

Witness Name: Nigel Railton

Statement No.: WITN11390100

Dated: 30 August 2024

THE POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF NIGEL RAILTON

I, Nigel Railton, say as follows:

- 1 I was recently appointed as Interim Chair of Post Office Limited (“POL” or “Post Office”). I commenced the role and my induction on 1 May 2024 and was formally appointed on 24 May 2024. I was approached by Ministers (as described further below) and asked to take on the role to help address the many issues faced by Post Office, including, but not only, those arising out of the Horizon Scandal.
- 2 Before my appointment in May, I had not had any professional or personal involvement with Post Office as an organisation or with any of the issues that are being investigated by the Inquiry, other than (a) what I had read and seen in the media and (b) Post Office branches being a key retail channel for the National Lottery. The latter link was by virtue of my various roles at Camelot UK Lotteries Limited (“Camelot UK”) which was until

recently the operator of the National Lottery. Camelot UK had a contract with Post Office for this purpose but I do not recall any direct involvement on my part with any contract management issues with the Post Office or engagement with Post Office management during that time although there doubtless will have been both between our organisations at the time¹.

- 3 I have aimed below to answer the questions raised by the Inquiry under headings dealing with each. I have also tried to give some context on my own position in coming into this role - and on my understanding of the current situation as it currently stands. The roots of that situation however obviously go back at least 24 years in terms of Horizon and much longer than that on wider issues given that Post Office in various forms has existed for over 350 years. Given that long history and because I have only been brought into the Post Office since 1 May, I don't pretend to know all the background or have all the answers at this stage. My understanding and thinking continues to develop as I learn and think more about the position.

¹ Fujitsu was a shareholder in Camelot UK (via its interest in International Computers Limited ("ICL")) until Camelot was sold in 2010 to the Ontario Teachers' Pension Plan. ICL was a founding shareholder of Camelot UK and part of the original bidding consortium for the first National Lottery in 1994. ICL provided technical service and support to Camelot UK but not the key software architecture that Camelot systems relied upon (which was supplied by GTech Corporation). For completeness, Royal Mail (as it was then) was also a shareholder in Camelot UK from 2001 to 2010.

I anticipate that it will have evolved still further by the time of the hearings in the Autumn.

- 4 The documents that I have referred to in the statement are listed in an index on the final page of the statement.

Professional Background

Educational and professional qualifications; Career background and appointment to the POL Board (including relevant dates).

- 5 I am a qualified accountant and have been a member of the Chartered Institute of Management Accountants since 1995.

- 6 I left school at 16 and started work in 1983 for British Rail working in the Crewe signal box as a junior signal box operative. I worked for the railway for the next 12 years:

- (a) In 1984 I moved to working in the booking office as an accounts clerk selling tickets and I decided at that point that I wanted to study for accountancy qualifications. The booking office was pseudo-financial work and gave me the option to start studying. I did a lot of study-at-night classes and at weekends.
- (b) In 1988, I got a job in regional finance for British Rail in Birmingham. I travelled there for three years from Crewe. This was a management grade role.

- (c) Between 1991 and 1993 I moved to one of the British Rail sectors, Network SouthEast, as a Finance Manager.
 - (d) In 1993, in the run up to privatisation, Railtrack was created to run the track and other rail infrastructure in Great Britain and I worked there as a Project Accountant until 1994.
 - (e) In 1994 I moved to another British Rail sector, RailFreight Distribution, as a Management Accountant.
- 7 I left the railway industry in 1995 and joined Black & Decker UK, the power tools business, as a financial analyst/product manager. I worked there for two years before becoming the Senior Management Accountant at Daewoo Cars Ltd between 1996 and 1998.
- 8 I started my first role in Camelot UK in 1998 as Head of Finance. I held this role for five years before being promoted to Operations and Strategy Director in 2003. I was on the board of Camelot UK as Finance Director from 2006 until 2010 and upon its acquisition in 2010 remained as Finance Director but not on its board. In 2014, I became the Chief Executive Officer and board member of Camelot Global (Camelot UK's sister company) until 2017. I was then Chief Executive Officer and a board member of Camelot UK for six years from November 2017 until February 2023. I was also a member of the board of various other companies in the Premier Lotteries UK group (which included Camelot UK and Camelot Global).

