

Meeting with Baroness (Lucy) Neville Rolfe, Parliamentary Under Secretary of State

Tuesday 26th January 2016, 9am to 9.30am

Purpose of meeting.

The main topic for discussion is Horizon and your review.

It is likely that BNR will also touch on the accounts restatement issue and she will be keen to hear your wider reflections of Post Office a few months in.

Laura Thompson, Assistant Director at the Shareholder Executive, will also attend the meeting.

Background

BNR is still relatively new to the Post Office. We are a small part of her portfolio of responsibilities which includes several live EU policy areas. She is also the Lords Minister responsible for taking both the Enterprise Bill and Trade Union Bill through the House of Lords – the latter in particular will be taking up much of her time.

Horizon

[see separate note from Jane MacLeod]

Interims and Accounts restatement issue

- The Interims were signed off on 22 January following full analysis and resolution of the postmasters compensation provision restatement.
- Our auditors and ARC have overseen the restatement process leading up to the signing of the accounts.
- We are satisfied that this is an accounting timing provision issue related to the handling of records in one particular programme.
- There are no other implications. Payments to postmasters, EBITDAS, bonuses and total cost of the programme will not change.
- Specific controls are being established to ensure no recurrence.
- Interim results are likely to be published on 29 January in the normal way (transparent but low key).
- We have a clear statement and reactive Q and As in place upon which we are liaising with BIS officials.

FURTHER BACKGROUND BRIEFING

Crown announcement

On 19th January we announced our intention to advertise franchise opportunities for 39 Crowns branches, and to close 3. BIS and BNR were briefed on our plans and branch locations in advance and are broadly supportive. National press coverage has been limited but officials will have flagged in their briefing to BNR. Pieces in the Guardian and the Sun are at Annex A.

All MPs with affected branches in their constituency been briefed, with some expressing early opposition. While there will be noise in the weeks ahead we will continue to engage with all to minimise as far as we can.

Banking framework update

Post Office has been in negotiation with the high street banks to secure the continuation of basic bank counter services to their customers.

Following Board approval, Notice of Termination letters were sent to all banks on 23rd December to kick start negotiations. Pre-briefing with banks has ensured largely positive feedback.

Headline confirmation has been received from Lloyds, Santander, HSBC, Danske, Nationwide, First Trust, Bank of Ireland, TSB, Metro and Virgin that they intend to join the framework. RBS have requested clarification around termination dates covering their most recent contracts – this is in hand. We are awaiting feedback from others.

The next step (via the British Bankers Association) is to finalise the Service Level Agreement.

Our expectation is that all banks will have entered their own internal governance phases by the end of January, and movement to sign the new standard terms for service continuity will happen thereafter.

SGEI consultation

As discussed with the Board in October, BIS are proposing to launch a consultation on the Post Office, which was initially being considered for early 2016.

The specific driver for this is the European Commission's request to see updated evidence on the public need for our 'Services of General Economic Interest' (SGEIs) as part of the state aid approval process for funding beyond 2017/18.

The latest draft, which is broadly aligned with the policy position discussed with the GE and Board in October, is with Ministers/ Special Advisors and no date for publication has yet been determined.

We believe there may be some views within BIS to now slim down the document focussing just the SGEIs – i.e. no more than is necessary for state aid approval - rather than posing questions about the wider policy environment and the future role of the Post Office.

Our current view is that we are not seeking to engender any significant change to size of the network, nor the main access criteria, although there may be merit in the developments of a more flexible environment for branch and service provision within those broad parameters.

Redundancy payment cap and clawback

The Enterprise Bill, currently before Parliament (on which BNR has led for the Government during its House of Lords stages) contains provisions to limit public sector redundancy payments to £95,000.

Certain bodies are exempt – eg state-owned banks, broadcasters, museums and FRES. Post Office is not currently on the exemptions list (nor is POMS). While recognising the need to avoid unjustifiably large redundancy payments we would welcome being treated in a similar way to other bodies that are exempt.

The same legislation is also seeking to extend existing provisions that recover exit payments from an individual returning to the same part of the public sector. The Government is updating these rules so that recovery would take place on an individual's return to any part of the public sector. Again, the Post Office would be captured by these proposals.

We are in discussion with BIS officials about both measures.

Post Office Visits

BNR has visited 5 branches since she took over responsibility for Post Offices.

4 June 2015	Ipswich	(Main)
3 Aug 2015	Cardiff	(Castle Mall, Local)
6 Nov 2015	Norwich	(Crown)
20 Nov 2015	Liverpool	(Monument Place, Local)
3 Dec 2015	Horsham	(Caterways, 5000 th modernised branch, Local)

BIOGRAPHY

Baroness Neville-Rolfe, Parliamentary Under Secretary of State and Minister for Intellectual Property (BIS and DCMS)

Political

- Joined the Government in July 2014 when she became Parliamentary Under Secretary of State at BIS.
- Was re-appointed Parliamentary Under Secretary of State at BIS (jointly with the Department of Culture, Media and Sport), and Minister for Intellectual Property on 13 May 2015. At this point she became Minister with responsibility for Post Offices.
- She is the UK Representative on the European Union Competitiveness Council

Her BIS Responsibilities include:

- intellectual property
- EU/single market: single market in goods and services; digital single market (Lords lead); Competitiveness Council
- corporate governance, company law and Companies House
- postal affairs and Post Offices
- BIS better regulation
- BIS Lords business

Non-Political

- Studied philosophy, politics and economics (PPE) at Somerville College Oxford.
- Worked at Tesco Plc from 1997 to 2013 and was an executive director on the main Board from 2006.

- Also served on the boards of ITV, PwC and Metro AG and the China Britain Business Council and was Chairman of Dobbies Garden Centres Plc. She was also President of EuroCommerce, the EU trade association, between 2012 and 2014.
- Until 1997 she was a senior civil servant in the Cabinet Office, the Prime Minister's Policy Unit and the Ministry of Agriculture, Fisheries and Food.
- She was awarded her CMG for her time on the FCO Board and her DBE for services to industry and the voluntary sector.

ANNEX A

Press cuts attached:

- Guardian 20th January 2016
- Sun 20th January 2016