



Meeting with Postal Services Minister

Date:	Thursday 17 th October
Time:	11:00-11:30
Location:	Grimond Room, Portcullis House, House of Commons
External attendees:	Kelly Tolhurst and BIS/UKGI Officials (Cresswell/Cooper)
Post Office attendees:	Nick Read, Patrick Bourke

Steering Brief

- Kelly's approach is conversational in style and this should be a good natured meeting.
- While have a decent working relationship with the teams at both BEIS and UKGI, you should use this first meeting to begin to develop a more direct link with the Minister. Although the meeting is scheduled to last just 30 mins, Kelly often overruns and, now Alex Chisholm is no longer attending, the conditions are potentially better for developing rapport.
- We understand that she wants to raise the GLO, the PSG work and its embryonic BEIS corollary, the 'Long Term Vision for the Post Office', Agents' Pay, and Barclays. I would try to maximise the time we spend on the PSG work if possible, since it's the forward-looking, confidence-building, new piece.
- We also recommend you raise POCA, really only to signal that we are unlikely to bid if our understanding of the requirement is correct because it's a poor solution for customers, especially those at the vulnerable end of the spectrum, and that we fear that DWP risk a Barclays-like response their proposals which we would not invite on ourselves.
- What is a good outcome? The beginnings of a more open, direct and candid relationship between our respective principals, and an acceptance that you/the business must lead the strategy work.

Agenda

1. BEIS - Long Term Vision of the Post Office
2. Group Litigation
3. Barclays Withdrawal
4. The future of the Post Office Card Account
5. Royal Mail Industrial Action

1. BEIS Long Term Vision for the Post Office

- As you are aware, officials at BEIS suggested to the Minister that they might usefully work towards to a new Government 'long term vision' for the Post Office.
- We are very keen to help the team with this work, but it is absolutely imperative that this is done in tandem with our own strategic planning.
- You should take the opportunity to outline your own strategic priorities for the Post Office, explaining the detailed work you are undertaking with McKinsey.
- If you are able to provide a short overview of your current observations from your first few weeks in post, that would be helpful.
- Explain that you are hoping to have a more detailed strategy in place, early in the New Year.
- In order to make the most out of the Government's work, we must ensure that these two work streams are closely aligned.
- Patrick and his team will be very happy to coordinate this work.

2. Group Litigation

- There is a Court of Appeal hearing currently scheduled for 12 November regarding permission to appeal parts of the Common Issues Judgment. Both parties will make oral submissions at the hearing. It is very unlikely that the CoA will make a decision on the same day. If permission is granted the Court of Appeal will set a hearing date but the appeal might not be heard for up to 12 months.
- Post Office is awaiting the Judgment from the Horizon Issues Trial – the Court has said it expects to indicate on 21 October when it might be provided. It has further indicated that it is unlikely to be provided before the end of the month.
- Mediation, which has been ordered by the Court as part of the litigation process, is currently expected to take place on 27-28 November.
- [The Court and the claimants have been notified that Fujitsu failed to provide Post Office with a number of documents that should have been disclosed for the Horizon Issues Trial. It is possible this development may cause delays to the above dates].
- The third trial – Further Issues trial – remains scheduled for March 2020 and involves four test cases to determine principles of recoverability of losses and the correct way to quantify them.
- Potential settlement [Ben to advise].

Contingency & communications planning for Horizon Issues Judgment

- Since May, Post Office has been working with the risk advisory arm of Deloitte to prepare effective and immediate short term response to the Judgment, based on worst-case legal outcome. There is a robust response plan with mitigations in place, insofar as possible, for potential operational, commercial and reputational impacts/ risks.
- A Rapid Response Team has been established to execute and manage appropriate planned actions and will also act as the central hub of information. Regular updates will of course be provided to UKGI and BEIS.
- Post Office's communications strategy for the Judgment is centred on maintaining confidence in the overall reliability of Horizon and Post Office's network, products and services. It seeks to position the litigation in its proper context and to underline the view of both independent expert witnesses in the litigation that Horizon compares well with similar systems across the retail and financial service sectors which have to be highly reliable. The ongoing improvements programme to forge stronger relationships with postmasters forms an additional major part of the narrative.

3. Barclays Withdrawal

- Last week, we announced a new agreement with 28 UK banks to significantly increase the fees we receive for the Banking Framework 2.
- We will be passing a significant proportion of this increase on to postmasters, who will start to receive greater remuneration for banking services from later this month.
- However, we continue to be very disappointed that Barclays have chosen not to sign up to the element of the agreement relating to cash withdrawals, which will result in Post Office branches no longer being able to offer this service to their customers.
- We will continue to campaign over the coming months to make it clear that this decision was taken by Barclays and not the Post Office.
- We welcome any support that the Minister is able to provide.

Implications of withdrawal

- While almost all banks have raised an eyebrow at the level of the hike in fees, all save Barclays have come to recognise that it still represents genuine value.
- Our concern over Barclays' decision is two-fold. First, we will clearly take something of a hit to our revenues as a result of the decision. Second is the risk of contagion, and the potential for other partners to question whether they ought to reconsider their participation, putting the integrity of the BF at risk in the medium term.
- The impact of Barclays' decision to remove cash withdrawals at Post Offices is clearly not in the immediate interests of their customers. There is a fundamental contradiction in their argument: given that their customers have already expressed a preference (to use the Post Office), they cannot claim to be championing customer choice or protecting alternative sources of cash for communities by removing that access.
- Barclays will save in the region of £7m, compared to the 3.5 billion of profits in the previous financial year. It remains difficult to understand what is driving the decision, but a mix of injured pride at having to deal on Post Office terms combined with a relative lack of interest in the less profitable customer segment which tends to make use of these services, potentially offers some clues.