- 9 My non-executive board level experience includes being a non-executive director of Uthingo SA, the first operator of the National Lottery of South Africa, and the Chair of Remuneration Committee and key advisor to the CEO, between 2003 and 2005. I was also a non-executive director of Premier Lotteries Ireland DAC (the operator of the Irish National Lottery) from 2013 until 2017, serving also as Chair of the Audit and Risk Committee. In 2019 I became a non-executive director of a financial services company, Argentex Group PLC, serving as Chair of the Audit and Risk Committee and Senior non-executive director. I became non-executive Chair of the company in 2023.
- 10 I summarise the circumstances of my appointment to the Post Office Board in paragraphs 15 to 20 below.

Please summarise your understanding of and experience with the Horizon IT system.

- 11 My understanding of and experience with the Horizon IT system itself is limited at this stage given my very recent appointment. I know from public comment, including watching the recent TV programmes, how Horizon was used operationally and how problems with it – and the reliance on it in actions taken against postmasters notwithstanding those problems – have led to serious injustice and life impacts for individuals and their families.
- 12 I am not myself an IT professional so I do not have technical expertise in this area. However, from my past roles, I have a good understanding of

high level IT and data integrity issues, the principles of digital transformation and their importance for businesses such as Post Office. Since being appointed I have had briefings from and asked questions of Post Office's internal IT technical teams about the system's integrity. Horizon is now in the third generation of the database, and my understanding is – although I continue to build that understanding – that the relevant Horizon technical issues that the Inquiry has examined originated from earlier Horizon platforms. My understanding is that the same technical issues and concerns do not apply to the current build.

- 13 I had a session with the Post Office technical teams as part of my induction. This covered the Post Office's IT systems at enterprise architecture level. I asked specific questions about Horizon and associated business processes and controls and came away assured that what has happened in the past in the IT system cannot happen now.
- 14 I expect to develop my overview understanding of the Horizon IT system further alongside bringing technical expertise onto the Board and building technical capability more broadly below Board level. Knowing more about what the key technical and other issues have been and how Horizon is used now operationally will inform what is built for the future and make sure that mistakes of the past are not repeated. That understanding will also help inform the wider strategy that needs to be developed to support postmasters as well as the other individuals and stakeholders who rely on

Post Office, and to enable the Post Office and postmasters to thrive and not just survive.

Experience on the POL Board

To what extent do you consider your background and experience will (or will not) benefit POL in respect of the issues that have arisen following the findings of Fraser LJ and the matters arising from the evidence in the Inquiry?

15 I have only agreed to take on the role of Interim Chair because I hope and believe that I can make a difference. I thought long and hard as to whether to do this and was in two minds. No one could have seen and heard what has happened over recent months and years and think that becoming involved as Chair of Post Office would be easy - or in fact anything other than a role that is under intense scrutiny and probably adverse criticism. There are two reasons why I ultimately decided to agree to take on the role, despite that reality. Firstly, I knew how important it was to try to fix this situation and focus Post Office on the future. This is because doing that really matters given the unique societal role and contribution of Post Offices to their communities - and ultimately not many things really do matter in the sense of making a positive societal difference. Secondly, I believe I have the necessary experience from my previous roles, and in particular my recent years as CEO at Camelot. I have expanded briefly below on this thinking.

- 16 I was asked by the former Secretary of State, Kemi Badenoch to do this role. I was initially approached in late February this year by former Postal Services minister, Kevin Hollinrake, who asked if I would consider joining the Board. I didn't know Mr Hollinrake previously either personally or professionally. I understand that his approach to me was because of his knowledge of my roles at Camelot for the National Lottery. However, I do not know the specific details of how I came to Mr Hollinrake's knowledge. When asked by him, I said I wasn't sure, but I would need to think carefully so I met with officials from DBT, UKGI, the Interim Acting Chairman of Post Office, Ben Tidswell, and the two Postmaster board directors (Saf Ismail and Elliott Jacobs). I was then asked to meet the (now previous) Secretary of State, Kemi Badenoch, on 26 March 2024.
- 17 In addition, I undertook a certain amount of my own due diligence and consideration and spoke to Anshu Mathur, Post Office's Group Assurance Director, who I knew from his previous role at Camelot, to form my own views ahead of accepting the role.
- 18 I made clear my preconditions for considering taking on the role. They were in summary:
- (a) To be able to review fundamentally Post Office's strategy during 2024 and then to implement resulting changes. For me this would necessarily involve as a fundamental part of that change a new deal for postmasters that works for them. The Horizon Scandal and the

issues relating to it have clearly had a huge impact and are of critical importance. However, there are many other challenges that the Post Office and postmasters face in a rapidly changing world and market. The strategy needs to understand and anticipate those challenges as well.

