

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

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

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

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

I focussed on the financing and Network challenges:

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

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

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

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

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

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