cancel a Restriction placed on Holly House The Street, Lamas, Norfolk, NR10 5AF, title Number NK200128. Form RX4 (Seal No. 2223) previously executed in this regard however Land Registry advised incorrect form - RX3 required. The original restriction was placed on the Property at the request of the Royal Mail Group Limited ("RMG") in an effort to secure monies it understood were owed to Post Office Limited by one of their postmasters, Siobhan Sayer, who is one of the registered proprietors of the Property. Following the registration of the restriction Ms Sayer pleaded guilty to one count of fraud in relation to the apparent loss to Post Office of £18,997.00. This conviction has now been overturned by the appeal courts and the sum of £18,997 is now not owed to Post Office or RMG. In light of this, the registered restriction has no legal basis to be in place and therefore needs to be withdrawn.	Alison Hoyland, Deputy Company Secretary	Kombeh Secka, Legal
2243 / Deed of Release	07/02/2024	01/02/2024	Deed of release of restrictive covenant relating to 131 Brent Street, London NW4 4BY between Post Office Limited (No. 02154540) whose registered office is 100 Wood Street, London, United Kingdom, EC2V 7ER (Covenantee) and Mohammad Javanshir Harsini of 12 Colin Crescent, The Hyde, London, NW9 6EY (Covenantor). The Covenantee releases the Covenantor and the Property from the Covenant (use the Property other than as a post office together with retail use ancillary thereof) so that from and including the date of this Deed the Covenant is extinguished.	Alison Hoyland, Deputy Company Secretary	Womble Bond Dickinson and Karima Karger (Legal)
2244 / Deed of Surrender of lease	07/02/2024	07/02/2024	DEED OF SURRENDER of a Lease of the whole of the premises known as Admiral House, Thompson Street, Manchester M60 0AA between TS DEVELOPMENTS (MANCHESTER) LIMITED incorporated in England and Wales with company registration number 14201814 whose registered office is at 1st Floor NQ Building, 47 Bengal Street, Manchester, M4 6BB ("Landlord"); and POST OFFICE LIMITED incorporated in England and Wales with company registration number 02154540 whose registered office is at 100 Wood Street, London EC2V 7ER ("Tenant"). The Landlord releases the Tenant from all the tenant covenants and obligations contained in the Lease and from all liability for any subsisting breach of them and such covenants and obligations shall be deemed to have been released as at 10 November 2023.	Alison Hoyland, Deputy Company Secretary	Karima Karger, Legal and Womble Bond Dickinson

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Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
2245 / Land Registry - UN2 form	22/02/2024	20/02/2024	Land Registry form UN2 - A Unilateral Notice in favour of POL in relation to an interim charging order (dated 18.10.2012 Court Ref: 2YL56075) was registered (23.10.2012) against a former Postmaster's property, 29 Orchard Grove, Shield Row, Stanley, DH9 8NG, Title number DU318263. The Postmaster has repaid the debt to which the notice relates and requested its removal. UN2 form executed by POL, for submission to the Land Registry.	Rachel Scarrabelotti, Group Company Secretary	HM Land Registry (Durham) Office
2246 / Lease	28/02/2024	28/02/2024	Lease relating to Suite 2F, Atria Spa Road, Bolton, Greater Manchester BL1 4AG between Bruntwood 2000 (NW Regen) Limited (Company No. 06084210) whose registered office is at Union, Albert Square, Manchester, England, M2 6LW (Landlord) and Post Office Limited (Company No. 02154540) whose registered office is at 100 Wood Street, London, United Kingdom, EC2V 7ER (Tenant). The lease will be for a term of 3 years commencing 13th December 2023. Annual Rent is Thirty Eight Thousand Six Hundred and Ten Pounds (£38,610.00) per annum exclusive of VAT. The Annual Rent Commencement Date is the 14 March 2024, as there is a rent free period until that date. Post Office Limited is also required to pay a service charge to contribute to the cost of repair and services provided to the building by the Landlord. The amount will be a fair proportion of the total service charge expenditure at the building and will be payable quarterly in advance. The service charge expenditure is currently running at £6.99 per sq ft (£19,991.40 per annum). A new budget is set each April.	Alison Hoyland, Deputy Company Secretary	Karima Karger (Legal) and Womble Bond Dickinson
2247 / Seal No. 2247	13/03/2024	12/03/2024	Licence to underlet relating to Flat 10, The Posting House, Post Office Avenue, Southport, PR9 0UH between Post Office Limited (Landlord), Kingscrown Properties Limited (Company No. 03299740) whose registered office is Suites 11-16 Prudential Buildings, 61 St Petersgate, Stockport, Cheshire, United Kingdom, SK1 1DH (Tenant) and Stephen Alan Maloney and Liam Maloney of Flat 10, The Posting House, Post Office Avenue, Southport, PR9 0UH (Undertenant). This Licence is supplemental and collateral to the Lease and Underlease. Post Office Ltd is entitled to the immediate reversion to the Lease and the residue of the term granted by the Lease is vested in the Tenant. The Tenant intends to underlet part of the property demised by the Lease and, under the terms of the Lease, requires the consent of the Landlord to grant the Underlease. The Undertenant covenants with the Landlord:	Alison Hoyland, Deputy Company Secretary	Karima Karger, Legal and Womble Bond Dickinson

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Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
			(a) that throughout the Liability Period it will: (i) pay the rents reserved by and observe and perform the tenant covenants of the Underlease and not suffer, permit or omit to do anything at or in relation to the Underlease Property or the Underlease that would or might constitute a breach of those tenant covenants; and (ii) observe and perform the tenant covenants of the Lease (insofar as they relate to the Underlease Property and any rights granted to the Undertenant), except for the covenant to pay the rents reserved by the Lease, and not do, suffer, permit or omit to do any act or thing at or in relation to the Underlease Property that would or might cause the Tenant to be in breach of any of the tenant covenants of the Lease.		

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POST OFFICE LIMITED
BOARD REPORT

Title:	Nomination Committee Membership	**Meeting Date:**	25th March 2024
Author:	Marie Molloy, Senior Assistant Company Secretary	**Sponsor:**	Ben Tidswell, Senior Independent Director

Input Sought: Decision

The Board is asked to approve the appointment of Amanda Burton and Simon Jeffreys as members of the POL Nominations Committee with the appointments effective 25 March 2024.

Report

1. Following the departure of the Chair in January 2024, the Nominations Committee is currently comprised of 3 members, being Ben Tidswell, Senior Independent Director, Lorna Gratton, Shareholder representative, and Saf Ismail, a Postmaster Non-Executive Director. The UK Corporate Governance Code 2018 with which POL seeks to comply, provides that a majority of members of the Nominations Committee should be independent non-executive directors (provision 17) and this is reflected in paragraph 36 of the Nominations Committee's Terms of Reference. With neither Lorna Gratton nor Saf Ismail considered as independent Non-Executive Directors under the UK Corporate Governance Code 2018, in order to align with the provisions of the UK Corporate Governance Code 2018 and the Nominations Committee's Terms of Reference, it is proposed that Amanda Burton and Simon Jeffreys join the Nominations Committee as members. The Board should also note that Ben Tidswell is due to step down from the POL Board and his committee memberships circa 26 July 2024, leaving a vacancy on the Nominations Committee. The appointment of Amanda Burton and Simon Jeffreys to the Nominations Committee would allow a period for Amanda and Simon to familiarise themselves with the work of the Committee ahead of Ben Tidswell's departure and provide some continuity of membership during this time.

2. Amanda Burton commenced as a Non-Executive Director of POL in April 2023. Amanda is currently Chair of the Remuneration Committee.

3. Simon Jeffreys commenced as a Non-Executive Director of POL in March 2023. Simon is currently Chair of the Audit, Risk and Compliance Committee.

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POST OFFICE LIMITED
BOARD REPORT

Title:	Future Meeting Dates	**Meeting Date:**	25th March 2024
Author:	Rubia Khanom, Company Secretariat Administrator	**Sponsor:**	Rachel Scarrabelotti, 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.

2024

Date			Time	Meeting
Tuesday	19 March	2024	11:00 – 12:00	Additional Nominations Committee
Wednesday	20 March	2024	08:30 – 10:30	Remediation Committee[1]
Wednesday	20 March	2024	15:00 – 18:00	ARC
Monday	25 March	2024	12:15 – 17:30	Board
Wednesday	24 April	2024	08:30 – 10:30	Remediation Committee
Thursday	16 May	2024	14:00 – 16:00	Investment Committee
Tuesday	21 May	2024	09:00 – 12:00	ARC
Wednesday	29 May	2024	08:30 – 10:30	Remediation Committee
Tuesday	04 June	2024	09:00 – 09:30	Nominations Committee
Tuesday	04 June	2024	09:30 – 11:00	Remuneration Committee
Tuesday	04 June	2024	11:15 – 17:00	Board
Wednesday	12 June	2024	08:30 – 10:30	Remediation Committee
Monday	01 July	2024	14:00 – 17:00	ARC
Tuesday	09 July	2024	09:00 – 14:00	Board
Tuesday	09 July	2024	14:30 – 18:00	Board Strategy Away Day - 1
Wednesday	10 July	2024	08:30 – 17:30	Board Strategy Away Day - 2
Wednesday	17 July	2024	08:30 – 10:30	Remediation Committee
Tuesday	23 July	2024	14:00 – 16:00	Remuneration Committee[2]
Wednesday	21 August	2024	08:30 – 10:30	Remediation Committee

[1] The Remediation Committee meetings will be Monthly from January 2024 onwards rather than fortnightly.
[2] As agreed, the cadence of RemCo meetings is being changed and being de-coupled from Board meeting scheduling and will now be aligned to the unique activities of RemCo. Moved from 24 September 2024.