- (b) In relation to the management structure, to have the backing of the shareholder to make changes as necessary to the senior team and to be able to bring in top-level professionals in key areas including in particular commercial, technology, transformation and governance.
- (c) To be able to review fundamentally Post Office's governance. The current governance of Post Office is split between risk, audit, compliance and assurance. This is illogical and the opposite of what I believe it needs at this point in time. It requires best in class governance, which includes as one part of that consolidating the functions and creating a holistic view of risk and governance. Changes to the structure in the immediate and longer term are needed to make this happen.
- (d) To have also shareholder backing to ensure Post Office's Board will have the requisite membership and skills to support delivery of the updated strategy and ensure the right level and nature of shareholder insight and involvement.

(e) Effective communications and other coordinated support in implementing the strategy once formulated

19 In my view, structure must always follow strategy, and effective implementation and behaviours then in turn depend on the right structures being in place. I was given assurances I would have full support on those areas I have mentioned above.

20 The conversations with Saf and Elliot were also fundamental to my deciding to agree to take on the role because of the understanding that they, as postmasters, helped reinforce for me about the importance of the task. Attention on Post Office has over recent months been focused on the past and it is clearly essential that we learn lessons from the past. However, postmasters are rightly also interested in the future. The future is about the success of their businesses and I want that too. That is why I have agreed to take on the role only as an Interim Chair (with three months' notice period, not six). We will find out quickly whether we will be able, and have the backing, to do what is needed for the postmasters, for the Post Office and for its other stakeholders. If we cannot and do not, then I will not be the right person for the Chair from then on. My only role and aim here is as an agent of positive change.

21 In terms of the wider themes emerging from the judgments and the Inquiry since it was set up in 2020, I don't pretend to know all of the issues or evidence. However, my understanding is that:

- (a) The CIJ involves themes of contractual bargain, relationships of trust and good faith and how people are treated when working together in business; and
- (b) The HIJ involves themes of technical issues, lack of transparency, denial of reality and bad culture and attitude.

22 From a board perspective, key to addressing these themes are strategy and governance. I have good experience in strategy, governance and control. The National Lottery run by Camelot UK was a massive IT operation with 44,000+ retailers and contractual relationships with the network and providers of solutions and products. An integrity-critical IT system underpins it all and the operation is highly regulated. Lottery systems have to balance to the penny or integrity of the whole lottery is lost.

23 My role as CEO of Camelot UK between 2017 and 2023 involved leading a turnaround and relative rebuilding of the business. I had been in the overseas part of the group dealing with different large-scale lottery businesses for the three years immediately before that. After a long period of success in supporting the UK National Lottery and the good causes it underpins, there had been a relative decline in the few years leading up to 2016/17 with sales down over 8% (to £6.9Bn) and a reducing share of the UK lottery market from initially 90% to 43%. I led a review of strategy and a rebuilding of trust and engagement with the work that we did. Culture was

also a huge driver of the lottery – it was a core component of our turnaround - going back to the purpose of changing people’s lives through the good causes that the National Lottery supports. Camelot UK was of course a commercial business but its own margin was less than 1% of the funds coming in. At the core of what it did was obviously the total income which supported the funding to good causes (at an average of £30m per week) and that work depended on the willingness of the public to engage with the National Lottery and participate in it.

24 Culture and commitment to make that work obviously required internal buy-in of colleagues and therefore a strong culture. When I took over as UK CEO in 2017 the colleague engagement score was at 36% (in terms of the various measures of positive responses drawn from staff survey and data and external validation). When I left the level was at 96%. Within 4 years we became one of the UK Top 10 best companies to work for. Moreover, Camelot UK was generating record levels of sales, income for good causes and the highest ever retailer, staff and player engagement metrics.

25 Post Office was a major part of the National Lottery network. We had a single agreement so dealt contractually with Post Office, not individual postmasters. Since the end of the Camelot licence at the end of January 2024, I understand that the postmasters now contract directly with the National Lottery operator.

