



Post Office Limited Group Executive

Minutes of the Strategic Executive Group (“SEG”) meeting held at
100 Wood Street, London, EC2V 7ER on Wednesday 13 March 2024 at 11:00 am

Present:

- Nick Read (Chair)
- Owen Woodley
- Chris Brocklesby
- Ben Foat
- Kathryn Sherratt – deputising for Alisdair Cameron
- Karen McEwan
- Chrysanthy Pispinis

Other Attendees: Alison Hoyland (Deputy Company Secretary)

Other attendees as shown against agenda items.

Apologies: Al Cameron

Action

1. Pre-discussion and Review of SEG actions

- CP noted the need for better discipline and time-keeping at SEG, particularly the monthly meetings where there was a great deal of business to get through.
- NR added that the quality of papers and presentations also needed to be improved paper quality needed to be improved and better use of SEG time – new discipline needed – on time keeping and paper quality/presentations etc
- KMcE added that the SEG should view this from a cultural perspective too, and be mindful of people’s time and how they will have prepared to attend SEG.
- – cultural too – and respect of people’s time
- SEG reviewed the actions and updates and agreed the actions marked for closure.

2. Payzone and Finance

Kathryn Sherratt/ Asha Patel/ Tim McInnes/Martin Edwards/Barbara Brannon/ Christian Spelzini/
Tom Lee

2.1 Payzone Integration

Barbara Brannon & Christian Spelzini

- BB spoke to the paper and reminded SEG of the context and business rationale agreed by the Board in January 2023, which largely centred on the simplification of the business model and how integration would:
 - enable technology transformation (specifically in relation to the de-risking of NBIT);
 - support the network strategy and the acceleration of Drop & Collect rollout; and
 - help mitigate and regularise known risks.
- SEG discussed the timelines, and noted that as far any restructuring was concerned, this would follow in later phases, but for now colleagues would transfer over top new reporting lines.
- KS note the pre-Board NED engagement with SJ, in his capacity as ARC Chair.

SEG **RESOLVED** to **APPROVE** the submission of the Payzone Integration request to the Board for approval.

2.2 Payzone Letter of Support

Tom Lee

- TL spoke to the paper which set out that the Letter of Support from POL was required to allow Payzone to sign its ARA on a going concern basis.



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SEG **RESOLVED** to **APPROVE** the submission of the Payzone Letter of Support request to the Board for approval.

2.3 Short Term Facility Amendment

Tom Lee

- TL spoke to the paper which set out that DBT provided a £50m Short Term Facility as an emergency same day facility for unexpected events in client settlements. The facility was due to end on 1 April 2024 and it was proposed to extend the term by one year, to 31 March 2025, when it would be renegotiated with DBT, alongside the terms of the Working Capital Facility.

SEG **RESOLVED** to **APPROVE** the submission of the Short-Term Facility Amendment request to the Board for approval.

2.4 Financial Performance Report

Asha Patel

- AP spoke to the P11 report which set out that:
 - P11 total revenue was **IRRELEVANT** ahead of budget, largely driven by the **IRRELEVANT** **IRRELEVANT** which was recognised in the accounts in P11.
 - P11 trading profit was **IRRELEVANT** above budget). The trading profit had surpassed the 9+3 forecast, however, the full year outturn remained subject to potential year-end adjustments.

SEG **RESOLVED** to **APPROVE** the submission of the P11 Financial Report to the Board.

2.5 2024/25 Business Plan

Asha Patel/Tim McInnes/Martin Edwards

- KS spoke to the paper and noted that the 2024/25 plan reflected discussions to date. Of particular note was the inclusion of an overview of the Postmaster Proposition, which provided a view across two priorities – to reduce Postmaster costs and grow Postmaster income. This had been a feature of discussions at the early March Board meeting where it was agreed that while not all Postmaster upsides would be realised in FY24/25, it would be helpful to understand and signal the trajectory and intent.
- The discussions to date had included those at the Board, at the Investment Committee and in 1:1 discussions with NEDs. In the case of the latter, ME noted his discussions in particular with the PM NEDS on Operational Excellence (OE) incentives and the broader Postmaster proposition.
- The FY 24/25 Business Plan was based on:
 - An end of year trading loss of **IRRELEVANT** which was unchanged from the version discussed earlier in the month.
 - Self-funded ‘other’ change spend of c. **IRRELEVANT**, which had increased by **IRRELEVANT** compared to earlier iterations, largely driven by an additional **IRRELEVANT** unallocated pot. UKGI had confirmed that should the additional **IRRELEVANT** be funded from the Working Capital Facility, it **IRRELEVANT** **IRRELEVANT**. The additional budget would be available to fund a range of ‘change/investment’ initiatives, for example, **IRRELEVANT** **IRRELEVANT** **IRRELEVANT**. Budget allocation would be subject to an agreed business case and other considerations such as capacity and practicalities of delivery. KS noted that budget and spend were not the same thing, and that while the associated



