

Witness Name: Sarah Munby  
Statement No.: WITN11520100  
Dated: 23 September 2024

## POST OFFICE HORIZON IT INQUIRY

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### FIRST WITNESS STATEMENT OF SARAH MUNBY

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I, Sarah Munby, will say as follows.

#### Introduction

1. I make this statement in response to the Inquiry's Rule 9 request for evidence dated 26 July 2024. I have prepared it with the support of the Government Legal Department and counsel. I served as Permanent Secretary to the Department for Business Energy and Industrial Strategy ("**BEIS**" or "**the Department**") from 20 July 2020 until 6 February 2023. I am now the Permanent Secretary at the Department for Science, Innovation and Technology ("**DSIT**").
2. The Inquiry has asked me questions relating to several matters including my reflections on the adequacy and effectiveness of Post Office Limited's ("**POL**") corporate governance arrangements during my time as Permanent Secretary at BEIS, the culture of POL, the arrangements for and delivery of compensation and redress to subpostmasters ("**SPMs**"), and the departure of Mr Henry Staunton from the POL Board.

3. It is my understanding that rapid receipt of my written evidence on the departure of Mr Staunton from the POL Board would provide particular assistance to the Inquiry in its efficient conduct of its oral hearings. I therefore address only that matter in this first witness statement on an expedited basis and will provide the Inquiry with a second broader witness statement addressing the other topics raised in the Rule 9 request later this month.
  
4. Given the narrow scope of this witness statement, I anticipate that my second statement may be of broader interest to the Inquiry. In that statement I am keen to provide as helpful a perspective as possible on the ongoing work to provide redress for the terrible injustices suffered by postmasters, and work to reform POL and HMG to ensure similar events could never happen again. Understanding the extent to which redress and reform have been effective and how they could be improved is a vital part of learning from what has happened.

### **Background**

5. My background before Government (apart from a brief stint as a junior civil servant after leaving university) was as a management consultant, where I worked for McKinsey for 15 years. At the time I left McKinsey I was a Partner, leading the firm's strategy and corporate finance practice in the UK and Ireland. I re-joined the civil service when I was appointed as a Director General in BEIS in July 2019. I stayed in that role until 19 July 2020 when I was appointed as Permanent Secretary for BEIS (this was in the midst of the Covid pandemic). I remained as

Permanent Secretary at BEIS until 6 February 2023 when I moved to the Department for Science, Innovation and Technology as Permanent Secretary. This followed the Machinery of Government change that dissolved BEIS and created several new Government Departments in its place. At that point, responsibilities for POL were passed from BEIS to the new Department for Business and Trade (“**DBT**”) and I ceased to be the relevant Permanent Secretary.

6. As Permanent Secretary at BEIS I was the Civil Service head of the Department with overall responsibility for its management and leadership. I was personally responsible for the effective stewardship of Departmental resources as Principal Accounting Officer, accountable to Parliament for Departmental expenditure. The Civil Service team in the Department aims to support Government in achieving policy objectives and ensure the effective running of the Department. As Permanent Secretary I held primary responsibility for that Civil Service team.
  
7. During my tenure as Permanent Secretary of BEIS, the Department consisted of around 6,000 civil servants in the core Department divided into 9 Director General-led Groups with an overall Departmental budget of about £30bn per annum. The Department was responsible for over 40 Public Bodies including (among many others) UK Research and Innovation, the Nuclear Decommissioning Authority, the Met Office, and Companies House. Our responsibilities included supporting businesses through the Covid-19 pandemic, overseeing the UK’s energy transition and net zero strategy, managing the majority of HMG’s Research and Development funding, and administering schemes to support energy bills in the aftermath of Russia’s invasion of Ukraine.

8. Day-to-day Departmental matters concerning POL were handled by a team of officials that formed part of the Business Resilience Directorate headed by Carl Creswell, Business Resilience Director, then to the relevant Director General, and through them to me.