26 As I mentioned above, large scale lotteries are underpinned by heavyweight IT systems, which typically are required to be completely replaced at the beginning of each new licence period. As a result, I have extensive project and board-level experience of a number of lottery IT launches and transitions over many years (including the transition of the UK National Lottery in 2008/2009, the transition of the Irish National Lottery in 2014/15, the transition of the Illinois State Lottery in 2017/2018 and the expansion of the UK National Lottery by 8,000 new retail outlets in 2012/13). Typically, failure to implement such transitions leads to significant regulatory consequences (including substantial financial penalties) as well as including the risk of serious reputational and brand damage.

What hours are you contracted to spend on POL work; do you consider these sufficient?

27 The role of independent Chair of a board should not ordinarily be full-time but the current situation is not ordinary. I am contracted in my role for two days per week but that is not sufficient at the moment. Since my appointment in May (through to mid-July²) I have in practice been working

² I was on leave from mid-July for a number of weeks on a trip arranged some time before my appointment. I have been doing some Post Office work by necessity during my leave, although not at the same level as during May-July.

around five days per week, and sometimes more, on Post Office issues. That is not sustainable but I am currently doing that because there are so many issues to fix. I would wish however to get it to a position where two days per week or less is sufficient to operate as an effective independent non-executive Chair through the steps that I have summarised at paragraph 18 above amongst others. I am also looking at, and working with colleagues on, what should be escalated to the Board and what should not; also how it is escalated in terms of being digestible and effectively understood. It seems to me there is currently information overload at board level.

What other positions do you currently hold outside of POL. Do you consider this to be compatible with your position at POL? Please explain the reasons for your answer.

28 I am Chair of the Board of Argentex Group PLC which provides global foreign exchange services (including risk management services). I am also a trustee of the Social Mobility Foundation which is a registered charity that supports young people who face structural barriers in education or work because of their background. Both roles pre-date my appointment at Post Office: I have been a Non-Executive Director at Argentex since 2019 before becoming Chair in September 2023; I have been a trustee of the Social Mobility Foundation since July 2023.

29 In terms of time commitment of those other positions I spend on average one day per week on Argentex work. My role as a trustee for the Social Mobility Foundation involves around six trustee meetings per year and ad hoc advice to support the CEO as/when requested.

30 I consider these appointments to be compatible with my position as non-executive Chair at Post Office because the time commitment associated with those other appointments is not unduly onerous and I currently have no reason to expect that those other appointments will take up substantially more time than at present. For now, I do not intend to take on any other substantive non-executive roles in the short term while Post Office activity consistently exceeds the two days a week, I am contractually required to devote to Post Office.

Summary of the nature of any training and induction received before or on appointment. Reflections on the quality and completeness of any training and induction received.

Briefings, if any, on the issues addressed by the Inquiry, such as the Horizon IT system, the prosecution of SPMs and the Group Litigation Order (GLO) before or on joining the POL Board? Details of the briefings received and reflections on their quality.

31 I have provided to the Inquiry a copy of my draft induction plan (**POL00448518**) to illustrate my various different induction sessions and

meetings from 7 May this year. This was a useful, comprehensive programme, and there was a well-structured schedule of people to see.

32 The induction did include various sessions that covered areas being looked at by the Inquiry, often alongside other issues also. The sessions most closely aligned to specific issues within the Inquiry (as opposed to higher level overviews – for example in my session with Nick Read and some elements in other meetings) were:

- (a) Those sessions numbered 1 to 6, 10 and 12 in the Hot Topic Series within my draft induction plan.
- (b) The meetings with the Interim CFO, Chief Technology Officer and Chief of Staff respectively.
- (c) Parts of the meetings with the Chief People Officer and the Corporate Affairs and Communications Director respectively.

33 Necessarily given the number of issues to be covered and to avoid missing key points in detail, each of the briefings was an overview. Necessarily as part of an induction process, they were high level reviews across a range of matters. Those overviews served their purpose of giving me an overall picture of what was important and so that I could reach initial views on prioritising. Some things I realised were immediately inefficient or illogical and that included governance and the approach to the proposed replacement IT system for Horizon, NBIT. I comment further on both below.

Any briefings addressing (i) concerns from SPM non-executives as reported by the Times on 19 February 2024 (RLIT0000201) and/or (ii) the dismissal of Henry Staunton? If any such briefings, details of the briefings received and any measures or actions taken in response.

34 As I said above, the first approach that I received from Kevin Hollinrake was around the end of February 2024 just after the date of the Times article.

