Message

From: AMarnoch GRO GRO
Sent: 25/01/2014 22:04:22
To: Alwen Lyons GRO
CC: Alasdair Marnoch [GRO; Alice Perkins GRO; Alwen Lyons GRO; Amanda A Brown GRO; Belinda Crowe GRO; Chris Aujard GRO; Chris M Day GRO; Fay Healey GRO; Henk Van Hulle GRO; Jorja Preston GRO; Larissa Wilson GRO; Martin Edwards GRO; Martin George GRO; Nicholas Kennett GRO; GRO GRO; Paula Vennells GRO; Paul M Brown GRO; Ruth Phillips GRO; Sarah Hall GRO; Sarah Paddison GRO; Susannah Storey GRO; Susannah Hooper GRO; Suzanne Jolley GRO; Theresa Iles GRO; Tim Franklin GRO; virginia.holmes GRO
Subject: Re: Follow - up after Board meeting of 21.01.2014

Thanks Alwen - the parcels volume numbers are troubling but the margin opportunity shows the size of the prize if we get it right. I'd suggest this is a major area of focus for 2014.

Alasdair Marnoch
Chief Financial Officer

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Date: 24/01/2014 11:04
Subject: Follow - up after Board meeting of 21.01.2014
Sent by: Jorja Preston <jorja.preston GRO

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Dear All

There were questions on several topics at the Board meeting which the presenters thought would be helpful to provide answers to sooner rather than later:

1. Business Transformation
The Alsbridge work will be completed by the 30th March

2. Parcels
Parcels volume v sales revenue and POL parcels income
All of the following are down versus last year, Parcels volume 9%, Parcels sales revenue 7% and POL Parcels income 9%. This includes all consumer and small business parcels but excludes collections and returns both of which have grown versus last year.

The total UK parcels market is 1.2bn; POL currently has circa 230m of this total volume. Very roughly this means that an additional 1% share would be worth 10m items, based upon average income per parcel and assuming volume was spread across collections and returns and consumer/small business parcels POL would earn an additional £6m.

3. MyAccount
My account - the plan is to have one overarching customer account which includes all product areas. This is key to the strategy as it will help to enable cross-product holdings and minimise confusion for customers as only one password and a single sign in process will be required.

4. Cost Reduction programme flow through and full year effect.
The Cost Reduction programme identified £3.0m of in year savings in FY13/14 but c£2.2 m of these are short term tactical, and £0.8m of the in-year savings have an on-going impact. The FY14/15 impact of these programmes is expected to be £5.3m and they are included in the budget submissions within the £34m saving highlighted as coming from this programme in the budget paper. The annualised impact of the activities is therefore £6.1m. This does not represent all savings made across the year, as some of these were made earlier to meet budget stretches and have not been incorporated into the programme.

5. Rateable position for ATMs
The VOA's position remains unchanged; they consider our ATMs to be separately rateable.
A great deal of discussion has been held between Post Office and BIS including significant supporting evidence from Post Office which resulted in independent legal opinion from BIS that our ATMs should not be separately rateable which has been communicated to the VOA and is currently under consideration. The planned communication to branches from the VOA advising them their ATM will be subject to separate taxation is on hold with no firm date until the legal challenges have been resolved.

The earliest any bills would be issued by VOA in relation to our ATMs would be in February, but no definite date has been given as this depends on how long VOA takes to review latest information from BIS. If bills are issued then final resolution of the rates issue will depend on the next steps we take to challenge e.g. if we go through a court case which could take another 6 to 12 months.

Below numbers show the financial impact to POL (from Crown ATMs) and sub postmasters - for historic and future charges.

Business Rates based on Rateable Values provided by VOA:

	2010/11	2011/12	2012/13	2013/14	Total 10/11 to 13/14	2014/15
Agency branches	£2,296,118	£2,538,030	£2,831,250	£3,264,948	£10,930,347	£3,888,495
Crown branches	£351,424	£367,552	£395,025	£412,007	£1,526,008	£419,043
Total	£2,647,542	£2,905,582	£3,226,276	£3,676,956	£12,456,355	£4,307,538

6. 2nd Sight update
As reported to the Board late last year, we have been endeavouring to formalise SS's engagement by putting in place a formal appointment letter, one of the terms of which will expressly restrict SS's ability to act against PO. For a variety of reasons (mainly related to defining the scope of their work), this letter has proved very difficult to finalise, though good progress has been made in the

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last few days. SS are, however, still (mildly) resisting the inclusion of a clause imposing *any* form of restriction on their ability to undertake future related work. That said, we do expect that over the course of the forthcoming week (and ahead of the next face to face meeting of the working group) all outstanding issues, including this one, will be resolved in our favour. In the meantime, the provisions of the confidentiality agreement that was put in place at the start of their engagement continue to provide some, albeit limited, protection in that they expressly prohibit SS divulging, without our consent, any confidential information obtained by them as part of their work.

7. Engagement benchmarking
Our response rate was 34%. IPSOS Mori have said that typical B2B survey response rates are @ 20%.

Many thanks

Alwen

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