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benefits could not be quantified at this stage (as this would depend on the initiatives agreed for funding), incremental upsides were expected to be realised, which would mitigate against the ~~IRRELEVANT~~ trading loss.

- Pay assumptions of 3.75% for CWU and Unite employees, 2.75% for POL colleagues at grades 3A and 4 grades and 0% for SLP colleagues (though in the case of the latter, these colleagues were able to participate in the LTIP).
- The expectation that there would likely be other savings realised, although these still needed to be worked through – for example, in relation to travel and subsistence and contractor cost savings.
- SEG agreed that the FY25/26 outlook should be covered orally, and not included in the papers at this stage as the position continued to be finessed.

Action

- Slide to be added on the initiatives that won't be undertaken in 2024/25.
- OEs to be included for Board approval as part of the 2024/25 Business Plan.
- Discussion on one-off payment to Postmasters in recognition of 2023/24 revenue upsides to be brought to SEG on 20/03/2024.

KS/AP }
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SEG **RESOLVED** to **APPROVE** the submission of the 2024/25 Business Plan to the Board for approval.

3. People

Karen McEwan/Nicola Marriott/ Simon Recaldin

3.1 Past Roles

- SR and NM spoke to the paper which set out a recommendation on the approach to be taken in relation to the Past Roles Review and staffing in the RU in the light of the change in operational context and political environment.
- As a reminder, the Past Roles Review had been commissioned to look at the roles and activities of current employees who may have previously undertaken a role related to the subject of the POHIT Inquiry, to examine whether any conflicts, or perception of conflict, arose.
- It had been agreed that an independent panel would be established to validate the approach to the activity and while it had decision making authority it was able to recommend potential outcomes, as follows:
 - No further action.
 - Reallocation of workload or activities
 - Redeployment
 - Additional assistance for employee wellbeing.
 - A formal employment process in limited circumstances, eg, where an individual in a high risk role unreasonably refuses to accept redeployment or cooperate with the business.
- NM noted that public perception aside, no direct conflicts had been found and none of the risks outlined within the ToR of the Past Roles Review had materialised and that ongoing uncertainty was causing upset (with mental health absence as a result in some cases).
- Colleagues were rated 'RED', however, if they were identified as giving rise to a perceived risk in terms of undermining the integrity and independence of remediation and redress work being done and in those cases, redeployment had been recommended.
- Since the review had been undertaken, there had been a significant increase in late applications and RU work driven by current external scrutiny and the heightened awareness that was generating, organisational design delays had meant an increase in colleagues who



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were deemed as 'RED' and there no clarity yet on the Government's role in relation to redress going forward and associated processes and procedures.

- SR and NM noted the implications arising from a reduction in headcount and the risks posed to redress claim processing times.
- The recommendation to the SEG, therefore, was to take a 'many to few' approach to redesigning the organisational structure within the RU. The approach would see the number of 'RED' employees reduce and the appointment of new recruits to undertake work at a different (lower) grade, albeit the transition would need to be done over time to help mitigate the risks to redress claim processing times.
- It was recommended that the creation of a separate independent function should continue to be explored and initially in discussion with Government, as the make-up of any such function would depend on final decisions on the Government's role in relation to redress going forward.
- NM noted that while she stood behind the recommendation, she would wish to emphasise that no conflicts had been found, nor had any risks materialised; the issue was one of perception. On this basis, NM would personally advocate for 'no further action'.
- SR and NM left the meeting so that SEG could discuss the recommendations.
- The SEG discussed the difficult trade-offs at play, with the majority voting for the 'many to few' recommendation¹. The inevitability of delays to redress claim processing times was not, however, accepted and SEG noted a number of different resourcing approaches and models, including those adopted in other industries, such as insurance and claims processing.
- SEG set SR the objective of mitigating the risks of delays to redress claim processing times.