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Tuesday	17 September	2024	13:00 – 15:00	Investment Committee
Wednesday	18 September	2024	08:30 – 10:30	Remediation Committee
Wednesday	18 September	2024	14:00 – 17:00	ARC
Tuesday	24 September	2024	10:00 – 11:00	Nominations Committee
Tuesday	24 September	2024	11:15 – 17:00	Board
Wednesday	16 October	2024	08:30 – 10:30	Remediation Committee
Tuesday	29 October	2024	09:00 – 17:00	Board
Wednesday	06 November	2024	10:00 – 12:00	Remuneration Committee[3]
Wednesday	13 November	2024	08:30 – 10:30	Remediation Committee
Thursday	14 November	2024	14:00 – 17:00	ARC
Tuesday	26 November	2024	10:00 – 11:00	Nominations Committee
Tuesday	26 November	2024	11:15 – 17:30	Board
Tuesday	10 December	2024	10:00 – 12:00	Investment Committee
Wednesday	11 December	2024	08:30 – 10:30	Remediation Committee

2025

Date			Time	Meeting
Wednesday	22 January	2025	08:30 – 10:30	Remediation Committee
Monday	27 January	2025	14:00 – 17:00	ARC
Tuesday	28 January	2025	09:00 – 17:00	Board
Monday	10 February	2025	12:00 – 14:00	Investment Committee
Wednesday	19 February	2025	08:30 – 10:30	Remediation Committee
Tuesday	25 February	2025	09:00 – 12:00	Board
Tuesday	25 February	2025	12:30 – 13:00	Nominations Committee
Tuesday	25 February	2025	13:00 – 14:30	Remuneration Committee
Wednesday	19 March	2025	08:30 – 10:30	Remediation Committee
Tuesday	25 March	2025	09:00 – 12:00	ARC
Tuesday	25 March	2025	12:15 – 17:30	Board

[3] As agreed, the cadence of RemCo meetings is being changed and being de-coupled from Board meeting scheduling and will now be aligned to the unique activities of RemCo. Moved from 26 November 2024.

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Post Office Limited
Board Governance Map & Forward Plan 2024/25

Item	Origin of Request	Owner	Action Required	04/06/2024	09/07/2024	09/07/2024 & 10/07/2024 Strategy Sessions	24/09/2024	29/10/2024	26/11/2024	28/01/2025	25/02/2025 - Additional	25/03/2025	Notes
STANDING ITEMS FOR PRESENTATION													
Welcome and Conflicts of Interest	Companies Act 2006 s.177	Chair	Noting	X	X	X	X	X	X	X	X	X	
Inquiry Undertakings	N/A	Company Secretary	Noting	X	X	X	X	X	X	X	X	X	
Minutes from previous meeting	Terms of Reference	Company Secretary	Approval	X	X	N/A	X	X	X	X	N/A	X	
Matters Arising	N/A	Company Secretary	Noting	X	X	N/A	X	X	X	X	N/A	X	
Committee reports (verbal)	Terms of Reference	Committee Chairs	Noting	X	X	N/A	X	X	X	X	N/A	X	
CEO report	Terms of Reference	CEO	Noting & discussion	X	X	N/A	X	X	X	X	N/A	X	
Financial Performance Report (including Change Spend)	Terms of Reference	CFO	Noting & discussion	X	X	N/A	X	X	X	X	N/A	X	
Wrongful Trading Assessment	Request from Chairman - November 2023	CFO	Noting & discussion	X	X	N/A	X	X	X	X	N/A	X	
Contract and Sourcing Strategy Matters (including spend approvals over £5 million)	Terms of Reference	Executive Team	Noting/ Approval	X	X	N/A	X	**X (Procurement Strategic Pipeline)**	X	X	N/A	X	**The strategic procurement is scheduled as a discussion item periodically and this item is attended by the Director of Procurement.** 31/10/2023: The Board requested that Business owners accompany the Procurement Director when they are seeking a contract approval.
STANDING ITEMS FOR NOTING													
Health & Safety Report	Terms of Reference	CFO	Noting	X	X	N/A	X	**X**	X	X	N/A	X	**Scheduled as a discussion item bi-annually or annually, including violence and robberies reporting. The Director of Health and Safety, Environment and Business Continuity attends for these items.**
Retail Performance Dashboard	Board Paper - 24/01/2022 confirming future submissions	Senior Operational Improvement Manager & Chief Retail Officer	Noting	-	X	-	-	X	-	X	-	X	27/10/2023: Retail Performance Dashboard sent for noting only in January, March, July and October.
Technology Dashboard	POL Board Action - 09 March 2023	Zdravko Mladenov (Group Chief Digital Information Officer)	Noting	X	X	N/A	X	X	X	X	N/A	X	A Technology Dashboard will be presented periodically once NBIT rollout begins.
Rebuilding Trust: Remediation Unit Update	Terms of Reference	RU and Inquiry Executive Sponsor	Noting	X (including restorative justice program)	X	N/A	X	X	X	X	N/A	X	
Rebuilding Trust: Public Inquiry Update	Terms of Reference	RU and Inquiry Executive Sponsor	Noting	X	X	N/A	X	X	X	X	N/A	X	
Governance items: Forward Plan, Sealings, Meeting Dates, Forward Planner	Terms of Reference	Company Secretary	Noting	X	X	N/A	X	X	X	X	N/A	X	
CYCLICAL ITEMS: (annual unless otherwise stated in notes column)													
Budget and performance against strategic plan	Terms of Reference	CFO	Approval for submission to Shareholder								X	X (including RU Budget and Inquiry Budget Approval)	Additional Board in February 2025 to discuss the initial review of the 2025/26 Budget. Final draft approved in March for submission to the Shareholder.
Three-year plan (to tie in with Government Spending review)	Terms of Reference	CFO	Approval for submission to Shareholder										To be scheduled.
Annual Report and Accounts	Terms of Reference	ARC Chair/ CFO	Approval										FY year end 31 March, deadline for filing 31 December but must first be laid in Parliament.

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Item	Origin of Request	Owner	Action Required	04/06/2024	09/07/2024	09/07/2024 & 10/07/2024 Strategy Sessions	24/09/2024	29/10/2024	26/11/2024	28/01/2025	25/02/2025 - Additional	25/03/2025	Notes
Network Performance Report	Terms of Reference	Network Strategy Delivery Director	Approval				X						Usually each September or October. The Report has to be laid in Parliament.
Governance Report (terms of reference review; register of interests; matters reserved and delegated authorities)	Terms of Reference	Company Secretary	Approval									X	
Board and Committee Evaluations	Terms of Reference	Company Secretary	Discussion and Approval of recommended actions	X (Moved from March 2024 to June 2024)				X (Update on progress)				X	The Board and Committee Evaluations should be externally facilitated every third year to comply with the UK Corporate Governance Code and Public Sector guidance on corporate governance.
Code of Business Standards	Terms of Reference	Reena Chohan (People and Policy Compliance Manager) and Janene Mellor (Senior Employee Relations Manager)	Approval - No Presentation	X (Moved from March 2024 to June 2024)								X	
Modern Slavery Act Statement	Terms of Reference	Head of Customer Experience Strategy & Deployment / Retail & Franchise Network Director	Approval		X								The statement and recommended actions are discussed in detail at the ARC so Board discussion is usually minimal.
People Strategy (including culture)	Terms of Reference	Group Chief People Officer	Discussion										To be scheduled.
Succession Planning (including succession below Board and GE level)	Nominations Committee Evaluation & Board Action from 12 July 2022	Group Chief People Officer	Discussion				X					X	Board discussion every 6 months.
ESG	Terms of Reference		Discussion										To be scheduled.
Group Risk Policy	Terms of Reference	Chief Financial Officer	Approval							X (Annual Review)			
Corporate Social Responsibility Strategy	Marie Molloy Email 13/10/2022	Head of Corporate Responsibility & Social Impact & Group Corporate Affairs, Brand and Communications Director	Noting (either 10 minute slot or for noting with no presentation)	X (Moved from March 2024 to June 2024)									Marie agreed with Al Cameron this would be removed from the RCC and ARC forward planner as it did not align with the ToR. Richard Taylor and Mark Cazaly were advised this would go to GE and Board instead. Annual Item.
Communications and Stakeholder Strategy	Terms of Reference	Group Corporate Affairs, Brand and Communications Director	Noting										To be scheduled.
ITEMS SCHEDULED													
Operational/ Network													
Project Darwin	Stephen Faulkner-Atkinson Email 01/06/2023 and 26/01/2024	Stephen Faulkner-Atkinson (Programme Manager) & Russell Hancock (Supply Chain Director)	Funding Drawdown/ Approval				X						**September 2024:** Update on how well the transition to iForce is going and any impacts on the Postmasters in the lead up to Christmas peak despatches to Postmasters.