35 I did not receive any briefings from within Post Office or as part of my discussions with DBT or government dealing with Saf and Elliot's concerns on how they were being treated on the Board or on the Times article itself. I did though, as I have mentioned, speak with both Saf and Elliot directly as part of the discussions about me potentially joining the Board. They both explained their views on lack of direction, on current governance and on the shape of business and their view that someone was needed to help navigate the company in a different direction.

36 I did not receive any specific briefings about the dismissal of Henry Staunton. I knew he had been the Chairman and saw it in the news at the time that he had been removed by the then Secretary of State, Kemi Badenoch and also that exchanges had become heated. Similarly, I was also aware through the news around the appearance of Mr Staunton and others at the Business and Trade Select Committee on 27 February. However, this did not affect my decision on taking on the role and the

situation around Mr Staunton's dismissal is not in itself something for me to focus on since my focus needs to be on Post Office's future taking into account all the challenges it has faced and will face. Remediation and the future of Post Office and of postmasters are the priorities and are far more important.

Reflections on the adequacy/effectiveness of POL's current corporate governance arrangements.

37 My view in summary is that the current governance arrangements are broadly effective but hugely inefficient. By this I mean that a number of the right structures are in place but the wrong level of issues go up to the Board for discussion/decision and in the wrong level of granularity so that the Board is overloaded.

38 In terms of the detail, the Inquiry has I believe seen the recent Grant Thornton reports that were commissioned by Post Office to look at governance and board effectiveness (**POL00446477**). This work was instructed before I was involved with Post Office but I have read the reports and I largely agree. They are punchy and clearly articulated with clear themes. I inherited the current governance set up as Chair and the need for the changes that are also captured in the GT reports was one of the first things that struck me on joining and aligning with views I was forming even before I joined. I agree with many of their findings and cannot obviously see material areas where I disagree. The findings are not revelatory but

are just setting out basic good corporate governance approaches and practice.

- 39 The Board is currently overwhelmed with topics and too much detail, and, because of that, it doesn't focus on things it should be focused on with sufficient time to do that (strategy, risk and performance). Changing it in order for it to work requires that all of the Board sub-committees need themselves to work effectively. Currently they are all in place but are also overwhelmed such that the various layers are currently not operating properly. We need to fix all of them and have a proper governance framework. There is now a structured programme in place to implement the Grant Thornton recommendations.

Description of the culture of POL at Board level and reflections as to the ways in which the culture has or has not changed following the findings of Fraser LJ in the Common Issues Judgment or resulting from evidence arising in the Inquiry (to the extent aware).

- 40 This is difficult for me to describe given that I have only recently joined. Culture is about behaviours and my key observation so far is that we have a group of Non-Executive Directors (NEDs) who work very hard and are really committed and actively involved at Board. I have found it so far to be a positive culture around NEDs. Improving the position and what Post Office does and should be doing really matters to colleagues as they really care about those things. The position with Executive Directors is more

mixed and fluid at the moment given the sheer amount of change and lack of continuity in personnel and roles at senior management level. This goes to my overall view that Post Office is in need of clear strategy and effective and efficient structures and governance to deliver it.

41 As a common theme – when people join the Board they discover that it involves a very large amount of work, far more than you would anticipate. The number and level of the issues in play is huge and this is amplified at the moment by the points that I make above about the governance changes needed and also the volume and nature of issues that are currently escalated to the Board.

42 I am aware that there have been programmes at Post Office implementing changes following the CIJ and in response to evidence resulting from the Inquiry but they generally precede my involvement and the review of strategy underway. I therefore am not in a position to comment on cultural change up to that point. My focus is on understanding the position today and delivering cultural change going forward in line with the outcomes of a review of the Post Office's business strategy.

View on the current composition of the Board with regard to experience, expertise and abilities.

Specific views on the desirability of (i) SPM representation on the Board, (ii) legally qualified Board members and (iii) Board members with IT experience?

