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David Bickerton
Director General
Department for Business and Trade

19 September 2023

UKGI's role on Post Office compensation

Dear David,

I am writing to you in my capacity as Accounting Officer for UKGI to set out the way we plan to evolve UKGI's role in the Post Office (POL) Compensation schemes. This evolution is in line with our long-term plan to provide support and challenge to POL in a way which is proportionate to the lifecycle of the compensation workstreams.

It is critical POL makes good the wrongs of the past. Delivering compensation to affected postmasters will help to address the company's historic failings and lay the groundwork for it to attain a more sustainable footing in the future. As I wrote in my letter to Sarah Munby in August 2022, UKGI remains committed to supporting this work and we will continue to monitor POL's progress and the strategic risks to successful delivery. Significant progress has been made in the delivery of compensation with over 99% of the original Horizon Shortfall Scheme (HSS) cohort having received compensation offers, and POL is close to rolling out its new remediation approach for delivering compensation to those claimants with overturned convictions (OC). With this progress in the HSS and OC compensation schemes we expect that, by the end of October this year, it will be appropriate for us to continue evolving UKGI's role such that by December we will be less involved in individual cases and more focussed on monitoring performance, providing support to our Shareholder Non-Executive Director and providing strategic advice where necessary.

Up to this point, UKGI has been involved in the working level delivery of both the HSS and OC processes. This has involved very significantly expanding our normal shareholder role to: support POL and DBT as they develop compensation principles and processes, build and maintain financial models, provide constructive challenge on individual cases to ensure fair and consistent offers, and operate working level and senior governance forums (in line with each workstreams' Terms of Reference). This is supplementary to the work the team does to support the shareholder NED in their engagement with the company on the compensation schemes.

In thinking about our future role, UKGI has taken account of July's Interim Report into compensation issues by the Post Office IT Horizon Inquiry as well as the Horizon Compensation Advisory Board's most recent recommendations. We have also considered the broader policy context and the experience and expertise built up in both POL and DBT in the design and ongoing delivery of the compensation schemes. In particular, we have recognised that DBT's team has expanded significantly over time and has become much more deeply involved in the detail of the compensation workstreams, to the extent there is now considerable overlap in the work being done by the UKGI team and the DBT team. We welcome the

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progress DBT has made in developing its capacity in this area and would be happy to discuss with you any further steps in this as may be needed.

As UKGI moves to a more strategic role, I recognise the importance of UKGI supporting a smooth transition and therefore I have set out in Annex A the areas in which we will continue to provide support until it is clear we are no longer required. The DBT policy team may wish to adapt its ways of working in response to the changes we will be making to our role.

I am very aware that UKGI has built up significant experience on compensation. I am keen that the department and POL continues to be able to draw on this and benefit from it as needed. The Shareholder NED will also benefit from being aware of DBT's latest thinking on compensation and cross-cutting issues. To facilitate this, UKGI colleagues who have historically worked on compensation schemes could continue to attend key DBT governance forums (maintaining UKGI's status as an observer). I envisage that UKGI's role on compensation issues will be focussed on supporting the Shareholder NED by December 2023 and suggest leaving it to working-level colleagues to confirm the timetable for specific changes. UKGI remains committed to carrying out its full shareholder role. I would be grateful for your confirmation of these new arrangements and look forward to continuing to work together in the future.

Yours Sincerely,

A large, bold, black 'GRO' signature is enclosed within a dashed rectangular border.

Charles Donald
Chief Executive

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Annex A: UKGI's role on Post Office compensation

Alongside supporting the completion of these "legacy" workstreams UKGI will continue to dedicate resource to supporting the HMG representative on the POL Board ("Shareholder NED") on key compensation issues going forward.

Taking each scheme in turn:

- **Horizon Shortfall Scheme (HSS)**

With over 99% of offers made to claimants in the original cohort and the majority of principles agreed, UKGI's role supporting POL and DBT to progress claims is naturally drawing to a close.

UKGI will continue to support work to finalise any outstanding principles as well as consider any exceptional cases if they present. We will also support DBT and POL to develop appropriate management information (MI) for monitoring progress of the Dispute Resolution Process and the tax top up payments. Finally, we will monitor the company's performance against provisions and budgets and support any financial impact analysis of policy options by POL and DBT officials.

From October onwards, I do not expect UKGI colleagues to be heavily involved in:

- the monitoring of the late application cohort given the expertise now established in the DBT policy team.
- the development or implementation of new policy options e.g. an independent appeals function as recommended by the Independent Advisory Board.

- **Overturned Convictions (OC)**

By the end of October we expect POL to have established its new remediation approach to delivering compensation to those with overturned convictions. With this in place, UKGI expects to shift towards a more strategic role and will only review individual cases and issues by exception.

As with the HSS, we will work with DBT and POL to develop appropriate MI for monitoring progress and identifying key issues and continue to monitor the company's performance against provisions and budgets.

As I set out in my letter to Sarah Munby in August 2022, UKGI will not provide assurance, either financial or legal, with regards to POL's OC principles or it or DBT's decisions regards to individual cases. I do not envisage UKGI being involved in the day-to-day development of new OC policy initiatives, new legal principles, or scrutiny of individual "non-exceptional" cases beyond the test phase.

- **Postmaster Detriment (PMD)**

Following commencement of the remediation process for Suspension Pay and POL maintaining a three lines of defence model to manage risk, UKGI involvement has reduced and is now limited to help develop appropriate MI and then its subsequent monitoring. This reduced involvement is also true for the Wider Detriment (Pot B) workstream.