#### **Mr Staunton's appointment to and removal from the POL Board**

9. Mr Staunton was appointed as POL's Chair on 2 September 2022 by Kwasi Kwarteng, the Department's Secretary of State at the time. In the usual way, this appointment followed recommendations made by officials to the Secretary of State after a competitive public appointments process. As Permanent Secretary, I was a member of the appointment panel. I first met Mr Staunton as part of that interview process.
10. Mr Staunton's tenure began on 1 December 2022. I was Permanent Secretary until 6 February 2023 when I moved to DSIT, so our roles only overlapped by two months. Given this, we had limited interactions. I wrote him one letter, on 9 December 2022, and we spoke once, on 5 January 2023.
11. I understand that Mr Staunton was dismissed on 28 January 2024 by the then Secretary of State for Business and Trade, Kemi Badenoch. I have no first-hand knowledge of the reasons for, or of the circumstances surrounding, Mr Staunton's departure. By that time I was running a different Department and I was not involved

in the process or decision to remove him. The Permanent Secretary of the Department for Business and Trade at this time was Gareth Davies.

12. I had no further contact with Mr Staunton after our conversation on 5 January 2023 and, to the best of my recollection, I have never had direct contact of any kind with Ms Badenoch before writing to her on 21 February 2024 – the day of a Times article reporting that Mr Staunton was claiming that I had given him an instruction to stall compensation payments at our meeting on 5 January the previous year .

**Claims made by Mr Staunton about our meeting on 5 January 2023**

13. On 18 February 2024, the Sunday Times published an article [RLIT0000256] (“**the First Article**”) based on an interview given by Mr Staunton.
14. In the First Article, Mr Staunton is reported to have made a series of allegations, including in relation to the reasons for his dismissal, which concern events which postdate my move to DSIT, and I am unable to comment on those.
15. However, one specific claim related very particularly to me – though that was not explained in the First Article itself. The First Article reported that Mr Staunton claimed:

*“Early on, I was told by a fairly senior person to stall on spending on compensation and on the replacement of Horizon, and to limp, in quotation marks – I did a file note on it – limp into the election,” he said. ‘It was not an*

*anti-postmaster thing, it was just straight financials. I didn't ask, because I said, "I'm having no part of it – I'm not here to limp into the election, it's not the right thing to do by postmasters." The word 'limp' gives you a snapshot of where they were".*

16. There was then a further article published in The Times [RLIT0000345] ("**the Second Article**") the following Wednesday (21 February 2024), which identified me as the person who had supposedly said this. In the Second Article, The Times reported that Mr Staunton had located and passed on his file note of the conversation between us on 5 January, and quoted a number of lines from it. The Second Article inaccurately reported that this file note supported Mr Staunton's claims about what I had said, which I address in some detail below.
17. I was shocked and astonished by Mr Staunton's allegation. His claim that I told him to stall compensation payments is completely false. It has no basis whatsoever. I never told Mr Staunton, directly or indirectly, expressly or by implication, that POL should stall on compensation or otherwise delay or reduce compensation payments to SPMs. I did not say anything that could sensibly have been understood to convey that implication.
18. There is a significant set of contemporaneous documents surrounding my conversation with Mr Staunton, including two detailed contemporaneous notes, one made by Mr Staunton himself. None of the documents support Mr Staunton's accusation in any way.

19. While the speed at which SPMs have received compensation has received significant criticism, I have not ever seen or heard any evidence, documentary or otherwise, which would suggest to me that any member of the Civil Service or any Minister ever had any conversation with Mr Staunton or anyone else at POL during my tenure to the effect that compensation to SPMs should be deliberately delayed in order to save money. While I was Permanent Secretary, Ministers and officials consistently took the view that postmasters should receive compensation as quickly as possible.
20. In summary, Mr Staunton's allegation was untrue.
21. I address his allegation in detail in this statement only because if it *had* happened it would obviously have been important both for the Inquiry and for SPMs.