Action:

SR

- OD plans to be devised to safeguard the pace at which compensation is being paid.

3.2 STIP Options

Ian Rudkin

- IR spoke to the paper which set out a proposal to buy-out the STIP bonus for middle manager grades (3b, 2a and 2b) with effect from 2024/25.
- SEG discussed the pros and cons of the proposal, with OW noting more broadly that the proposal should not be the mechanism whereby the longer-term sustainability of the STIP arrangement was addressed – and moreover, only at the lower grades.
- NR agreed and said any such change should, be done as part of a wholesale reward strategy approach.

SEG **RESOLVED** to **DECLINE** the proposal.

4. Contract and Sourcing Strategy Matters

4.1 DXC EUC contract extension

Liam Carroll/ Chris Brocklesby

SEG **RESOLVED** to **APPROVE** the submission of the EUC contract extension request to the Board for approval.

¹ NR, CB and KS voted for Option 3, "many to few"; OW voted for Option 2, "no further action", KMcE abstained on the basis Option 3 had the majority vote. Although non-voting members of SEG, BF and CP noted they supported Option 2.



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4.2 Optima Health Contract

Liam Carroll/ Karen McEwan/ Martin Hopcroft

SEG **RESOLVED** to **APPROVE** the submission of the Optima Health contract request to the Board for approval.

4.3 Customer personal loans

Liam Carroll/ Barbara Brannon/ Ed Dutton

- ED and BB spoke to the paper which set out plans to source a **IRRELEVANT** **IRRELEVANT** who was the current provider.
- **IRRELEVANT**
- A key part of the sourcing strategy would be to identify partners that, amongst other capabilities, had the required risk appetite and underwriting technology to offer personal loans to UK market as a whole, where Post Office customers would not be excluded.
- SEG noted colleagues were confident that POL had the internal capability to source the provider.
- CB sought assurance that there no implications for NBIT; the team confirmed there weren't.

The SEG **RESOLVED** to **APPROVE** the sourcing strategy process for a replacement loan provider, including for onward submission to the Board for approval, subject to advice on whether that was necessary.

[It was subsequently agreed in an exchange with CP and Co Sec that the sourcing strategy request did not need to be submitted for approval to the Board at this stage].

4.4 Network consumables

Liam Carrol/ Pete Marsh

SEG **RESOLVED** to **APPROVE** the submission of the Network Consumables contract request to the Board for approval.

5. Transforming Technology

5.1 SPMP DBT Business Case Update

Tim McInnes

- TMCI spoke to the paper which set out an update on the SPMP business case, due to be submitted to DBT on 18 March 2023.
- As a reminder, the SPMP funding business case covered the costs of:
 - Developing NBIT to replace Horizon.
 - Sustaining Horizon while NBIT was being developed (anticipated to be by way of an extension of POL's contract with Fujitsu and which included investment in the core software, infrastructure and branch hardware).
 - Developing the next generation of Self-Service Kiosks, the rollout of new '2nd devices' as a new mobile platform for Postmasters and a new Identity and Access Management application.
- The Investment Committee was due to review the business case on 14 March, in time for any final amendments before submission to DBT.

SEG **RESOLVED** to **APPROVE** the submission of the SPMP Business Case update to the Board.



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5.2 Second Device – Interim Business Case and Drawdown request

Zdravko Mladenov

- ZM spoke to the paper which set out that as part of the universal service offering, POL was obliged provide for a pre-paid bill payment facility for public utility services and that the current legacy solution, Paystation, was being discontinued by the supplier at the end of the contract in March 2025. To continue providing the service, POL planned to deploy a handheld “Second Device”.
- The funding drawdown request at this stage would allow for “Second Device” hardware to be procured, while the technical solution was developed under the SPMP.
- The drawdown was dependent on DBT approving the reallocation of funds within the current interim funding envelope; should DBT not approve the reallocation, the project would have to delay the hardware purchase until the next SPMP business case was approved.

SEG **RESOLVED** to **APPROVE** the submission of the Second Device Drawdown funding request to the Board for approval.

