

## INTERNAL

### Exceptional Payment Policy Document – 2024

Owner: Head of Postmaster Remuneration Development

#### Subject: Guidelines on Determining Exceptional Payments

#### Purpose of an Exceptional Payment:

The purpose of an exceptional payment is to ensure a continued service of a branch that is critical to the network where without such payment there is a strong likelihood that the service would cease.

#### Overview

Exceptional payments are additional remuneration payments that are entirely discretionary and are granted in circumstances where a branch that is critical to the network is likely to close without such a payment. There is a limited budget for these payments.

There are two predominant reasons for such payments being required:

1. For temporary postmasters who will often run a branch without a retail offering (due to the likely length of their tenure) which will mean that an additional payment is required to run the branch on a financially sustainable basis.
2. For permanent postmasters who for a variety of reasons are no longer able to run their branch on a financially sustainable basis.

Each of these has a different approach as follows:

#### Temporary Postmasters

When a temporary postmaster is required to maintain service at a branch whilst a permanent solution is sought then the following approach is taken.

- The temporary postmaster team maintain a database of potential temporary postmasters together with the areas of the country that they are interested in.
- When the business is seeking a temporary postmaster to run a branch we will contact all postmasters in the database who have expressed an interest in the given area of the country
- Initially we will ask for expressions of interest without an exceptional payment, the temporary postmaster team will assess any responses for suitability. If there are responses that pass the suitability threshold then the most suitable application will be taken forwards.
- If there are no such applications then the potential postmasters on the database will be contacted again and invited to express their interest together with a requirement for an exceptional payment.
- The temporary postmaster team will then assess any applications based on both suitability and the level of exceptional payment requested, with the best application on that basis being taken forwards.

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### Permanent Postmasters

On most occasions a request for an exceptional payment from a permanent postmaster will begin with the postmaster having a conversation with their Area Manager. From there the following steps would take place:

- The Area Manager would approach the Postmaster Remuneration Development team with the request. Their first step is to establish whether the branch is viewed as critical to the overall network. This is a combination of three aspects:
  - Whether the branch is critical for access criteria
  - Whether the branch is critical from a social perspective (meaning a sizeable population would no longer have ready access to Post Office services if that branch were to close)
  - The financial contribution (incremental income minus variable remuneration) that the branch makes to the overall network.
- If the team conclude that the branch is critical to the network then we would ask the Area Manager to confirm that the postmaster has taken all reasonable steps to help themselves, this would include ensuring that they are not over-staffed, have sensible opening hours, have already sought to reduce where possible other costs, are taking appropriate steps to maximise their remuneration and have a suitable retail offering.
- If the team are satisfied that the postmaster is taking all reasonable steps to help themselves then the postmaster would be asked to complete a Profit & Loss (P&L) account. This will look to capture over a 6 month period all of the costs and income relevant to their business, including the retail side of their business which would share many of the costs.
- Full documentary evidence or a set of audited accounts must be provided for every entry on the P&L.
- The Postmaster Remuneration Development team would then assess this P&L to determine whether an exceptional payment is warranted and if so what level it should be at. The final decision would lie with the Head of Postmaster Remuneration Development and would be determined by the level of profits demonstrated by the P&L and the level of criticality of the branch within the network (based on the three criteria above).
- All exceptional payments for permanent postmasters will be reviewed on a regular 6 month cycle, with a new P&L being required each time.

As explained above, all exceptional payments are discretionary and may be reviewed at any point in time. They would not be removed without firstly giving the postmaster reasonable notice. The Post Office Network Change team will seek alternative solutions where costly exceptional payments are in place.