- 43 I provide to the Inquiry a copy of the current board skills matrix (**POL00448516**; **POL00448517**) which shows in table form the mix and levels of skills for the whole Board, including my own.
- 44 The leadership skills required (and structure) in any organisation clearly can only be driven by what is needed to implement the strategy of that organisation. Partly because of the intensity of events over recent years I suspect including the Covid Pandemic and the fall out from the Horizon Scandal, including the important priority of responding to the Inquiry, the position over those recent years has been largely reactive without a clear strategy. Thinking on strategy is actively underway and isn't yet finished. However, there are some obvious skills gaps in the Board including technology (we are actively hiring for that at the moment) and organisational transformation experience. We will need people who experience of fundamental transformation and have done that before. The balance probably needs to shift more toward technical, transformation and commercial experience in the mix. We clearly also need for the reasons I expand on below to be able to understand and address key legal risks at Board level through a combination of board skills and/or the active involvement of an experienced, capable General Counsel participating in relevant Board discussions and being across all issues in the organisation to inform their advice to the Board.
- 45 The balance of executive directors and NEDs also needs to be looked at and rebalanced. Currently in terms of statutory directors there is only one

executive director (Nick Read as the CEO) and the previous CFO had not been able to attend for some time which has led to problems. A fully resourced executive team on the Board is essential. A number of interim appointments into the Strategic Executive Group have been announced already: Neil Brocklehurst as Interim COO, John Dillon as Interim General Counsel (Inquiry and Remediation Unit), Andy Nice as Interim CTO and Preetha McCann as Interim CFO. Further appointments are planned and will be necessary to give Post Office the executive capability needed to carry forward this next phase.

- 46 Postmaster representation on the board is both essential in principle to an organisation like Post Office and (in my view based on my own observations) currently excellent in terms of the approach and attitude of both Postmaster directors. I believe (and I think but don't know) that Saf and Elliott would probably agree that they have been put into a difficult environment (the board of a large organisation and, in Post Office's case, one under extreme circumstances) and so should be supported with a programme of further training on being a board member to further enhance their work as non-executive directors.

Please consider BEIS0000793, in particular the following extract: “SoS has previously provided Mr Railton with her priorities for Post Office which include (i) intensifying existing workstreams to address POL’s historic failures, (ii) supporting cultural transformation and improving POL’s capacity, capability, and resilience at all levels, and (iii) enabling the future

success of POL, including through effective financial management and delivery of NBIT. As part of his role, Mr Railton will also provide his views on the future direction of the Company”.

Please identify the existing workstreams that you intend to intensify to address POL’s historic failures and explain how that objective is to be achieved.

47 I have summarised the approach that I intend to take (and am taking) above.

48 In addition a specific workstream that is underway and that needs urgent action is the remediation workstream. I strongly believe that it is logical that remediation work must be moved to sit within DBT in order to get proper engagement from the people who need to engage with it.

49 In general, people no longer trust Post Office with the task of historic redress and compensation for the Horizon scandal and so I believe a workstream as important as this should sit, and be dealt with, outside of the business.

Please summarise your understanding of the actions POL has taken to change the culture of the organisation following the findings of Fraser LJ or resulting from evidence arising in the Inquiry. Please set out your reflections on how effective these changes have been.

50 I have only been at Post Office for a few months so defer to others who will comment on what has been done prior to my appointment. I am aware from briefings by relevant Post Office teams that there have been a number of positive initiatives (including the Speak Up policy) which are about having an open and transparent culture.

51 However, true cultural change will only come from strategy and having that clarity. Currently the staff survey shows only 35% belief in the management team. Until that changes everything is window dressing. We need to have trust as a critical element of the behaviours required to deliver strategy. Until then it is only possible to work around the edges. We need proper direction for the organisation. With clear strategy, effective governance and clear expectations around the way in which everyone in the organisation is expected and required to behave, strong culture will follow.

52 I have also been asked to comment on whether the culture at Post Office supports the building and maintaining of trust between Post Office and Postmasters, managers and assistants. At the moment I do not feel that I have yet had the amount of time in the organisation to have properly an informed view on this.

Please provide a summary of your views on the future direction of POL, insofar as they are relevant to the matters which are being investigated by the Inquiry.

53 As I have set out above, I very much believe that Post Office needs to review and put in place a clear business and operational strategy to drive necessary structural and governance changes. That review of strategy is underway but I am clear that it must be wide-ranging, address all the challenges facing Post Office (historic, current and future) and involve a new deal for postmasters which will see their businesses thrive and not just survive. The success of postmasters will be key to Post Office's own future success.

54 One key issue of future direction relates to NBIT, the IT system intended to replace Horizon. My own view – and I am aware that it is a stark one – is that a Horizon 'like for like' replacement cannot logically be the best platform to build a new deal for postmasters and the future direction of Post Office as we need to do. A decision to build a like-for-like replacement was, I believe, the wrong question being asked at the start of this so that led to the wrong answer. A decision to build a complex system internally without the IT capability, capacity and ability to do so was destined to fail. This is now manifesting in terms of both budget increase and delays. My view is that there needs to be a review and re-planning if not wholesale re-design of the approach.