**My conversation with Mr Staunton on 5 January 2023**

22. I had a "POL catch up" meeting with BEIS and UKGI representatives on 16 November 2022 [BEIS0000882] to review where the organisation stood. This was followed up with a written quarterly update on 23 November 2022 [BEIS0000873]. At that time, as is reflected in these documents, I was acutely aware that POL was struggling as a commercial enterprise and that we were under pressure both to increase operational funding to POL in the short-term, and to come up with longer-term proposals for how to put the operation on a more sustainable footing. Delaying or reducing compensation payment to SPMs was never suggested (or mentioned) by anyone at any point in the conversation on 16 November 2022, or



in the written update document of 23 November (or at all). In fact, the written update refers to various ideas officials were exploring to “*increase compensation speed*”. These documents match my recollections as to the context for the meeting with Mr Staunton.

23. On 9 December 2022, I wrote to Mr Staunton congratulating him on his appointment and setting out the key strategic priorities that BEIS, as sole shareholder, would like POL to focus on over the coming year [Email thread between UKGI and BEIS, BEIS0000621; letter from Sarah Munby to Henry Staunton on strategic priorities, BEIS0000607]. One of the three key objectives was “*engaging positively with the Post Office Horizon IT Inquiry and implementing change, including resolving historical litigation issues, successfully delivering the Strategic Platform Modernisation Programme (SPMP), and reaching settlements with claimants*”. (Note that settlements were the mechanism by which payments to SPMs were made.) If I had suggested delaying or reducing compensation payments to SPMs, that would have been totally contrary to this key Departmental objective. Had Mr Staunton genuinely thought I had or may have implied any such thing, I cannot understand why he failed to query it.
  
24. In my letter of 9 December 2022 I also asked Mr Staunton to focus on “*Effective financial management and performance, including effective management of legal costs, to ensure medium term viability*”. This reflects the shared concerns about POL’s difficult financial position that Mr Staunton and I then discussed at our meeting on 5 January 2023. “*Legal costs*” in this context has the usual meaning – i.e. the costs of the lawyers who were supporting POL (both on compensation



schemes and on responding to the Inquiry). At that time we had a long-standing debate with POL about what we and HMT saw as excessively high spend on their own lawyers. This concern is reflected in the quarterly update of 23 November 2022 [BEIS0000873] where officials briefed me that POL had spent c.£80m on lawyers with one law firm alone. This issue was discussed regularly between POL and UKGI at the time – nobody within POL could possibly have interpreted my ask for management of these costs as a request to slow down compensation payments to subpostmasters.

25. Mr Staunton responded to me on 14 December 2022 [Letter from Henry Staunton to Sarah Munby, BEIS0000629]. In that letter Mr Staunton told me that POL were *“making very good progress with compensation”*. He then referred to the New Branch Information Technology (**“NBIT”**) in the context of the Strategic Platform Modernisation Programme (**“SPMP”**) and said that he would *“confirm to [me] the request for sufficient funding to enable its effective completion by March 2025”*. Mr Staunton also confirmed that *“Legal costs are challenged regularly and all options explored to secure best value whilst ensuring good quality external support for delivery”* which indicates to me that he clearly understood my reference to legal costs to be about better management of the cost of support from external lawyers.
26. A first meeting between me and Mr Staunton was scheduled for 3 January 2023. For diary reasons I do not now recall, it was pushed back two days to 5 January 2023 [Email from the Private Secretary re; briefing for upcoming meeting on 05/01/2023, BEIS0000633]. This was an introductory meeting, similar to those I

would normally have had with newly appointed Chairs of important public bodies connected to BEIS.