4. Post Office Card Account

- The Post Office currently has a contract with the Department for Work and Pensions to offer customers the Post Office Card Account (POCa), through which recipients receive their benefits and pension payments.
- This contract is due to come to an end in November 2021 and the DWP does not intend to extend. Instead, the DWP intends to put out to competitive tender in November 2019 for a replacement to POCa.
- We currently have 1m active POCa accounts which is declining at c25k-30k per month as either DWP encourage customers to migrate or customers pass away.
- We have recently learnt that DWP plan to replace POCA with a voucher-based service with a supporting customer contact centre. We expect there to be at least 250k customers who will migrate to the replacement solution.
- This system is designed to support only the most vulnerable customers. Post Office does not believe this solution is in the best interest for customers, in particular existing POCa customers who will need to transfer from an account-based solution to a voucher only service.

- The proposed on-boarding process is complex and the solution does nothing to enhance financial inclusion. Instead this represents a step backwards and we believe it would be detrimental to vulnerable customers; therefore posing a significant reputational risk to Post Office.
- The new solution is incompatible with the existing POca solution, therefore customers will not be able to transfer their account or balance to the new voucher service. This will create legacy issues for thousands of customers, most elderly, who hold a balance in their POca account today but have nowhere to transfer it when the service closes.
- We are considering the current requirements in more detail and plan to respond to DWP officials with our concerns. In its current state it is highly unlikely that the Post Office bid for this work due to the reputational damage of delivering a downgraded service to vulnerable customers.
- The Post Office is a trusted and familiar part of the daily life of this sizeable group, and the only operator with a dedicated, secure, cash supply chain, capable of ensuring that cash, which is particularly important to benefit recipients, is reliably and universally available. Our branch network coverage, in particular in rural areas, makes us the only reliable network capable of delivering this cash service for customers.
- We should make the Minister aware of the potential for unintended political consequences of such a move.

5. Royal Mail Industrial Action

- The CWU has decided to ballot in parallel to the mediation process that both parties are currently engaged in. The ballot to take industrial action closed on the 15th of October with a XXX % in favour of industrial action.
- In theory the CWU could serve notice to strike as early as the w/c 29th of October. However, it is our understanding that the ballot paper states that members should expect any industrial action on or around the 20th of November. If the CWU decided to bring the action forward, RMG would immediately appeal to the courts making an earlier strike than the date of what is on the ballot paper unlikely.
- We are currently assessing the scope, areas and priority for contingency plan with Royal Mail. A joint Industrial Action working group has been convened. Post Office will have representatives from Network, Supply chain, Business continuity, Industrial Relations and banking. We are not starting from scratch here, we prepared extremely well in advance of potential strikes in 2016/17.
- POL will request that as planned previously, all branches bar the very smallest (for mails volume) receive a collection once per day with the higher volume more urban locations receiving more. Work has started on identifying and prioritizing our network. We will have a fully documented and planned contingency for potential strikes including putting up a control centre and will work closely with our postmasters throughout this process.

Kelly Tolhurst MP Biography

Constituency: Rochester and Strood

Majority: 9,850

Party: Conservative

Position: Parliamentary Under Secretary of State

GRO

Department for Business, Energy and Industrial Strategy

Background

In 2014 Tolhurst was selected in an open postal primary, to contest the seat of Rochester and Strood for the by-election triggered by Mark Reckless' resignation from the party (in order to stand for UKIP). She was selected with just under a month to go before the by-election. She was unable to defeat Reckless, losing by 2,920 votes, although this was a better defeat than the polls had expected.

In January 2015 she was selected again, with no other candidates coming forward. She then won with a safe majority of 7,133 (which she increased to 9,850 at the 2017 General Election). David Cameron said that his sweetest moment of the election was seeing her win the seat back for the party.

GRO

Political career

She announced her support for Theresa May to become the next Conservative Party Leader and Prime Minister in 2016. Kelly Tolhurst was appointed PPS to Priti Patel as Secretary of State for International Development in 2016 and later went on to be the PPS to Greg Clark as Secretary of State for Business, Energy and Industrial Strategy from 2017-18. She also had a stint on the Business Select Committee from 2016-2017. In January 2018 she was promoted to become an Assistant Government Whip.

Following the resignation of Andrew Griffiths MP, Kelly was promoted to become the Parliamentary under Secretary of State at the Department for Business (with responsibility for Postal Affairs in July 2018). She held her post following the election of Boris Johnson as Prime Minister.

On the issue of Brexit, at the time of the vote, the Minister wrote an article saying she was genuinely conflicted as to how to vote. However, ultimately she decided to vote remain, saying: *"Having listened to the debate, looked at the facts, and spoken to prominent campaigners on both sides, I have now made my own decision that I will be voting to remain on the 23rd June. I believe that the risks to my country will be greater if we leave than if we remain part of the EU at this point in time."*

Rochester and Strood Constituency Post Office Network

- 17 open Post Office branches
- 14 branches have been modernised
- 3 Main branches, 11 local branches and 3 traditional
- 9 Urban and 8 Rural
- 9 branches are open on Sundays.