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Item	Origin of Request	Owner	Action Required	04/06/2024	09/07/2024	09/07/2024 & 10/07/2024 Strategy Sessions	24/09/2024	29/10/2024	26/11/2024	28/01/2025	25/02/2025 - Additional	25/03/2025	Notes
Cash counts in Branch	POL Board Action - 11 July 2023	Zdravko Mladenov (Group Chief Digital Information Officer)/ Melanie Park (Central Operations Director)	Discussion						X				**Action:** BT queried how accurate the costs estimated for cash counts in branch at the time of NBIT migration were and what analysis had been undertaken. ZM advised that further analysis could be undertaken. **12/10/2023:** This action remains in progress. It's worth reflecting that the cash count process is being pushed out 12+ months under the new timelines, thus giving a lot more time to respond to this query. Given that, changing the due date to just '2024' might make sense. **14/11/2023:** An action update will be provided in December 2024 on cash counts if/ when they have been completed.
Branch Layouts/ Plans for developing a central branch repository	POL Board Action - 30 January 2024	Martin Roberts (Chief Retail Officer), Owen Woodley (Deputy CEO)	Discussion	X									
Finance													
Review of Business Performance Metrics and KPIs	Board Strategy Away Day - Next Steps Paper from 26th September 2023	Al Cameron (Group CFO) / Tim McInnes (Strategy and Transformation Director)	Discussion	X									Review of Business Performance Metrics and KPIs in response to the Board's interest in how we measure performance outside profitability, as well as an assessment of new longer-term commercial opportunities in Platform Products.
Technology													
•SPM Drawdown request •IDAM - Business Case and Drawdown •Second Device – Full Business Case & Additional Drawdown	Email from Samantha Swann on 26/02/2024	Chris Brocklesby (Chief Transformation Officer)	Approval		X								
Cyber Security – Business Case and approach	Email from Samantha Swann on 26/02/2024	Chris Brocklesby (Chief Transformation Officer)	Approval	X									
Back office and data (Data Enablement Programme - Drawdown, Back Office Operational Modernisation – Sourcing Strategy & Drawdown)	Email from Samantha Swann on 26/02/2024	Chris Brocklesby (Chief Transformation Officer)	Approval	X									
Transforming Technology: Horizon Replacement	POL Board Action - 11 July 2023	Chris Brocklesby (Chief Transformation Officer), Kelly Goodwin (Programme Director)	Approval									X	11/07/2023: ZM undertook to come back with a plan in relation to this option. NR asked that this process be tested in Q4. 18/01/2024: All options will be considered as we discuss plans beyond 2025. We are not working on our approach to cutover yet. **This action will be closed on the understanding that the approach to NBIT deployment will be presented to Board in late 2025 and this will be included in the Board Forward Planner.**
Commercial													
Mails strategy implementation/ post peak update	Request from Chairman - Commercial/ trading activity at Board	Neill O'Sullivan (Managing Director - Parcels and Mails)	Discussion	X (TBC)									Barbara Brannon: This was superceded by the verbal update provided to Board after Christmas. But was left as an open item for a later update. There are several papers due to go to Board when we can find availability and Mails is a significant element to each. So I would recommend that we close this item for now.
Banking Framework 4	Email from Barbara Brannon on 26/09/2023 and Alison Hoyland 19/02/2024	Martin Kearsley (Product Portfolio Director - Banking, Payments and Transactional Products)	Discussion/ Approval	X (Final Deal Sign Off)									
Scottish Notes - Progress Update		Russell Hancock (Supply Chain Director)	Noting	X (TBC)									Not taken to Board in March 2024. Pushed to a later date in April 2024 for SEG/ Retail Committee.
Digital Strategy	POL Board Action - 30 January 2024	Owen Woodley (Deputy CEO)	Discussion	X									

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Item	Origin of Request	Owner	Action Required	04/06/2024	09/07/2024	09/07/2024 & 10/07/2024 Strategy Sessions	24/09/2024	29/10/2024	26/11/2024	28/01/2025	25/02/2025 - Additional	25/03/2025	Notes
WHS Contract	Email from Nicola Stevens on 19/01/2024	Nicola Stevens (Head of Partnerships) and Owen Woodley (Deputy CEO)	Approval	X (20mins - Moved from March 2024 to June 2024)									
Postmaster/ Customer/ other Stakeholders													
SME opportunity for POL	Board Strategy Away Day - Next Steps Paper from 26th September 2023	Martin Roberts (Chief Retail Officer), Owen Woodley (Deputy CEO) and Barbara Brannon (Product Portfolio Director)	Discussion	X (Moved from March 2024 to June 2024)									An outline of the known SME opportunity for POL across product areas, and the planned activities to build a strategy for improving our SME proposition by the Spring. This builds on discussions in July on how we can do more with small business customers.
Ethos Programme (culture transformation)	Email from Helen Bussey on 18/08/2023	Owen Woodley, Deputy CEO	Discussion	X									Update scheduled for 04 June 2024
2024 Staff Survey result discussion	Email from Tim Perkins on 14/03/2024	Tim Perkins, Programme Director - People Team	Discussion	X									
Postmaster Back Office Remuneration/ operational excellence incentives	Email from Chrysanthy Pispinis on 24/11/2023	Martin Edwards (Network Strategy & Delivery Director)	Approval - 20mins at GE and 15mins at Board										
Grant Thornton governance review & next steps	Email from Chrysanthy Pispinis on 12/12/2023	TBC	For approval - 15 mins										
Disclosure of Evidence to Support Police Investigations	Board Action - 31 October 2023	Sarah Gray (Group Legal Director), John Bartlett (Head of Assurance & Complex Investigations)	Approval	X (Moved from March 2024 to June 2024)									11/12/2023: John is drafting a new policy to incorporate two existing policies and some guidance which will include proposing a new approach to handling the newest form of Horizon data.
Session for Board on TCFD (Task Force on Climate-related Financial Disclosures)	Email from Martin Hopcroft on 16/02/2024	Martin Hopcroft (Director of Health & Safety, Environment and Business Continuity)	Discussion - 45 mins	X									**Scheduled for June 2024.** To support our implementation of a framework to meet our obligations under TCFD (Climate risk and impacts on our financial disclosures) and be compliant reporting to this year's ARA, we need to present to the Board the following session, with support from Inspired, our 3rd party provider. The purpose will be to build capacity with the Board to enable them to consider climate-related issues better when reviewing the business strategy and operations.

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Post Office Technology

Technology Dashboard

Mar 2024

POST OFFICE®



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IT Operations and People Topics

IT operations – branch

Comments: 4 branch impacting MI's in February. 2 related to network connectivity issues (Talk Talk and 4G provider) and the final 2 of these were due to third party technology failures (Scottish Power and Allied Irish bank). We anticipated a quiet month on volumes compared to January and subsequently managed to resolve more incidents than we opened. Branch-down at the start of day has had a significant improvement and as of 29th Feb we had only 2 branches unable to trade at the start of the day. 14 outreach locations were unable to trade for over a week, (similar to January) and primary factor was that outreaches can only be repaired on limited days for limited hours. We had 5 complaints for February, a reduction of 2 from January.

	Nov-23	Dec-23	Jan-24	Feb-24	12 month average
# major IT branch incidents (Raised / Resolved)	2 2	1 1	2 2	4 4	3.3 3.2
# IT branch incidents (non-major), (k) (Raised / Resolved)	4.3 4.4	3.3 3.3	4 4	3.6 3.7	3.8 3.9
% Horizon uptime (New definition used from Sep-23 onwards)	100%	100%	100%	100%	99%
# average branches down (start of day)	10	10	13	8	9
# branches down for over a week	10	15	14	14	10
# formal complaints (closed incidents for which Postmaster wants to raise a formal complaint on its handling)	8	8	7	5	8

IT operations – colleague and back office

Comments: POL Tech has a backlog on colleague back-office incidents going into March. We will work with our resolving teams and colleagues to resolve this backlog. The content of these incidents is largely related to long term, minor impact incidents.

	Nov-23	Dec-23	Jan-24	Feb-24	12 month average
# major colleague IT incidents (Raised / Resolved)	0 0	0 0	2 2	2 2	1.2 1.2
# IT colleague incidents (non-major), (k) (Raised / Resolved)	0.8 0.7	0.6 0.5	0.9 0.7	0.7 0.7	0.8 0.8

People

Comments: Note that the barometer is currently in development due to a reduction in questions and new data will be added next month. Please find historical data below.

Workforce satisfaction trend over time (score calculated from bimonthly Technology barometer)



	Nov-23	Dec-23	Jan-24	Feb-24	12 month average
# perm / FTC vacancies (Open[1] / Filled)	16 7	12 7	10 10	7 2	15 5
% number of Contractors (including NBIT contractors)	38%	37%	38%	38%	41%
% YTD training budget spent (note that this figure can go up and down as budget is released throughout the year)	25%	27%	62%	80%	

1 Open vacancies average is 9-month average

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Cybersecurity, Technology Risks and Horizon Change and Defect Management

Cybersecurity

Comments: This month all Cyber incidents were recognised as single user alerts, these were investigated and resolved with no risk identified to the business. The SPM AWS Vulnerabilities Prod account has increased due to the use of an insecure image which was automatically replicated to four environments. At the time implementation of the image occurred, there was no tooling in place to scan prior to deployment. On the assumption the current POC for security tooling goes live this will prevent further reoccurrences in the future.