27. On 19 December 2022, my Private Secretary emailed the Departmental Post Office policy team and UKGI to produce a briefing for the meeting [Email from Rebecca Stockbridge to Brooks-White and Ed Baird re: FW: [Briefing Request - midday Friday 23/12, BEIS0000752]. The briefing was provided to me on 23 December 2022 [Meeting Brief from Siv Rajeswaran to Sarah Munby re: Introductory Meeting, Henry Staunton (Chair, Post Office Ltd), BEIS0000631]. The agenda items were (i) CEO pay; (ii) NED appointments; (iii) POL finances and three-year plan; (iv) recent correspondence; (v) NI energy bill support scheme; (vi) AOB/other live issues. None of these were unexpected; I was familiar with these current issues including from the 16 November meeting and the 23 November quarterly update. The 6-page briefing note contains a significant amount of content, and some appropriately challenging messages for POL on pay, NED diversity, finances and culture. It does not mention or imply delaying or reducing compensation at all.
  
28. The email chain in which the briefing for the meeting is requested and provided [BEIS0000752] contains a side-reference to me writing to Mr Staunton in advance of our meeting regarding historical matters; this being the work POL was doing to change its systems, policies, processes and culture. For the sake of clarity, I note here that I decided not to write to Mr Staunton in advance of our meeting but have located a draft of that short letter in case it is of assistance to the Inquiry [Draft Letter from Sarah Munby to Henry Staunton re Historical Matters, BEIS0000780].

See also [UKGI00044315], a letter dated 23 May 2022 from me to Tim Parker and [BEIS0000878], a letter from Tim Parker to me dated 1 September 2022 for context. The draft letter [BEIS0000780] did not concern payments to SPMs but concerns the written process by which POL should next update BEIS on progress in making changes to systems, policies, processes and culture. I decided to address this process question at our meeting rather than in correspondence.

29. I met Mr Staunton on 5 January 2023 together with my Private Secretary. We did not have wider officials attending because, as the note shows, one of the agenda items related to someone's personal pay. In the event, this was my only meeting with Mr Staunton because a few weeks later I moved to my new post at DSIT.
30. On 6 January 2023 my Private Secretary circulated a contemporaneous note of the meeting to the Departmental Post Office policy team and UKGI in the usual manner [BEIS0000752]. I confirm that the note accurately summarises the topics discussed. Mr Staunton also prepared a note of the meeting [RLIT0000254]. I did not see Mr Staunton's note at the time and he wrote it entirely independently.
31. The two contemporaneous notes are similar and clearly record the same conversation, though Mr Staunton's note contains a bit more detail on what he said about POL's financial challenges, and less detail on the rest of the conversation, including discussion of salaries. Crucially, neither note suggests in any way that I gave any instruction, either explicitly or implicitly, to delay or reduce compensation payments to SPMs. There is absolutely no mention in either note

of delaying or reducing compensation payments at all and nothing that could justify the idea that anything like that was implied, however indirectly.

32. If delays had been discussed or implied I am confident that it would have been recorded in the notes. It would have been recorded by my Private Secretary as an important issue for the readout. And it would surely have been recorded by Mr Staunton, who now says he was extremely concerned by it and remembers it as a central conclusion of the meeting from his point of view (though he did not raise any such concerns at the time, until talking to a newspaper a year later, shortly after his dismissal).

33. We did briefly discuss a separate point about compensation to SPMs. This is recorded in my office's readout [BEIS0000752] as "*HS [i.e. Mr Staunton] mentioned targets ref in inquiry hearing – wasn't looking for apology but wider point around being synced up and acknowledging where each others roles lie*". The background to this is that I had been made aware on 23 December 2022 that the Department had incorrectly stated at the Inquiry that it was the Department's target that 100% of offers would be made under the Horizon Shortfall Scheme by 31 December 2022. The Department expressed disappointment that POL had only achieved 95% by that time. That was an error: a target of 100% by that date had not in fact been agreed with POL. The Department apologised to POL and to the Inquiry for that mistake [BEIS0000752]. Mr Staunton raised this at our meeting, and I accepted it had been an unhelpful error and that we should remain "*synced up*". The issue did not cause any further confusion or concern at the meeting. It certainly did not give rise to any discussion relating to whether compensation

payments *should* be delayed. It was rather the opposite; Mr Staunton was criticising the Department for suggesting that POL had been too slow and not met a target.