5.3 SPMP Drawdown request

Kelly Goodwin

The paper was not discussed as the drawdown request had not been reviewed by IADG; subject to IADG review, SEG agreed the request should come back the following week before submission to the Board.

5.4 Fujitsu Extension

Simon Oldhall/ Patrick Bell/ Liam Carroll

- SO spoke to the paper which set out the current position on the discussions to date (including with Government) on the continuation of support services for the Horizon platform by Fujitsu beyond March 2025, when the current contract was due to end.
- The extension was proposed to cover the intervening period, before the roll out of NBIT.
- While discussions were ongoing, Fujitsu had not yet made any commitment to continuing the support and against the context of the current external scrutiny, was unlikely to do so without the express support of Government.
- Subject to the position being settled, funding the contract extension formed part of the SPMP business case.
- In relation to a ‘buy’ alternative and procurement risks, SEG noted the high probability of challenge to a decision to further extend the agreement with Fujitsu and that external independent legal and commercial advice was being sought to further inform and quantify the risk.
- In the event that Fujitsu did not agree to an extension, or there was some other barrier to awarding an extension, SEG agreed that a plan B timeline should be drawn up.

Actions:

- Milestone plan with key dates to be developed for a ‘Plan B’ alternative to a Fujitsu extension.
- LG to be engaged on the various considerations and dependencies, ahead of discussion at march Board.

SO }
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6. Improving branch profitability

Pete Marsh

6.1 Delivering Change into the Post Office Network and plans for developing a central branch repository

- PM spoke to the paper which provided an update on the current processes for delivering change into the Post Office network, the challenges encountered, and the opportunities to improve the processes and land change more effectively.
- While SEG appreciated the update, it noted that the request from the Board was narrower, and focused on the expectation that there was, or would be, a central repository which documented Post Office branch information, including in relation to branch layout and to house contact numbers and emails etc.
- The Board was keen to know that lessons from previous initiatives, for example, ATM replacement and CSS were being picked up and that inefficiencies and other barriers to effective roll outs could be minimised/avoided, not least with NBIT roll out in mind.
- While SEG understood the competing priorities at play, it nevertheless thought more could be done to harness the contact and engagement within branches currently.

Action:

- Paper for the Board to be re-written, with a focus on plans for a central repository.

PM

7. Rebuilding Trust

7.1 Inquiry Update

Diane Wills/ Neil Davey/ Dan O'Mahoney
Ben Foat left the meeting.

- DW spoke to the paper which provided an update on a number of key issues, including:
 - Engagement with the Inquiry.
 - POL's closing submissions for Phase 4.
 - The release of Deloitte from their confidentiality obligations to POL.
 - The current position in relation to legal advisers' costs related to disclosure remediation work.
- DW noted the constructive engagement with the Inquiry's legal counsel on disclosure and how the teams could best work together to meet the Inquiry's upcoming hearing schedule.
- On POL's written closing submissions for Phase 4, and the position the Inquiry Chairman had taken in relation to the inclusion of references to a Prosecution Expert's report, POL was of the view that the Inquiry Chairman's position was based on a misunderstanding and stemmed from a miscommunication on the part of the Inquiry's legal counsel.
- The next Phases of the Inquiry were due to recommence on 9 April 2024.

SEG **RESOLVED** to **APPROVE** the submission of Inquiry Update to the Board.

7.2 Inquiry FY24/25 Budget & Drawdown request

Diane Wills/ Neil Davey

- The paper was taken as read and set out a drawdown funding request for the Inquiry Unit to cover costs to the end of September 2024.



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- On the matter of legal advisers' costs related to disclosure remediation work, SEG agreed that B Brannon would be a helpful addition to the negotiation team.

Action:

- B Brannon to join the team and support the HSF cost negotiations.

SEG **RESOLVED** to **APPROVE** the submission of Inquiry funding drawdown request to the Board for approval.

7.3 Sensitive Issues request and Inquiry SteerCo ToR

Diane Wills

SEG **RESOLVED** to **APPROVE** the submission of (i) the Inquiry SteerCo ToR changes and (ii) the revised process for making decisions on Speak-Up matters and the release of information to the Inquiry, to the Board for approval.

7.4 Remediation Unit (RU) Update

Simon Recaldin

Ben Foat re-joined the meeting.