	Nov-23	Dev-23	Jan-24	Feb-24	12-month avg
# high security incidents (Colleague / Branch)	12 / 0	3 / 0	10 / 0	11 / 0	27 / 0
# open pen test findings (Critical / High)	13 / 45	10 / 42	9 / 42	10 / 46	13 / 41
# AWS vulnerabilities (SPM – Prod)[1] (Critical / High)	6 / 1027	10 / 2492	7 / 2199	10 / 2768	169 / 3083
# AWS vulnerabilities (BAU – Prod)[2] (Critical / High)	7 / 694	7 / 759	9 / 367	6 / 323	17 / 525

1-Average is 8 month average

2-Average is 5 month average

Risks

Comments: Intermediate risk position remains stable. A review of risks should be carried out following the change spend review on the 25th March

# intermediate Technology risks	Nov-23	Dec-23	Jan-24	Feb-24	9 month average
Very high	1	0	0	0	0
High	12	13	12	11	10
Medium	2	2	1	2	3

Horizon change and defect management

Comments: There does not appear to be any specific activity which accounts for the high volume of APADC / reference data changes implemented. The increase to the FJ implemented changes to Horizon volume is due to an increase of Project change, particularly the Data Centre Fortification Project. This month we saw a major increase in remote access reports due to four main reasons; 37 reports of investigating for payment issues at the branch counter after Worldline outages . 31 Transaction investigations queried by Postmasters over misaligned data from weekly financial reports.. 21 long standing issues with reference data, where data is mismatched from POL scripts versus what FJ sends to the counter. 18 EOL technology issues from various areas. Defect management saw 1 potential financial impact closed. This was from a communication loss both short and long term that caused issues with Pre Order Bureau transactions within branch. This has now closed due to the deployment of an APADC script that now allows transactions to handle errors correctly during communication failure..

Change management

	Nov-23	Dec-23	Jan-24	Feb-24	12 month average
# changes made to reference data and APADC (Automated Payments Advanced Data Capture)	322	262	308	420	288
# FJ implemented platform changes[3]	85	41	88	113	78

Remote access

	Nov-23	Dec-23	Jan-23	Feb-24	12 month average
# uses of FJ's account for ops processes (privileged access)	7	6	6	1	4
# uses of emergency account by FJ for system changes[1]	11	1	1	2	2
# FJ remote access investigations into issues with a particular counter / branch	144	112	98	213	102

Defect management

		Nov-23	Dec-23	Jan-24	Feb-24	12 month average
# defects Raised / Resolved	Potential fin. impact	0 / 1	0 / 0	2 / 1	0 / 1	1 / 1
	No fin. impact	5 / 4	4 / 0	3 / 0	3 / 2	3 / 2
Open defects with potential fin. impact[2]	Criticality score >30/58	2	2	1	0	1
	Under Investigation	2	2	4	2	2
	Fix being developed	3	3	2	3	2
	Fix awaiting deploy	1	1	1	0	2
	In closure process	2	2	1	2	3

1 Number of uses of the 'break glass' account used when Fujitsu are doing changes / updates / maintenance to the system; sometimes these are out of hours (e.g., the regular executor is off shift)

2 Average is 8 month average

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POST OFFICE LIMITED
BOARD REPORT

Title:	Retail Performance Dashboard	**Meeting Date:**	25th March 2024
Author:	Tracy Marshall, Retail Engagement Director Mel Park, Central Operations Director	**Sponsor:**	Martin Roberts, Group Chief Retail Officer

Input Sought: Noting

Board is requested to note the Retail Performance Dashboard containing performance data for Period 11 (to 25th February 2024).

Executive Summary

From a governance perspective it is important that our Strategic Executive Group and Post Office Board have oversight of our performance and, crucially, are aware of any specific areas requiring further work to enhance performance, as well as improvements in train or planned, to remediate.

The purpose of this report is to provide a summary of the key points to note regarding performance in P11, with a primary focus on those areas with a 'red' RAG status and requiring further improvement. The report details improvements underway or planned, with progress against delivery of such improvements monitored on an ongoing basis by the Retail team and the Retail Committee. Against each improvement opportunity or action, an accountable owner is identified who will drive each activity forward to completion, as well as a planned completion date.

The key metrics are shown in table format, with current performance, YTD average and a year-on-year comparison, and this can be seen in Appendix One with corresponding planned improvements shown in Appendix Two. The Retail Performance dashboard itself, containing detailed information for each of the policy areas, can be found in the reading room.

The dashboard for P11 and associated improvement actions has already been reviewed by the Retail Committee.

Report

Onboarding

1. Whilst postmaster satisfaction with the Onboarding journey continues to perform positively at 83%, we have seen an increase in the average time taken to onboard over the past two months and this now stands at 138 days as at p11. This increase is largely driven by a delay in potential new postmasters submitting their initial financial assessment (For the past two months this has seen an increase of 24 days) with no specific reason being highlighted. Regular support at this stage continues to be offered however the feedback received from potential new postmasters is that they are simply spending more time taking advice and considering whether they wish to submit their application.

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2. There has been a slight increase in the time taken to post agreements out after receiving postmaster acceptances which has been due to the inexperience of new team members. Training has now taken place to address this, and we expect this to see a reduction here of around 5 days from P12 onwards.

Training

3. Classroom utilisation for refresher courses continues to struggle and was down again this month to 41.4%, lower than the year to date average of 47.4% and significantly down on last year's P11 figure which stood at 57%. High cancellation rates continue to be the key driver here with 86 cancellations alone in P11 and often within one week of course commencement, making it very difficult to re-fill spaces at such short notice.

4. Those working in our Strategic Partner branches such as One Stop are currently scheduled to attend refresher courses in P12 to recap on back-office processes specifically and assuming that attendances are not cancelled, this should improve our position next month.

Cash Management

5. 40 trial branches now have Glory note counters and have been trained on their use. Early KPI measures from the first few weeks of the trial are positive with the pilot branches showing a 90% reduction in counterfeit notes versus the control group showing a 60% reduction.

6. A paper will be presented to IADG on Tuesday 12th March requesting funding approval to purchase a further 2,782 note counters. There is a significant delivery lead time for these note counters hence the timing of request for further funding prior to completion of the 40 branch note counter trial.

7. The identification of counterfeit notes is only one of the benefits of note counters - the others being a significant time saving when managing customer deposits and performing cash back-office processes, more accurate cash counts reducing the risk of loss for both POL, Postmasters and Strategic Partners and significant leverage heading into the Banking Framework 4 negotiation.

8. Cash declarations are an important part of assuring the accuracy of cash in branches and as such this has been an important factor in prioritising operational excellence visits and Network Monitoring activity. At 90.7% P11 has seen the highest ever percentage of successful cash declarations suggesting this focus is starting to have an impact

Transaction Corrections, Discrepancies and Postmaster Accounts and Accounting Dispute Resolution

9. Metrics reported on the dashboard under the headings of i) Transaction Corrections), ii) Discrepancies and Postmaster accounts and iii) Accounting Dispute Resolution have been consistently reported as Red or Amber over recent months.

10. The amount provisioned for current and former postmaster balances reduced in P11 by **IRRELEVANT** former). Additionally, a one-off increase of

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IRRELEVANT was booked to align provisioning policy for multiples/Strategic partners to that of current Postmasters. Total Postmaster account provision increase of IRRELEVANT

11. P11 Postmaster loss P&L impact of IRRELEVANT adverse to budget. YTD losses IRRELEVANT adverse, driven by one large postmaster loss added in P7 of IRRELEVANT charge in P11 relating to aligning the provisioning policy for multiples and strategic partners as noted above. Excluding one-off losses, there is a IRRELEVANT favourable position on postmaster account losses, reflecting the increased focus on Operational Excellence across Retail. This is offset by total IRRELEVANT adverse variance spread across increased missing cheques, cash assurance, counterfeit notes and lower customer releases.

12. The Lottery Exit has impacted the volume of Transaction Corrections (TCs) issued in P11 with circa 5,000 (nil value) TCs issued to finalise lottery exit. As exit completes in all branches, we expect the underlying level of TCs to decrease below that prior to exit.

13. As highlighted earlier, providing our highest cash transacting branches with note counters and thus driving the accuracy of cash pouch remittances back to the cash centre will also have a significant impact on reducing the number of transaction corrections being issued to correct cash pouch errors.

14. Whilst the overall number of reported discrepancies remained relatively static, P11 has seen the highest number reported via the 'review or dispute' function all year (858 - average YTD is 630 for a 4-week period). This is likely to be related to the ongoing media attention although Lottery exit will also have had a lesser impact on discrepancies referred through this channel.

15. The increased use of the 'review or dispute' button has in turn impacted the number of cases flowing through to the Network Support and Resolution team (918 in P11 versus a year-to-date average of 445) for review. This increase has also been driven by the new process to move discrepancies more quickly through the triage process allowing an earlier investigation and improved resolution outcome. The new process will also allow much more detailed reporting of discrepancies, where they are in the review process and what the ultimate outcomes might be.

Postmaster Contracts

16. There are 13 open suspension cases at present with the average duration currently standing at 347 days, significantly higher than the YTD average of 258 and above the aspirational target of 90 days that we have set. It should be noted however that this average duration is driven by four branches where the postmasters have been charged with criminal offences directly related to the operation of a Post Office branch. If we remove these branches from the data, the average length of open suspensions would be significantly reduced to 127 days, well below the year-to-date average.