34. In summary, looking across the documents from the time, I cannot see any evidence for Mr Staunton's claim. Delaying compensation was not discussed in the full and frank internal update meeting we had before I met Mr Staunton. Delaying compensation was not mentioned in the detailed briefing I was given for the conversation. Delaying compensation was not mentioned in either of the contemporaneous readouts. This is because I did not ask Mr Staunton to delay compensation.
35. Most importantly, I would *never* have asked him to stall or delay compensation – I didn't believe that compensation should be stalled, and no Minister (or colleague) ever asked me to stall or to tell POL to stall. Indeed if I *had* said or implied anything of the sort, it would have been in direct contravention of explicit Ministerial direction (and therefore a serious breach of the civil service code) and absolutely against my own clear beliefs. It is completely inconceivable.
36. In the First Article, Mr Staunton claims he said "*I'm having no part of it – I'm not here to limp into the election, it's not the right thing to do by postmasters.*" He never said this to me, or anything like it; and neither note of the meeting suggests he did. He would have had no reason to, as I had not asked him to delay payments.

**The Second Article, and the evolution of Mr Staunton's claims**

37. The Second Article was written after Mr Staunton had found his own file note in his personal emails. It fails to explain that Mr Staunton's file note does not at all support Mr Staunton's claim that I told him to stall compensation. In aggregate the Second Article creates the completely false impression that the file note is evidence for Mr Staunton's claim and therefore confirms the contents of the First Article.
38. In fairness to the reporter, the article does at one point hint at the problem, saying that "*Although the note suggests that Munby was referring to the Post Office's overall finances, Staunton said that by far the two biggest items where the Post Office was able to vary its spending were compensation payments and replacement of the Horizon system.*" I assume from this that The Times had raised the point with Mr Staunton that his note didn't mention compensation. The Inquiry may have the recordings and notes of these interviews which I assume Mr Staunton will have disclosed, though I have not seen them. I assume he told them that he had understood my general discussion with him about how to address PoL's financial challenges to somehow clearly imply that compensation payments should be reduced or delayed. This is of course quite different to the claim made in the First Article, and quoted again in the Second Article, that I specifically "*told [him] to stall on spending on compensation*". Neither version of events is true. I neither said it nor implied it.
39. On 21 February 2024, later in the day on which the Second Article was published, I took the unusual step of writing to Kemi Badenoch, the Secretary of State for



Business and Trade [Letter from Sarah Munby to Kemi Badenoch, RLIT0000255]. This letter was also placed on gov.uk [Response to claims on the governance of Post Office Limited, gov.uk webpage, RLIT0000355], alongside the two contemporaneous notes of the meeting [Business department formal note of meeting with Sarah Munby and Henry Staunton, BEIS0000917; Henry Staunton's note of meeting with Sarah Munby, BEIS0000918]. I thought it important to formally explain what had happened to the Secretary of State (who was of course in a different Department to me), given the extraordinary and untrue nature of Mr Staunton's claims about what I had personally said to him. In that letter and the accompanying annex, I provided the Secretary of State with a detailed response to the allegations made in the two Articles, my recollection of the 5 January 2023 meeting, and my comments on the two contemporaneous notes of the meeting. The letter and the annex reflect the contemporaneous notes and are consistent with this witness statement.

40. It is important that I address this idea of some kind of implied instruction that was introduced in the Second Article after Mr Staunton found his own note (the note was of course entirely at odds with the claims he had, by that point, already made in the First Article on the front page of The Sunday Times).
41. Mr Staunton expanded upon this "implication" idea in more detail when he gave evidence to the Parliamentary Select Committee a week later on 27 February 2024 [Business and Trade Committee Oral Evidence, 27/02/2024, RLIT0000346 ]. He said to the Chair that *"I thought that your "nod and a wink" phrase just about sums it up"* making clear that by this point he was no longer suggesting I "told" him to



stall compensation payments but now making a different (also false) claim that I had implied to him in our conversation that compensation should be delayed. While I can only speculate as to what can have happened here to explain Mr Staunton's two inconsistent positions in the public domain, I suppose that, once he had seen that his own contemporaneous note did not back him up at all, he must have thought an "implication" claim looked slightly more defensible than his original assertion. It is, however, equally untrue, equally unsupported by any documents (including his own note), and equally at odds with common sense.

