

**ATTACHMENT 1: Henry Staunton's Note of Meeting with Sarah Munby**

From: Henry Staunton [REDACTED]  
Sent: Friday, January 6, 2023 10:49 AM  
To: Nick Read [REDACTED]  
Subject: Fwd: Note of meeting with Sarah Mumby on 5 Jan 2023

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Nick ,  
My file note as promised . I have not copied to anymore but will cover with Board colleagues at the Board orally .  
Henry

Sarah asked for first impressions , i said i had been on over a dozen public company Boards and not seen one with so many challenges .

I focussed on the financing and Network challenges :

- On Financing we had identified in Sept a deficit of £210m . After much effort we had identified savings of £170m ( mainly out of the change budget , cap exp and exceptionals ) . However since then extra costs of £120m have arisen : from Horizon £60 m( training needs esp with Inquiry ) ; Inquiry £30 m ( taking longer ) ; and telephony/Internet £30m . In total we have a shortfall therefore of £160 m .....and this before the deficit arising from the material downturn in the parcels business , and to a lesser extent from the implications for our cash business of the FCA Money Laundering regs on deposits .

- there was a likelihood of a significant reduction in post offices if more funding was not required . Last year half of all Post Offices were either loss making or earning less than £5,000 profit . The position would have deteriorated substantially because of increase in Minimum Wage and fuel /electricity prices .A recent survey indicated that one third of PMs would hand back their keys over the next 5 years and that figure would now be higher because of extra costs . The reputational consequences for PO and for Government were fraught .

Sarah was sympathetic to all of the above . She understood the " huge commercial challenge " and the " seriousness " of the financial position . She described " all the options as unattractive " . However , " politicians do not necessarily like to confront reality " . This particularly applied when there was no obvious " route to profitability " .

She said we needed to know that in the run up to the election there was no appetite to " rip off the band aid " . " Now was not the time for dealing with long term issues " . We needed a plan to " hobble " up to the election .

Having said that we and BEIS needed to do the long term thinking for a new Government of whichever colour . This would include what is politically acceptable wrt the size of the network . She also referred to " operational " issues colouring HMT's thinking. ( "Trust" in the PO Board and management has not been high .) They could see this as another " begging bowl " request from the PO . I said the funding issues revolved around poor decisions made many years ago wrt Horizon and related legal issues .

With regard to the forthcoming meeting with the SoS she gave some advice . He is nice and easy but not interested in meetings . He prefers the written form . We should expect him to be " pushy and demanding " as he was with the train operators whilst SoS for Transport . He would " hold us to account " . He will take a hard line on pay . So far Sarah's efforts on pay have fallen on deaf ears .