Next Steps

17. We will continue to submit the dashboard for SEG noting each month.

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Appendices

Appendix 1 – Retail Performance Dashboard Summary Period 11

Area	Metric	P11 Performance	YTD average (adjusted for 5-week periods if applicable)	Compared to P11 last year
Onboarding and Training	Onboarding satisfaction	83% →	83%	82%
	Onboarding duration	138 days ↓	125 days	150 days
	Confidence after e-learning	90.3% ↓	95%	92%
	Confidence after classroom training	100% ↑	97%	99%
	Branches engaging with training in the previous 12 mnths	3602 ↓	2549	N/A
	% capacity filled in refresher training sessions	41.4% ↓	47.4%	57%
Postmaster Complaints	Number of complaints received	303	327*	240
	% resolved within 10 days – 82%	88% ↓	89%	92%
Cash Management	Volume of outward cash discrepancies	19 ↓	18*	15
	Volume of inward surpluses	4299	4118*	3809
	Volume of inward shortages	3268	3647*	3625
	Volume of inward counterfeit notes	667	991*	1049
	% of pouches containing discrepancies	8.1%	8.4%	8.5%
	% of successful cash declarations	90.7% ↑	89.1%	89.2%
Transaction Corrections	Volume of total transaction corrections	17754 ↓	11286*	11761
	Total value of transaction corrections	£5.64m	£7.20m*	£8.69m
	Volume of cash remittance transaction corrections	8310 ↓	6139*	7000
	Volume of aged open items	1250 ↑	1843	2640
Discrepancies and Postmaster Accounts	Volume of total reported discrepancies	4864 ↑	4544*	5015
	Value of total reported discrepancies (not net)	£4.8m	£4.3m*	£5.6m
	Volume of Review or Dispute discrepancies	858 ↓	630*	747
	Value of Review or Dispute discrepancies (not net)	£3.4m	£2.7m*	£3.6m
	Increase in amount provisioned for postmaster balances	-£0.21m	£0.40m	-£0.5m
Accounting Dispute Resolution	Volume of discrepancy cases received for investigation	918	445*	371
	Volume of discrepancy cases completed	750	417*	447
	Open investigations by period (including over SLA)	835 ↓	708*	614
	% of discrepancy cases completed within SLA (20 days)	66% ↑	48%	49%
	Open Postmaster Account Support (PAS)cases	1017	2009	2700
	% of open pre-investigation PAST cases over 12 wk. SLA	19%	37%	N/A
Network Monitoring/ Branch Assurance Support	Number of Network Monitoring cases	164 ↑	162*	190
	Number of branch assurance activities	43 ↑	40*	51
Contracts	Number of suspensions	1	1*	2
	Average suspension duration (cases closed this period)	189 ↓	200 (closed cases since P12)	N/A
	Average suspension duration (open cases)	347 ↓	271	N/A
	Number of terminations	1	2*	1
	Decision reviews	1	1*	0
	% Decision reviews upheld (cumulative)	100%	95%	94%

* This data is adjusted to reflect either 4- or 5-week periods

Arrows show performance against last period

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Appendix 2 - Summary of the key improvements planned

Area	Metric	Improvements planned or in place	Status	Planned completion date	Owner
Postmaster Onboarding	Onboarding duration	• The increase in Onboarding Duration is largely driven by a delay in potential new postmasters submitting their initial financial assessment (For the past two months this has seen an increase of 24 days) with no specific reason being highlighted. Regular support at this stage continues to be offered There has been a slight increase in the time taken to post agreements out after receiving postmaster acceptances, due **to new starter inexperience - training has taken place to address this.** We expect this to reduce by 5 days from P12 onwards.	In progress	April 2024	Tracy Marshall
Postmaster Training	Branches engaging with training	• **Identify stakeholders outside of the RM/AM line in regular contact with branches and in a position to promote training –** Awareness sessions with BSC agreed for 21st March. Network Monitoring have also agreed to attend. Sessions will cover the content of the training offer, how branches can access the content and how internal teams can support with promotion. Spin off sessions covering selected aspects of training (e.g. raising intervention requests) will be set up and agreed in due course.	Slight delay but due to be complete in March	January 2024	Tracy Marshall
	% capacity filled in training sessions	• **Development of a report to identify the origin of classroom referrals which can be split between those generated internally by the training team and those within the Retail Line** 2nd iteration of the report splitting Strategic Partner classroom referrals from independent Postmaster branch referrals is now completed. New report to be socialised by the Regional Training Leads via Regional Manager meetings. Will leave action open until socialised.	Original action complete however further report iterations underway	December 2023	Tracy Marshall
Cash Management	Volume of inward shortages	• **Note counters**– Early indications from the note counter trial show a 28% reduction in cash pouch errors <£10 (no pilot control group 10% reduction) and cash transaction correction reduction of 2% vs a 15% increase in the control group	In progress	May 2024	Mel Park
	Percentage of successful cash declarations	• **Cash Declarations** – P11 sees the highest ever percentage of successful cash declarations suggesting the conversations being carried out during the operational excellence visits are starting to have an impact	In progress	May 2024	Mel Park
Transaction Corrections	Volume and value of total transaction corrections	• **Note counters** – Early indications from the note counter trial show a reduction in cash transaction correction reduction of 2% vs a 15% increase in the control group. Whilst not a significant reduction we expect a greater impact next period	Ongoing	June 2024	Mel Park
		• **Lottery Exit** – the volume of TC's has been impacted by 5k TCs issued to finalise lottery exit (no value). As exit completes in all branches we expect the underlying level of TC's to decrease below that prior to exit	Ongoing	April 2024	Mel Park
		• **Auto stock rem in** – The pilot of auto stock rem is on schedule for June/July 2024 as we start to understand the requirements for the BAU team. Full roll out will follow, dependent on the success of the pilot. This will mitigate against the lack of end to end stock tracking that exists as a current business risk, as well as the proactive monitoring already carried out by the Network Reconciliation Team.	In progress	March 2025	IT
	Volume of aged items	• **Review of Processes** – The process review continues, with 43 out of 50 process maps reviewed and approved, ready for training. A delay has occurred due to resource constraints, but the remaining 7 processes are due for review by the end of May.	In progress, but delayed to May	March 2024	Mel Park
		• **Lottery focus** - Action plans to resolve the aged items, specifically addressing remaining lottery items, are continuing to improve the open position	In progress	July 2024	Mel Park

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Area	Metric	Improvements planned or in place	Status	Planned completion date	Owner
Discrepancies and Postmaster Accounts	Volume of total reported discrepancies	• **Plan to review root causes with the business** – There is an intention to enhance work on assurance, oversight and root cause analysis under a new (still to be approved) target operating model.	In progress	May 2024 (subject to change)	Mel Park
	Volume of Review or Dispute discrepancies	• **Funding to support further Horizon improvements, including how a discrepancy is managed,** is awaiting approval as part of the budgeting process. Once approved the timeline will be confirmed.	Awaiting update	March 2024	IT
		• **Improved Reporting** - MS Dynamics changes are now live to enable the autocreation of a case, including accurate financial detail, following a Review or Dispute button. The next step is to rebuild dashboards and related reporting.	In progress	April 2024	Mel Park
Accounting Dispute Resolution	Volume of discrepancies received for investigation	• **Strategic Partner Process** – Simon Worboys met with Christine Heaton on 6th February to determine next steps to deploy pilot into the live environment to include all strategic partners. Strategic Partners are very supportive and this process will be implemented, subject to the approval of extra resource.	In progress	January 2024	Mel Park
		• **Operational Excellence Programme**: All of the activities being delivered in this programme will support delivery of an overall reduction in branch discrepancies a proportion of which become investigations. Progress of these activities is reported to SEG on a regular basis.	In progress	March 2025	Mel Park
Network Monitoring	Number of Network Monitoring cases	• **Work with Branch Assurance to increase support reach** – All processes were agreed and documented, but further work is required on translating the processes into operational guidelines for the team to follow. These are already well progressed and are expected to be finalised, signed off and communicated by the end of March (has been delayed from February).	In progress	March 2024	Mel Park
Contracts	Average suspension duration (open and closed cases)	• **Further analysis to be carried out on correlation between suspension duration and reason** – Initial analysis suggests that there are difficulties in arranging meetings with postmasters - both from the postmaster and Post Office perspective. Further work is needed on formalising the position on attempts to arrange meetings with a postmaster. Guidelines have been drafted but need agreeing through internal governance and will also need discussing with the NFSP. Completion pushed back to the end of April (from January) as NFSP meeting still to be arranged.	In progress but delayed	April 2024	Tracy Marshall
		• **Recruitment of backfill position** – Interviews have now taken place and offer made to an external candidate (which has been accepted). Onboarding processes now being followed with the aim that the appointment will come into effect by the end of March. Action will remain open until appointment in place.	In progress but delayed	January 2024	Tracy Marshall
		• **Postmaster Suspensions – Criminal Charges** - paper to be drafted and submitted to SEG for decision on four suspensions where the postmaster has been charged with an offence that directly relates to the running of a Post Office branch. The purpose of the paper is to support the Postmaster Suspensions Decision Governance Committee in its work and will ask for a decision as to whether to end the suspensions or to maintain them until such a point criminal proceedings have been completed.	In Progress	March 2024	Tracy Marshall

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POST OFFICE LIMITED
BOARD REPORT

Title:	Branch Layouts	**Meeting Date:**	25th March 2024
Author:	Pete Marsh, Retail Operations Director	**Sponsor:**	Martin Roberts, Group Chief Retail Officer

Input Sought: Noting

Following a discussion at Board with regards to lessons learned from the rollout of landing change into the network (e.g. ATMs), an action was taken for the Retail team to share an update on how we maintain accurate records in respect of branch layouts.

Executive Summary

With such a large and varied network of branches, it is difficult to maintain a fully up-to-date set of detailed drawings for the network. This is especially true given the franchise style of operating model and the lack of any requirement for Postmasters and Strategic Partners to notify us of any changes made to their retail footprint. We do however hold good data on all locations showing POL-level information regarding technology assets, usage, and basic CAD drawings for some locations where we have been involved in the build or layout changes in recent years. This data is used to help support change projects and will be key to supporting upcoming programmes such as counter rationalisation and PED replacement.