42. Mr Staunton said to the Select Committee that he had responded to my statement that money was tight by explaining this meant he would need to look at all the spend levers he had. His evidence [RLIT0000346] was *"Well, in terms of trying to hold back [financially], there are only three levers of big cash outflows that we can pull: one is the inquiry costs, which are significant; one is compensation; and one is the replacement for Horizon, which is the biggest lever. In detail, I said [in my conversation with Ms Munby], "With the inquiry, the costs will be what they have to be, surely. In respect of compensation, we need to do the right thing by postmasters in taking this money. And we are in dire need of a new system." She repeated, "Money is very tight. This is no time to rip off the Band-Aid." I was left in no doubt that this was not a time to rip off the Band-Aid and I would have to look at those three levers."* As I understand Mr Staunton's evidence, his suggestion was that me saying that *"money was tight"* led him to think he had received a *"nod and a wink"* to reduce compensation costs, and that he had then confirmed back to me that he thought this was the wrong thing to do.

43. I never made this implication, and hence he never responded to me on it. But this is also more generally just not an accurate description of our meeting. Mr Staunton simply did not set out these three levers to me in the meeting (and indeed there is no mention or anything of this sort in the two contemporaneous notes). He did describe a list of three pressures on POL that were leading to increased costs, these are explicitly listed with figures in his own note in three categories: Horizon replacement, Inquiry costs and telephony/internet. His list rightly did not include compensation as a pressure given the financial support HMG was providing for this purpose. Neither of us ever mentioned the idea that compensation delays or reductions could or should be used as a way of saving money for POL.
44. Aside from this idea never being mentioned by either of us, this idea doesn't take into account that POL's financial outflows are not all funded from the same place (as the Chair of POL would – and certainly should – know, and any POL, DBT, HMT or UKGI official can confirm).
45. Inquiry costs, Horizon replacement costs and internet / telephony costs (i.e. the three pressures Mr Staunton discussed) were funded out of POL's main operational budget. Although this budget is primarily POL's to manage, and mostly made up of POL's commercial income, HMG provides financial support to POL's operations. At the time of our conversation this operational budget was supported by £50m per annum of operational subsidy agreed at the Spending Review 2021 to support otherwise un-sustainable Post Office branches, and by a further one-off capital support of £177m again agreed at Spending Review, to support the amount of capital investment POL needed to make in its network. Increases to

operational funding to POL were typically unpopular in HMT, who were keen for POL to become commercially sustainable, and who regularly pointed out to both POL and the Department that we did not have a proper long-term plan for that. Given this backdrop, at the time of the Spending Review all this had been supported by carefully worked through material from POL about how the money would be spent, and why they needed it. By the time of the conversation, Mr Staunton was advancing the argument that this financial support was insufficient given the serious operational and strategic challenges POL was facing (a position I had some sympathy with, as the notes show). After the conversation, we followed through on my commitment to Mr Staunton to keep working on this, and following further work by officials, BEIS and HMT provided an additional £253m to POL's operational budget (of which £103m was specifically to support Horizon replacement costs) in December 2023. This payment recognised the structural difficulties POL faced in their operations. This all fits very much with the record of our conversation.