Summary of experience of the Board's relationship with and approach towards SPMs and also key relevant external stakeholders, such as the National Federation of SubPostmasters (NFSP), Communications and

Workers Union (CWU), Fujitsu, UK Government Investments (UKGI) and the Department for Business and Trade (DBT).

55 I anticipate that Saf and Elliot will express their own views directly. From my recent perspective, whatever issues there may have been in the past, I have observed what appears to be an open relationship with the SPM board directors during Board discussions. Their insight and perspective as SPMs is certainly invaluable to me as Interim Chair and as a fellow director.

56 Board members have, I believe, a significant amount of engagement with postmasters. For example I met many postmasters recently on 18 June 2024 at a postmaster conference and other Board members were there. I have also reached out to and spoken to Richard Trinder who heads the organisation the Voice of the postmaster (Votp³). From the Board's view, we are doing and will continue to do everything we can to have open transparent dialogue with postmasters. A new deal for, and full engagement with, postmasters is fundamental and how I would like things to be going forward.

57 I haven't yet had chance to meet the NFSP. I do wish to do so and to build a relationship and an introductory meeting has been scheduled such that I expect to have done so by the time I attend the Inquiry.

³ <https://www.votp.co.uk/meet-the-committee>

58 My relatively limited observations so far on the Fujitsu relationship is that it seems commercially distant. Given the continuing operational importance of Horizon during the transformation of Post Office a commercially and operationally effective relationship is important notwithstanding the history.

59 Relations with UKGI and DBT are good at an operational level. We work with them well – with good colleagues on each front doing the right thing. At a policy level, however, it could be better. There is a confusion of relationships between UKGI, Treasury and DBT. DBT is the shareholder, Treasury the funder and UKGI (itself a subsidiary of the Treasury but its own entity) manages the relationship with DBT. The policy structure also drives short-term decision-making as funding works necessarily on government annual financial year. That leads in turn to a dominance of funding conversations where the Board tends to focus on/talk about how something will be funded. However, I think the focus should be the other way round – strategically '*what is it, how can we do it, is it the right thing to do?*' as the starting point with discussions as to whether it will be funded (or not) to follow. That would require a change in approach by all concerned but I think it needs to happen.

Do you think the culture in POL actively encourages whistleblowers to speak openly and honestly about their concerns? Please provide reasons for your answer.

**Please set out your reflections as to the adequacy and effectiveness of
POL's current whistleblowing policies and procedures**

60 Based purely on what I have seen since late May this year, I believe the culture encourages whistleblowers to speak openly and honestly. From what I have seen, the 'Speak Up' campaign actively encourages speaking up, raising concerns and identifying wrongdoing, and this has been evidenced by the number of items being investigated.

61 My aim as Interim Chair is to get to a point where there is the continued clear ability to 'blow the whistle' and speak out at any time about concerns within Post Office, but with fewer reasons for needing to do so.

62 In the specific context of Post Office I do sense also that the whistleblowing process has often used as an alternative to the formal grievance process (although there is always of course the potential for overlap) which may or not be a reflection of wider issues of culture. As Post Office goes through an intensive transformation I suspect therefore that the number of issues raised (rightly or wrongly) via the whistleblowing process rather than other avenues may even increase before reducing as changes for the better take hold because any transformation or intensive change process can produce strong reactions.

63 I don't have any reflections on the detailed mechanics of the process and defer to colleagues closer to those.

Are you aware of anyone having ‘blown the whistle’ within POL since your appointment as chair in a matter relevant to the issues being explored by the Inquiry? If so, please summarise the nature of the complaint(s) made and the response of both the Board and any individuals named in the complaint, insofar as you are able whilst protecting the identity of the whistleblower.

64 I am aware of one anonymous complaint dated 28 May 2024 that was posted to and addressed to me and seemingly at the same time others including: Jonathan Reynolds MP, Liam Byrne MP, Kevin Hollinrake MP, Kemi Badenoch MP, Counsel to the Inquiry, the Chair of the Inquiry and Oliver Shah of the Sunday Times (**POL00448519**).

65 As the Inquiry has received and has had a copy of this letter for some time, I don’t believe that it needs me to recount its contents but in summary it contained a mixture of allegations relating to current and former Board members and other executives ranging from financial issues to conduct allegations from “*POL Whistleblowers*” who describe themselves as being a “*group of highly disenfranchised POL employees*”.