Report

1. The Network Propositions, Design and Analysis team centrally holds data on each branch within the network. This includes how many customer-facing Horizon terminals, how many service counters, and how many back-office Horizon terminals are located in each branch. The team also maintains records to show the frequency of use for each of the terminals. Information in relation to the number of Paystation terminals, SSKs, PEDs and Printers is also held. All this data can be surfaced via an internal system called Periscope. This is widely used by a number of teams within POL, particularly within the various field teams. An example of how this data is presented in Periscope is available in Appendix 1.

2. Periscope also contains photographs for all branches within the network; these have been collected over a number of years by our field teams. These can be used to get a visual understanding of what a branch looks like ahead of any potential activity being carried out. Photos include internal and external views of the branch, counters and equipment in situ (See Appendix 2).

3. In addition to this, our Property Projects team completes basic drawings for all new branch openings, relocations and refurbishments. These are generally completed using Microsoft Visio, and are then used to support installing equipment into a branch. These drawings

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are stored on a Sharepoint site and filed under the branch FAD code. The drawings are not fully detailed, and do not show the services in or around the building, but they should show the location of the electrics distribution board as this is relevant to the works that we typically instigate in a branch. The drawings would also show the entrance, walkway to the Post Office counter, the turning circle in front of the counter, the counter area and where the desking is to be situated. It is important to note that we only have these for a proportion of branches where change has been carried out recently - not for the full estate. It is also worth noting that our teams are not fully CAD trained, and do not have access to professional software to capture more detailed information. An example can be seen in Appendix 3.

4. Whilst it would be ideal to have a central repository showing the layout in every branch, this would likely be an expensive exercise to complete retrospectively and would require additional resources to support. Maintaining these records up to date would also be a challenge as retailers often complete their own store refits, and Post Office is not always involved – nor does it need to be made aware.

5. Postmasters and Strategic Partners have no obligation currently to share their store layouts with us.

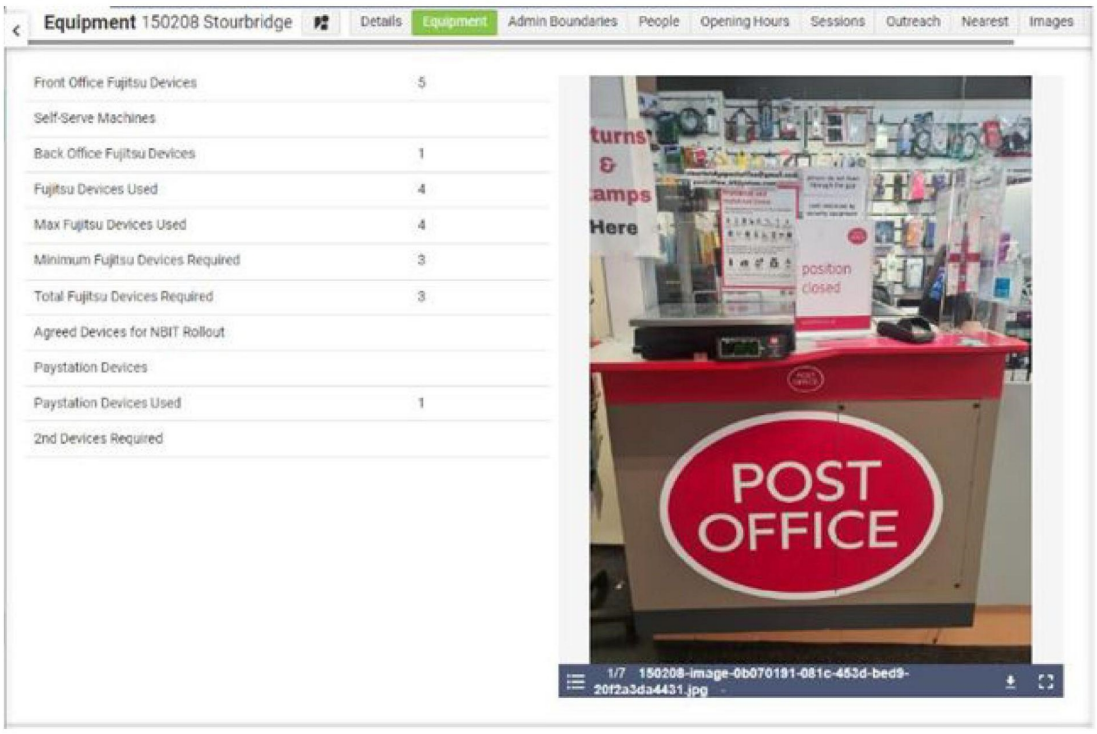
6. Other key learnings from the ATM rollout relate to access of the site and arranging times for works to be carried out with the key decision makers. We have made good improvements with a centralised contact database and continue to develop Branch Hub to become our central communications hub, supporting improvements in this area for future change programmes.

Next steps

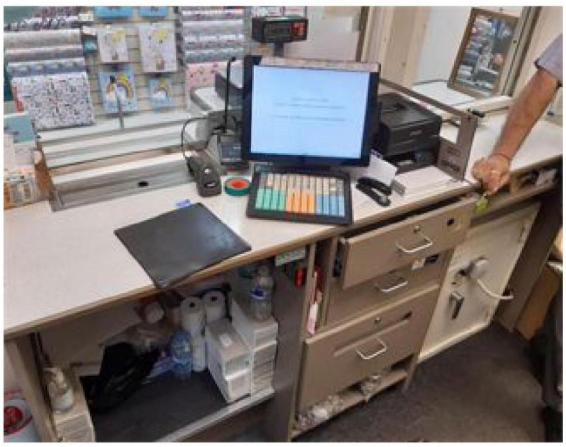
7. We will continue to capture the information we collect in as central a way as possible, enabling us to land branch change as efficiently as possible.

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Appendix 1 – Branch view via Periscope software tool



Appendix 2

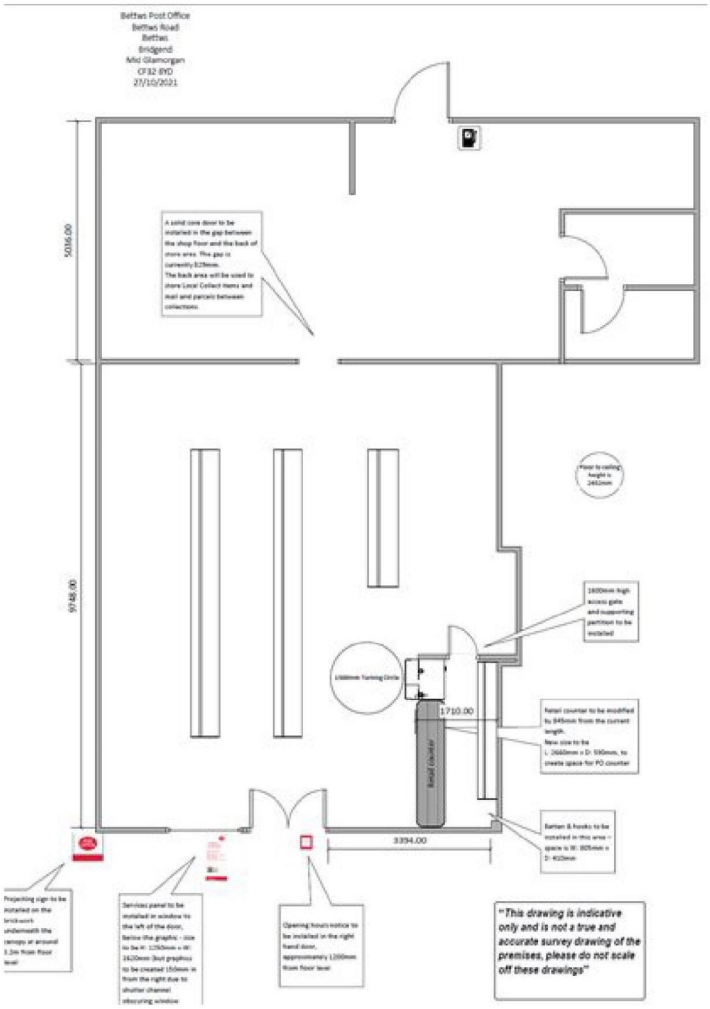


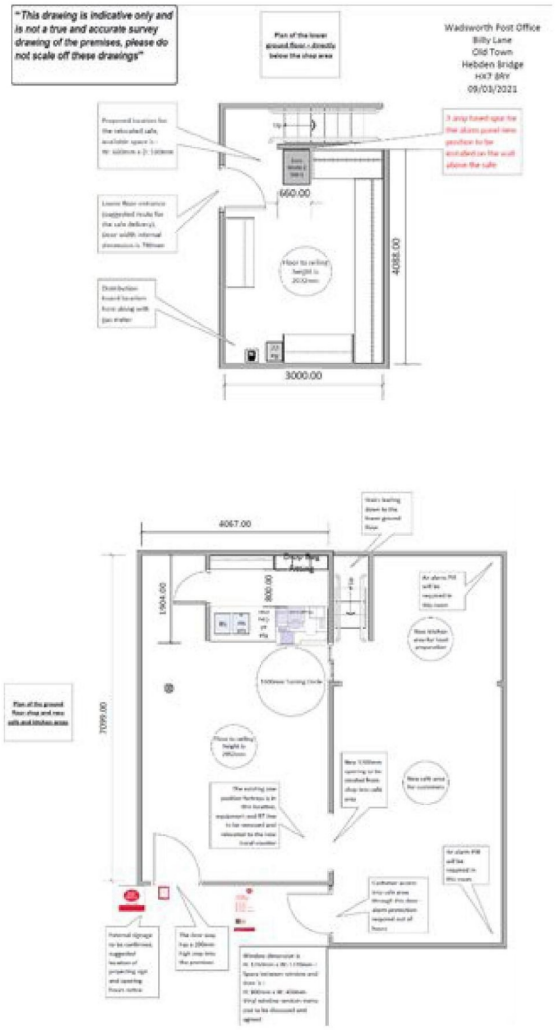


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Appendix 3





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POST OFFICE LIMITED
BOARD REPORT

Title:	Project Darwin lessons learned	**Meeting Date:**	25 March 2024
Author:	Tim Perkins, Programme Director	**Sponsors:**	Owen Woodley, Deputy CEO

Input Sought: Noting

The Board is requested to:

i. Note the findings of the internal review into Project Darwin – the outsourcing of the Swindon National Stock Centre.