46. By contrast, it had always been much more straightforward to commit government money to support compensation. By this point, HMG had committed over £1 billion to funding growing compensation payments. In March 2021 HMG had made financial commitments to support the increasing requirements of the Historical Shortfalls Scheme. In December 2021 HMG formally confirmed funding for overturned historical convictions. In October 2022 Ministers had announced to Parliament that HMG was providing further support to POL for late applicants to the Historical Shortfalls Scheme, as a further (then) recent example. Compensation money was provided on a ringfenced basis. Ringfencing is a tool

used by HMT specifically in order to prevent Departments from cutting one budget to cover pressures in another – it's a very common lever used by HMT to manage these kind of situations where they want you to bear down on one budget (in this case POL's operational costs, where HMT were trying to reduce the level of operational subsidy and get POL to become more self-sustaining) but don't want you to cut a different item (in this case, the vital task of compensating SPMs, where our policy intent was to try to get POL to actually get the money out and where we were bringing pressure to bear to do so as quickly as possible). Indeed, HMT provide funding for compensation only at the point of use – i.e. the funding is not transferred to POL until POL pay out a claim.

47. Breaking the ringfence would have required explicit (and publicly discoverable) agreement from both the BEIS / DBT Secretary of State and from HMT Ministers. Given Ministers' priorities, it would have been absolutely unimaginable that they would ever have agreed to this, even if it had ever been suggested to them (which it never was, as the record shows).
  
48. Mr Staunton was asked by the Select Committee about ringfencing, which I had by then mentioned in the letter I wrote to the Secretary of State for Business and Trade on 21 February 2024 [RLIT0000255]. The Chair asked Mr Staunton "*...the Secretary of State points out that the Government have no incentive to delay, because there is a ringfenced compensation fund. Do you agree with that argument?*"

49. Though Mr Staunton did not provide a direct answer to that question, he did confirm to the Committee that he understood the government payments were ringfenced. Mr Staunton said, when asked about ringfencing, *“It [compensation funding] is mainly ringfenced and held within the Treasury, but say that we have exoneration and much more money is paid out; then, the amount that you ringfence becomes larger. Similarly, if we were tough on compensation and it became smaller, that would release the money that we have ringfenced. That is how ringfencing works.”* He later says *“Equally, as I say, if it goes down, more money is available for whatever—NHS, tax cuts, or whatever it is.”*
50. I would note that this evidence does not support what Mr Staunton seems to have been saying earlier in his evidence – i.e. that I implied reducing compensation payments would be a sensible lever for Mr Staunton to pull in order to address POL’s financial difficulties.
51. By this time Mr Staunton’s allegation had become very confusing indeed to me. If his claim had now morphed still further into an assertion that my supposed *“nod and wink”* instruction was not actually about POL’s own finances but instead that the state of public finance was so challenged overall that we should break our promises to Postmasters around compensation, then that is ludicrous.
52. Such a claim is inconsistent with all Ministerial instructions. But it is also clearly inconsistent with the conversation we had. As can be seen from the two contemporaneous notes, I wasn’t describing a generalised desire to save money for HMG – I was explaining that it was difficult to increase the operational subsidy

for POL that had been agreed at the prior Spending Review. In fact, I told Mr Staunton that despite the challenges (including budgetary trade-offs, a lack of long-term answers around the future of POL and subsidy control legislation) we were actively working to secure more operational funding for POL. (This is recorded in my office's note as: "*SM We might end up doing something small to buy space to collectively get to the longer term*" and "*SM ...funding will come with conditions/scrutiny*".) The conversation was us talking about how POL might need more public money, and why that was not straightforward (I observe Mr Staunton's own note refers to me being "*sympathetic*" regarding POL's financial challenge, and that such money went on to be provided to POL later the same year). The conversation just was not in any way a generalised push to save money for the public purse regardless of consequence, which Mr Staunton now seems to suggest it was. There is a gulf between a conversation about the approach to getting *more* money, and one that is about asking you to cut-back and spend even less than your current budget. I do not think Mr Staunton could have been unsure about this distinction.