66 As I have stated above, Post Office has a whistleblowing policy and process and this letter has been dealt with in accordance with that process as it should be and I understand that matters have been investigated by that team as with any other such complaint. Given the specific allegations relating to individuals that is the proper process for investigation and is not

for me to get involved in or comment on. As with any other investigation, if there are any conclusions that need to be escalated for the attention of myself or others, I would expect that to happen.

To what extent do you consider you understand issues of legal professional privilege and the extent to which such information may be shared with the Board of a company? Do you consider the provision of legal information to the Board (and the relevant mechanisms) to be sufficient? Please set out any concerns that you may have in this respect.

67 I am not a lawyer but having worked on issues over the years that raise legal risk issues with both in-house and external lawyers, I have a broad understanding of privilege and some knowledge of its different categories and broadly why it exists in public policy terms. In particular it exists I think so clients can speak frankly to their lawyers and those lawyers can advise frankly in turn. Also on without prejudice negotiations those exist so that disputes can be settled without formal litigation or similar by discussion without people thinking that every word in the negotiation might be used against them later in a court or other formal process.

68 I also know that:

- (a) privilege should only be used for those good policy reasons
- (b) so either clients or lawyers trying to use it wrongly outside those legitimate reasons shouldn't happen.

(c) the client owns privilege, not the lawyer and so the Board⁴ of an organisation can of course see legal advice being given to that organisation.

69 I also appreciate that the Board and senior team need to hear directly, and see actual advice from, the GC on legal risk issues - and (where there is a critical issue involved) also from the external legal advisors. During my time as CEO at Camelot for example our law firms and QCs (as they were then) did attend various board meetings on key issues and this is also happening now at Post Office on various fronts.

70 Clearly all this also needs to be done in a way doesn't overload the Board on points of detail and/or on issues that are of a lower order of importance. If that isn't done, then the point that I make above about overload just continues. However, it is key on legal risk to identify the important points and have a proper grasp of legal risk, and for the Board to be able to engage and deal with those key legal risk points – just as it needs to deal in the same way with other key risk points. That is one part of good governance.

⁴ There might of course be factual situations where one or more individuals on a board shouldn't see a specific piece of advice – for example if there is Company law reason such as a conflict why they can't, but that is a different issue.

Please set out in detail your understanding of the circumstances which led to the resignation of Alisdair Cameron on 25 June 2024, including the relevant background, chronology and actions of any individuals involved.

71 I was not involved and so I don't have any detailed knowledge of the circumstances that led up to his resignation. The clear need to deal with the long-term lack of a CFO and to get in a new CFO came up in initial discussions with DBT before I joined Post Office since it was quite obviously unsustainable for an organisation like Post Office to have had a CFO and statutory director absent for so long. However, by the time I joined Post Office Al Cameron was in the final stages of negotiating his leaving on the grounds of ill health. That negotiation was handled with DBT by others without my involvement.

General

Please set out any other comments, reflections or concerns (if any) you may have about your experience on the POL Board.

Any other matters

72 As I have referred to several times throughout this statement, the Board must become more effective by changing the governance structure of Post Office at all levels including with DBT. Structure must always follow strategy and effective implementation and behaviours then in turn depend on the right structures being in place.

73 The Postmasters I have spoken to, including Saf and Elliot, want the Board and the business as a whole to start focusing on the future, as well as the past. Of course remediation is hugely important, but I believe (as do the Postmasters I have spoken to) that future change and progress is equally as important, if not more so. My role, and that of the Post Office Board, is to map out the future and the positive change which needs to happen.

Statement of Truth

I believe the content of this statement to be true.

GRO

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Nigel Railton

Date: 30 August 2024
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Index to the First Witness Statement of Nigel Railton

No	URN	Document Description	Control Number
1	POL00448518	Interim Chair Induction Programme	POL-BSFF-WITN-027-0000007
2	POL00446477	Grant Thornton Governance Report 2024	POL-BSFF-099-0000003
3	POL00448516	Email attaching the POL Board Skills Matrix	POL-BSFF-WITN-027-0000005
4	POL00448517	POL Board Skills Matrix - June 2024 (1-9) - FINAL	POL-BSFF-WITN-027-0000006
5	POL00448519	Whistleblowing letter – 28 May 2024.	POL-BSFF-WITN-027-0000008