Executive Summary

An internal review into Project Darwin (the name given to the project undertaken to outsource the Swindon National Stock Centre) was undertaken in October 2023, with findings agreed in November 2023.

The review was completed by Chrysanthy Pispinis (Chief of Staff) and Tim Perkins (Programme Director, Ethos) given the governance and culture aspects of the review.

The review was focused on the causes of the delays in the Project and made broader root cause findings about governance, culture, delegated authority and knowledge of public procurement across Post Office.

A series of recommendations have been made as a result of the review and these are underway:

a. Defining/re-defining the term Sponsorship within the business;
b. Clarifying delegated authority levels within the business and considering of changes to delegated authority levels;
c. Specifically, considering delegated authority levels for non-spend decisions (in this case the sale of a property);
d. Considering how ownership of risk can be moved towards the first line; and
e. Ensuring there is sufficient education on public procurement.

Report

Findings

1. The findings of the review are outlined below. Where there are quotation marks, these are verbatim comments made by those interviewed as part of the review. The findings have been agreed by Martin Roberts (as the GE Sponsor of the programme) and Owen Woodley (as the Sponsor of the review).

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Main causes of delays

2. There were two main causes to the delay in outsourcing the Swindon National Stock Centre:
   a. Failure to obtain a decision from the Group Executive to commence procurement of the outsourced contract. Decision papers were taken to the Group Executive on multiple occasions since 2015 under different sponsors (Rob Houghton (CIO), Al Cameron (CFO) and Martin Roberts (CRO)), without a decision being taken until July 2022.
   b. Despite the procurement process being a restricted procurement process (with no room to negotiate terms), the successful bidder re-opened negotiations on contract terms post notification of the award. This caused a delay of approximately 3 months.

Root causes of delays

Governance

3. The Steering Committee and programme management on Project Darwin were felt to be effective. An area of note, however, is that interest was felt to wane at times from some Steering Committee members given the lengthy programme timescales.
4. The way programmes are sponsored in Post Office is unusual in comparison to other commercial organisations. There are effectively 2 named sponsors of programmes in Post Office – a Group Executive Sponsor and a Business Sponsor (usually GE-1).
5. In Project Darwin, Russell Hancock (Supply Chain Director) acted as the Business Sponsor for the programme. Martin Roberts was the GE Sponsor, but this role is ill-defined. This finding is not specific to this single programme of work and is more widely observed in Post Office programmes.
6. Russell Hancock was the de facto Sponsor of Project Darwin.
7. Procurement were the de facto leaders of the procurement process to outsource the Swindon National Stock Centre.
8. The Business Sponsor identified that he is 'not a procurement expert', so sought advice from the Procurement team to commence the outsourcing process.
9. Regulation 26 of the Public Contracts Regulations 2015 sets out the basis on which a contracting authority shall choose the most appropriate procurement process. In this instance, a decision had been made that the restricted procedure was most appropriate having taken into account all external influences, including the results of a comprehensive Request for Information (RFI) process.
10. The criteria setting for the RFI was led by the wider project team, rather than just by the business or procurement, with additional support from external expert consultants specifically engaged to provide support.
11. Legal advice on procurement issues was specifically provided to the Procurement team rather than the business, which is consistent with current working practices. Although the Legal team provide commercial as well as procurement advice (including in this instance property law advice) this is often best provided to both procurement and the business to ensure consistency.
12. Legal identified that there has been a shift in the business to Procurement 'taking a broader role' on projects – this observation is wider than Project Darwin. Legal have welcomed this shift as it allows for greater consistency, earlier sight on matters, and a more efficient service to the business.

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Culture

13. A culture of risk-aversion impacts decision making in Post Office.
14. The root cause of risk aversion in relation to procurement matters is the averse risk appetite set by the Board and set out in the Group Legal Policy for statutory and regulatory requirements.
15. There is an embedded view that taking anything to Board with identified high levels of risk is undesirable and should only be the case where there is a commercial imperative to accept a higher than normal risk. It is, in all cases, seen as best practice to seek to mitigate and/or lower risk in carrying out business, rather than accepting high risk without challenge.
16. Board does not always, therefore, make decisions based off the full range of options because the business regulates what it is willing to take to Board on the basis of Board's risk appetite.
17. This has also led to an embedded view that the business 'has to accept procurement and legal advice'. This leads to a culture of 'erring on the side of caution'. Procurement and Legal are clear that the business does not have to accept advice, but this does not change the embedded view.
18. The business seems to think it should avoid 'challenge' at almost all costs ('always worried that someone might challenge us' in relation to procurement). This view comes from two sources:
    a. Comments by the Board that it is pleased that Post Office has not had any challenges to a procurement exercise.
    b. A concern that any future challenge will result in tighter authority levels being imposed by DBT on procurement matters.

Public Procurement

19. The Public Contracts Regulations 2015 exist to ensure that public authorities are provided with a workable framework to ensure that public money is appropriately spent, having regard to best value for money. For the majority of spend in an organisation such as Post Office, this ought not represent greater burden. However, in a retail environment, if there is insufficient strategic planning, adhering to these regulations can impact timelines for procurement.
20. Because of this, there is an embedded view in the business that public procurement processes are longer, more bureaucratic and lead to worse commercial outcomes than non-public procurement processes, which is likely to be exacerbated by the lack of understanding of public procurement.
21. There is a lack of thorough understanding at all levels in the business outside of the Procurement team of the requirements of the Public Contract Regulations (PCR), despite training being available.
22. There are benefits to Post Office of public procurement, such as reduced in-house requirements, the Crown Commercial Service framework and access to Tier 1 and 2 suppliers. These benefits are rarely recognised or referred to in the business.
23. The view of procurement processes being difficult and different in Post Office is widely shared and, therefore, part of the culture of the business. This results in the embedded view that the business 'has to accept procurement advice'.
24. For Project Darwin, a standard Restricted Procedure was undertaken, but this process was not fully understood by all parties. This lack of understanding was internal and external.

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25. iForce, specifically, were unused to the structure of a public procurement, seeking to re-negotiate the contract but being imprecise in doing so, both in contract mark-ups and in failing to clearly identify the core issues they were having in signing the contract. This lack of understanding was exacerbated by a change in iForce's main contact person, who then attempted to renegotiate terms at the point they were no longer able to be renegotiated. Late renegotiation of terms is also understood to be general market practice of iForce.

Delegated authority

26. Delegated authority levels impact the efficiency of decision making and the speed of any procurement process.
27. There is a requirement for both GE and the Board to authorise sourcing strategy papers with a forecasted spend in excess of £5m, and the shareholder, as well as GE and Board, to authorise spend in excess of £50m. Board will often delegate authority to GE to approve contract award. By design this requires GE and Board to review a procurement three times. These requirements are regardless of risk.
28. The culture of risk-aversion, coupled with the view of what is acceptable to take to Board, could lead to the business looking to mitigate far more risk (which takes more time) than may otherwise be required before seeking authorisation from the Board.
29. In Project Darwin, this was not the cause of the delay. The cause of the delay was iForce attempting to renegotiate terms and doing so without clearly identifying where they had specific issues. The specific issues were eventually identified to be with insurance, intellectual property and benchmarking.

Group Executive

30. The biggest cause of delay to the overall timeline of considering outsourcing the Swindon National Stock Centre was with the decision being taken by the Group Executive.
31. The decision was, in effect, 'kicked down the road' until a decision had to be taken because the systems supporting the site were going to be obsolete, unsupported and inoperable.
32. Without the 'burning platform', the decision would likely still have not been taken to commence the outsourcing work.

Property Exchange

33. One specific decision to note in this programme was the decision to exchange on the Swindon site, which was taken by the programme Steering Committee, at a point where the contract with iForce was not signed.
34. This decision contrasts with other findings around risk-aversion in this report and, to some extent, doesn't seem to be a decision that has very clear delegated authority (not being spending, but being income).

Recommendations

35. The recommendations made as a result of this review can be found in Appendix A.

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Appendix A

Action	Owner	When
Share the findings of this report with the Group Executive and Board	Owen Woodley	January 2024
Define/re-define the term of Sponsorship within the business particularly considering the difference between Business Sponsors and GE Sponsors and the need for both roles. In tandem with this, consider the consistency in the composition, cadence and authority levels of Steering Committees in the business. This will be completed in conjunction with the work on the clarification of organisational roles and responsibilities and the Grant Thornton Review.	Chrysanthy Pispinis/Tim McInnes	March 2024
Ensure there is clarity on delegated authority levels within the business and consider areas where further delegated authority can be given that will allow the Group Executive and Board to operate more efficiently. This will be completed in conjunction with the Grant Thornton Review.	Chrysanthy Pispinis/ Rachel Scarrabelotti	March 2024
Specifically, consider non-spend decisions (eg sale of a property) and how these are captured in delegated authorities. This will be completed in conjunction with the Grant Thornton Review.	Chrysanthy Pispinis/ Rachel Scarrabelotti	March 2024
Consider how culturally the ownership of risk within the business can be moved further towards the first line, reducing the dependence on second and third line functions. This will be completed in conjunction with the work on the clarification of organisational roles and responsibilities.	Chrysanthy Pispinis	March 2024
Ensure there is education in place on public procurement when onboarding (a) potential new businesses or individuals within those businesses; (b) new Post Office Board members; and (c) when liaising with external entities that do not have public procurement experience.	Liam Carroll	March 2024

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POST OFFICE LIMITED
BOARD REPORT

Title:	Project Darwin, next steps on business transfer	**Meeting Date:**	25th March 2024
Author:	Steve Faulkner-Atkinson, Programme Manager	**Sponsor:**	Martin Roberts, Group Chief Retail Officer

Input Sought: Noting

The Group Board is requested to note that the Strategic Executive Group approved that the consultations for the iForce related redundancies can continue, as planned, without a TUPE Opt Out.