53. Mr Staunton's note records me saying "*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.*". Mr Staunton was describing major changes at POL, as his note records. He was discussing the potential closure of over 1/3 of branches and a total change to POL's status and constitution. In reality, such change is rarely implemented at the end of the Parliament, especially when it involves ideas that take a long time to design and implement, could be unwound by an incoming Government, and are politically



really challenging. My view was that the politically pragmatic strategy for POL was to improve operational performance, try to secure additional short-term funding from HMG with our help, and prepare the detailed work ready for a major strategic review an incoming Government would be likely to want, regardless of who won. Mr Staunton's note records me saying next "*we needed to do the long-term thinking for a new Government of whichever colour*", accurately recording my position in the meeting as to those major changes.

54. This part of the discussion was what was originally reported in the First Article as me having instructed stalling on compensation "*so the government could "limp into the election" with the lowest possible financial liability*". I have already explained that this account is not consistent with the conversation. I would add here that the idea that any savings, that POL could supposedly have made, were large enough to fundamentally alter government finances in a way that would (even marginally) matter for a future election does not stand up to the most basic scrutiny. And if for some reason I *had* been on a mission to extract savings from across budgets so as to save the state of the government's overall financial position, I can say with absolute certainty that I would not have approached such a task by bringing it up without any briefing, and by implication only, in a single one-to-one introductory conversation with the Post Office Chair. (At the time, I was leading an organisation that had a total annual budget of around £30 billion and the kind of formal financial processes and structures that you would expect.)
55. I do not see how Mr Staunton can possibly have got the message from my conversation with him that he should delay compensation payments. If Mr



Staunton *did* somehow form the impression that I was asking him to delay compensation payments, he did not mention this idea to me in the meeting. He did not record it in his detailed email the next day to Nick Read. He also did not mention it to Secretary of State, Grant Shapps, when he met him a few days later on 9 January 2023 [Email from Hollinrake PS to SoS PS, 23/01/2023; BEIS0000919]. He also did not mention it to the POL Board he Chaired (as I understand the minutes confirm). In fact, he never raised it up at all.

56. Mr Staunton's claim about our conversation was first made shortly after he was dismissed by the Secretary of State for Business and Trade, when he was interviewed by the Sunday Times and was making a series of allegations about his treatment. At that point, without any written record in front of him, he made the accusation in the very strongest terms – that a "*fairly senior person*" (later alleged to be me) had "*told him to stall*" and that he had explicitly responded "*I'm having no part of it*". This is, of course, quite different to the later explanation he gave in the Second Article and to the Select Committee that the request was implied as a way of saving POL money. It is also different to the still further explanation he seemed to give (when questioned by the Select Committee about ringfences) that it was implied as a way of generally relieving pressure on central government finances. None of these accounts is true.
57. In any event, if the Chair of a public corporation *had* been instructed by a Permanent Secretary to do something as wildly inappropriate as to deliberately delay a priority government programme in defiance of Ministers' commitments and all other due process, then for that Chair not to clarify this with anyone (nor to tell

a Minister or any other body about it) would represent extraordinary conduct – even were it not already utterly extraordinary conduct for a Permanent Secretary to do such a thing in the first place.

58. Mr Staunton’s allegations are completely false. I did not at any point suggest to Mr Staunton or imply to him in any way whatsoever that there should be delay to compensation payments for subpostmasters.

59. I look forward to returning to matters of substance around reform and redress in my Second Witness Statement, in order to assist the Inquiry in its important work.

**Statement of truth**

I believe the content of this statement to be true.

Signed: 

Dated: 23/09/2024

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14	RLIT0000255	Letter from Sarah Munby to The Rt Hon Kemi Badenoch	RLIT0000255
15	RLIT0000355	Response to claims on the governance of Post Office Limited, gov.uk webpage	RLIT0000355
16	BEIS0000917	Email from Permanent Secretaries to David Bickerton, Carl Crewell, Roshana Arasaratnam and others re: [Briefing Request - midday Friday 23/12] RE: Attached Letter from Henry Staunton Chairman	BEIS0000917
17	BEIS0000918	Email from Henry Staunton to Nick Read re: FWD Note of meeting with Sarah Munby on 5 Jan 2023	BEIS0000918
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