SR spoke to the paper which provided an update on a number of key issues, including:

- The current position in relation to remediation, including OC, HSS, SRR claims and GLO disclosure.
- The ongoing uncertainty in respect of management and delivery of OC and HSS claims and the associated negative publicity around the speed of redress payments and the challenging environment within which RU is operating as a consequence.
- Plans to further accelerate the payment of redress.
- SR also noted the redress awarded in a fatality case, and the likelihood that this may attract some public commentary.
- On working with Government on future redress plans and processes, OW noted the need to ensure that any role POL played, including in assisting Government in working up its plans, did not interfere with the independence of any future arrangements.

SEG **RESOLVED** to **APPROVE** the submission of RU Update to the Board.

7.5 RU FY24/25 Budget & Drawdown request

Simon Recaldin

- The paper was taken as read and set out a drawdown funding request for the RU Unit to cover costs to the end of September 2024.

SEG **RESOLVED** to **APPROVE** the submission of RU funding drawdown request to the Board for approval.

8. Items for presentation

8.1 Project Darwin, next steps on business transfer

Russell Hancock/ Stephen Faulkner-Atkinson



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- RH and SF-A spoke to the paper which set out the progress being made in relation to the business transfer to iForce.
- The update included the latest TUPE position for Swindon staff and noted that it was now proposed to proceed without an opt out option, as it was unlikely the necessary permissions from DBT and HMT would be received in time.
- In practice, this would mean that those staff who were not willing to move to iForce (it was understood this would be the majority of the Swindon staff, based on distance) would take redundancy instead.
- POL had contractually [IRRELEVANT] iForce for these [IRRELEVANT] and iForce had indicated that it was happy that the consultation should proceed on that basis.
- SEG agreed the consultation could proceed on this basis, and that it was not a matter requiring Board approval.

SEG **RESOLVED** to **APPROVE** the submission of the update paper on Project Darwin and progress in relation to the business transfer to the Board, indicating that, as a noting paper, it should be tabled alongside the separate update paper on the Project Darwin: Lessons Learned.

9. Items to be taken as read, with no presentation

9.1 Health and Safety Report

SEG **RESOLVED** to **APPROVE** the submission of the Health and Safety Report to the Board.

9.2 Technology Dashboard

Action:

- Commentary to be updated to include the explanation for the increases and the 'so what's'

GE **RESOLVED** to **APPROVE** the submission of the Technology Dashboard to the Board, subject to the amendment discussed.

9.3 Retail Performance Dashboard

SEG **RESOLVED** to **APPROVE** the submission of the Retail Dashboard to the Board.

9.4 Project Darwin, lessons learned

SEG **RESOLVED** to **APPROVE** the submission of the update paper on Project Darwin: Lessons Learned to the Board, noting its earlier agreement to table the separate on the business transfer alongside the Lessons Learned update.

9.5 Freedom of Information Tracker

- SEG noted the update; BF provided an overview of the key themes and issues arising.

Action:

- Project Boland Report shared with UKGI to be circulated to SEG

KS

9.6 Monthly Assurance and Complex Investigations MI Report



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- SEG noted the update and discussed the competing demands for SEG and senior leadership time which may impact the extent to which they are able to support investigations currently.

10. Governance Items

10.1 Draft Board Agenda – 25 March 2024

The draft Board Agenda was **NOTED**; changes to the final agenda would reflect the discussions at SEG.

10.2 Monthly SEG meeting minutes for approval: 14 February 2024

The minutes of the meeting held on 14 February 2024 was **APPROVED** as a correct record of the Meeting.

11. Any other Business

TB Cardew contract extension

- This would be added to the sourcing/contract requests to the Board; it was for additional spend of **IRRELEVANT** for the provision of additional services by way of a modification to the existing contract under Regulation 72(1)(b).
- A compliant procurement exercise would be run in June to put a new contract in place from September 2024.

Business and Trade Select Committee

- OW noted the Select Committee had sent a further request and had asked for Remuneration Committee minutes since 2019.
- Anyone named in the minutes would need to be advised of the disclosure.

Postmaster Engagement

- OW noted the upcoming events, and that the team would be arranging them over April, May & June to help mitigate against competing pressures.

12. Date of next scheduled meeting:

17 April 2024.

There being no further business the meeting closed at 18.00.