Executive Summary

The current stock provision operates from an aged, oversized unit in Swindon. Outsourcing to a 3PL supports the simplification of Post Office and Supply Chain, with a reduced property footprint and headcount. It also eliminates current IT and property risks. The strategy has been to sell the Swindon site and use the funds to significantly contribute towards the completion of the outsourcing to a 3PL.

The sale and leaseback of Swindon together with an outsourcing contract was put in place in September 2023. Darwin is now progressing the technical and operational elements of the outsourcing. Consultations for the iForce related redundancies are scheduled to start in mid-April and it is very unlikely that we will get UKGI, DBT and HMT approval to provide a TUPE Opt Out to those staff impacted. There will be a benefit reduction following RMG's decision to transition to an alternative supplier to manage the non MDA activity, as this reduces the volume going to iForce. We are bringing forward the Go Live of iForce provided carrier services to partially offset the benefit impact.

Report

1. In September 2023, IRRELEVANT outsourcing contract was signed with iForce and the Swindon National Stock Centre site was sold.
2. The leaseback for the Swindon site runs to end IRRELEVANT To uphold the lease requirements, a full transfer to iForce and decommissioning of the warehouse equipment must be completed prior to this.
3. Stock will start to be transitioned to iForce from the National Stock Centre in Swindon in July, although we plan to start supplier deliveries of stock directly into iForce a bit earlier.
4. iForce will start to pick, pack and despatch orders for Post Office branches in three phases; (i) transaction stock on 19th August, (ii) value stock on 2nd September (except Christmas stamps which will continue to be issued from Swindon at this point) and (iii) Christmas stamps on 21st October.
5. To achieve a steady state iForce operation before Christmas peak for pick, pack and despatch (starts 23rd September), we need to complete the majority of the transition to iForce by early September. It is also why we plan to leave Christmas stamps with Swindon for the peak Christmas period for pick, pack and despatch (up to 18th October).

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6. Target is to complete decommissioning in early November, to allow small contingency prior to the Swindon leaseback concluding. It also supports project closure and releasing remaining project team members ahead of the Christmas break.
7. Decommissioning will include legacy Swindon systems data access for seven years.
8. RMG made the decision to move work not covered in the Mails and Distribution Agreement to another supplier. Swindon will therefore cease their non-MDA work by 15th May and associated employees will then leave as part of a VR exercise.
9. The contract for Biometric Residency Permits concludes in March 2025, however, as volumes will be low by September / October, we will then move the work to Hemel Hempstead. Due to the low volumes, no additional FTE will be required in Hemel Hemsptead to process them until the end of the contract.
10. There will be a small team put in place to manage the iForce contract. This team will report into the Supply Chain. It will consist of two new Account Management roles and two Stock management roles. The latter are already in place. Project aims to recruit the Account Management roles in April and have them in place for mid-May. Existing Swindon employees will be able to apply for these roles.
11. A package of employee support will be available to anyone being made redundant. The support falls under the following themes; workplace wellbeing, financial advice, skill development and outplacement support.

Financial Impact

12. IRRELEVANT Capex:
13. A CR will be presented to IADG (2nd April) to amend the budget for Darwin. We will request (i) a reduction of IRRELEVANT CapEx and (ii) an increase of IRRELEVANT of IT OpEx starting IRRELEVANT to retain access to data from Swindon's Legacy systems.
14. Procurement identified that on a like-for-like basis the iForce bid would reduce Post Office costs to run the National Stock Centre over the IRRELEVANT of the contract from IRRELEVANT a cost reduction of IRRELEVANT. Inclusive of a forecast for inflation IRRELEVANT the estimated total contract value is IRRELEVANT This forecast excludes one-off costs of change, forecasted volume reduction, continuous improvement, and the Swindon site disposal income, etc. All charges remain fixed for a period of two years. After two years, the supplier's charges will be subject to review in line with RPI(X). The only exception to this is any changes made to legislation (such as National Minimum Wage). Savings will be achieved through moving to a more efficient operation with a modern WMS. Two areas of the benefits case are in the process of being amended;
    (i) Royal Mail Group (RMG) withdrawal of services not covered by the MDA agreement between RMG and Post Office. There will therefore be no Part 3 services transferred to iForce and
    (ii) We are bringing forward (by 1 year) when we start to use iForce's carriage services rather than using RMG's carriage services. This will now start from the iForce Go Live. As a minimum, this will cover the non RMG owned SKU's, however, this could also include RMG owned SKU's if we can agree a revised rate card. **Note:** Carriage costs are amended annually each April
15. Redundancies will happen in four phases; (i) RMG removal of non MDA work (15th May – 14.4 FTE), (ii) transaction stock orders picked, packed and despatched from iForce (28 FTE), (iii) value stock orders picked, packed and despatched from iForce except Christmas stamps (15 FTE), (iv) residual stamp stock transitioned to iForce and Swindon de-

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commissioning complete (28 FTE). **Note:** We may split the fourth phase in two and release some of the last cohort once the peak for pick, pack and despatch of Christmas stamps is complete. Costs related to the first phase of the redundancy will be accrued in FY23/24 and the remaining phases will be in FY24/25.

16. Annual pay review will increase redundancy costs but it can be accommodated without additional project funding.
17. We will recruit for two new Account Management roles to manage the iForce account. The redundancy costs will be reduced if one or both roles are able to be filled from within the Swindon population who are at risk of redundancy.

Risk Assessment, Mitigations & Legal Implications

18. On 15th May, the non MDA work will cease being supported by Swindon, affecting 8.5 FTE across frontline operational SO1 and admin staff. We opened the requirement up for expressions of interest in VR to the appropriate staff and received 16 expressions of interest (14.4 FTE). Post Office have accepted all submitted expressions of interest.
19. There is an assumption that Accenture and Fujitsu will deliver to an agreed schedule, but there is a risk that they deliver late or with poor quality code, which results in a delayed Go Live and / or increased project costs. The project is therefore retaining IRRELEVANT Exceptional contingency until testing is complete.
20. TUPE arrangements ensure that when the operation is outsourced from Post Office's National Stock Centre in Swindon to iForce, staff will retain all of their benefits. The vast majority of, if not all, Swindon staff will not be willing to move to iForce given the distance. We therefore expect staff to be TUPE'd across to iForce and then immediately made redundant and iForce paying their redundancy terms. Post Office contractually indemnified iForce for these payments. Post Office wanted to get approval from UKGI, DBT and HMT to offer staff in Swindon a TUPE Opt Out. This would allow them to opt out of being TUPE'd across and instead given a settlement to the same value. This approach would incur an additional cost for legal fees IRRELEVANT person). The DMB's project submitted a similar request and are still awaiting an answer after 3 months. As the project needs to complete Union discussions in March so that the consultations can commence in w/c 8th April, we cannot wait any longer for the DMB's project to get an answer and then submit a similar request.
21. Legal confirmed that TUPE will not apply if we (i) move Biometric Residency Permits to another Post Office site or (ii) Royal Mail move to an alternative supplier solution for non-MDA work because the resource is not solely focused on this work, but rather it is part of the wider mix of work that they do. A TUPE Opt-Out would also not therefore apply.

Stakeholder Implications

22. There are concerns around the stability, flexibility of an outsourced provision, which are two areas that have been critical to the business in recent times. On average we have 4 outages per year, with a varying scale and impact to our Postmasters. Post Covid we have shown the value to our Postmasters through having a flexible operation with direct control, for example standing up a PPE distribution operation within 48 hours. In future, the mitigation will be managed through iForce via account governance, SLA's and an Account Management team.

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23. Auto Stock Rems and Darwin will Go Live in a similar period and changes from both projects will impact the Stock team. Communications will therefore be aligned across both projects to ensure there is no confusion within the Stock team.
24. References to Swindon in training materials will be amended for Go Live

Next Steps & Timelines

25. **1st April:** Start recruitment process for two new Account Management roles
26. **15th May:** Swindon cease processing non MDA work, 16 staff leave Swindon under VR and two new Account Management team recruits start in their roles
27. **22nd July:** Start transitioning stock from Swindon to iForce
28. **19th August:** iForce start issuing orders for transaction stock through their carriers, exit of the first batch of Swindon staff related to the iForce transition
29. **2nd September:** iForce start issuing orders for value stock and biometric residency permit processing moves to Hemel Hempstead, however, Swindon will retain Christmas stamps
30. **23rd September:** Christmas peak period for pick, pack and despatch commences
31. **21st October:** Residual Christmas stamp stock will be moved to iForce, who will then be issuing all orders
32. **4th November:** Complete Swindon de-commissioning
33. **29th November:** Swindon leaseback complete and keys returned to Landlord
34. **13th December:** Project closed