

In Strictest Confidence

Paula Vennells – Brief for meeting with Will Gibson 23 November 2011

Edward Davey's 'One Year On' / Communications

- ED interested in an announcement after the DA signed (if POL Board meeting is the 14th – his announcement could be 19th/20th). The concept is 10 year IBA leads with other achievements displayed from it (in Mike Whitehead's analogy like a Christmas tree!). In terms of POL doing more proactive PR around Network Transformation, current thinking suggesting there may be a window w/c 28/11 to put out some positive media on what is happening.
- It will be interesting to hear Will's view on this. I've heard from Mike Whitehead that BIS are now keen to get quite close to what's happening in the negotiations – on the basis if they're committing to an announcement they want to know that it'll be feasible and there won't be a last minute problem in the talks.

Network

- Pilot position – 114 BAU Locals and 13 BAU Mains now open. A further 16 controlled pilots open before Xmas, 53 controlled pilots open after Xmas.
- Network Events – 32 events around the country at 16 locations. Well over 4000 people attending – and about 3000 'independent branches represented – out of a constituency of just over 8000 (over 35%). Survey

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launched this week; follow up activity – phone in's, network update information, further localised events.

- Multiples – Feedback from multiples about last weeks Davey/Vernells chaired meeting was positive (Mike Whitehead has also told me from BIS perspective that it went well). Process of engagement with multiples parallel to the survey activity is underway. In the last week, meetings have taken place with CRTG including Southern, MidCounties, Midlands, Lincoln Co-Ops,, meeting with Southern CoOp and Hendersons (SPAR in Northern Ireland) – plus phone discussions with McColls and One Stop. Interesting comment from One Stop informally after the BIS roundtable meeting – where they were cautious about sharing too much of what they see as a competitive advantage head start that they have got 'the other multiples are where we were some months ago – we' ve seen the opportunity and grasped it. A forward schedule of meetings is also being established. BIS are interested in being kept regularly updated – so that they can inform the Minister of how our engagement with multiples is going.
- NFSP – have been supportive through the Events, still pushing at a few issues around the pilots (e.g. National Insurance on Mains, detailed contract points). NFSO have Executive Council Conference Tuesday – where they appear to be reviewing the CWI threat. It doesn' t seem to have particular traction with number at the moment (we think maybe around a 100) – but CWU/Mark Baker were canvassing outside some network update live events.
- Portland Road Data Protection Incident - As previously advised, on 25th September, a Sub Postmaster in Hove left Post Office confidential waste outside their premises for collection the following morning by a waste company; this included customers' personal information. A small

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quantity of the confidential information was found by 2 passers by, a short distance from the branch. They went through the waste and informed the local press and the Police. Since this incident, relevant personnel in POL have been dealing with both the consequences of the incident (suspension of the spm, informing partners, informing Information Commissioners Office (ICO)) and also reviewing POL procedures for handling confidential information in the network. Whilst Partners were understandably concerned, this has been managed. The ICO have yet to respond to our informing them (which formally took place on October 18th). The review of business procedures is progressing well.

The reason for including in the brief is that we are likely to terminate the subpostmaster's contract shortly (letter should be going out on Monday so this brief may need adjusting prior to Paula's meeting). This may initiate further press coverage (the initial coverage was local and brief).

In 2006 POL were investigated by the Information Commissioner's Office for a similar breach and were found to be in breach of the DPA Principle 7 (Security) in lieu of the ICO taking enforcement action, POL agreed to an audit of their waste disposal process in branches and signed a formal Undertaking in 2007. The Audit resulted in 10 Recommendations to mitigate against future breaches and POL agreed to implement. Any further similar breaches will be considered in light of these recommendations; if found to have breached the terms of the Undertaking the ICO will move to issue an Enforcement Notice.

- A copy of our reactive press statement is given below;

A Post Office Ltd spokesperson said: "We are not able to comment on individual cases."

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"Post Office Ltd believes that all subpostmasters hold a unique position of trust. The overwhelming majority of subpostmasters who work, as agents of the Post Office, in our branch network are professional, diligent, and provide the highest standards of service possible, so it is always disappointing when that trust is breached"

"Post Office Ltd has a zero tolerance approach to the rare incidents when that trust is breached. When an incident does occur, we always investigate, and where blame is established, seek to take action against those responsible."

Front Office of Government

- UKBA – It may be useful to quote the feedback that we have received about our successful bid;

Kevin Seller spoke to Jeremy Oppenheim (SRO at UKBA) on 31st October – His feedback was that POL won 'fair and square'. He, as the SRO in Government, challenged the Project Teams decision. He wanted to ensure the UKBA had a model that 'best helps customers' through the enrolment process and it was he who insisted on the Crown only model, this was very important to him. Jeremy went on to explain that he did not feel it appropriate to send their customers to insecure High Street Retailers. The main factors he quoted for choosing POL were:

- the secure environment we could offer
- our ability to mobilise quickly and
- our ability to flex the network to cope with volume fluctuations.
- Commercial strong

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Subsequently, on 8th November Mark Davies, Phil Clarke and Richard Gutsell attended a formal debrief from Leo Brunt Front Office Services Project Manager and Vic Haywood the UKBA Commercial lead for the procurement. Again they emphasised that POL had won 'fair and square' echoing the points made above. The main feedback was:

- it was a very close process and they had received 4 extremely competitive proposals.
- POL was ahead at every stage of the process until we had to represent and re-price the enhanced security accreditation proposals.
- this put us neck and neck with one other bidder, consequently they issued 13 extra questions that we had to present answers to on 25th August. Following these presentations the UKBA project team re-evaluated the bids and POL was seen to be ahead so was recommended as the winning bidder to the SRO.
- the SRO then wanted to satisfy himself that this was the right decision and so asked his own questions of each party and following POL's response on 28th September, was happy to confirm the decision of the evaluation team.
- further delay to the formal announcement was due to internal governance which took longer than had been anticipated by the project team. POL was formally notified of the outcome on 17th October.
- *Lord Freud*, Minister for Welfare Reform and Steve Dover, Corporate Director Business and IT solutions for the Universal Credit Programme, visited the Model Office this week and were given a demonstration of the assisted digital and AEI capabilities we can provide to DWP's Universal Credit customers when this Welfare Reform programme begins in October 2013. They were particularly impressed with the potential scope for using AEI to counter benefit fraud and the assisted digital kiosk for helping register changes and potentially universal credit applications. The outcome of this very positive meeting was DWP taking an action to

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explore the scope for developing a joint milestone plan, detailing what services and in what timeframes POL could provide support for Universal Credit.

- *General FooG developments-* , Westminster live, Public Carriage Office live, UKBA implementation commenced, Looking at bids for Essex County Council (Concessionary Fares cards), Security Industry Authority (using AEI for passes / clearances). Commenced DVLA bid work.
- *Local Authorities* – Out of the 25 Local Authorities we have only 6 where we are awaiting some kind of response / engagement (and we are chasing those this week). The overall picture at the moment is 17 where we have some follow up in place and looking positive, 1 where we are getting mixed signals as to willingness to engage and 7 either not responded or not looking interested. If we find that, after further enquiries, any of these 7 don't wish to be pathfinders, we can 'replace' them with some of the positive bilateral contacts that we have that are outside the '25' (such as Newcastle, Oldham or Oxford).
- Also note Note – Councillor Box – Chair of the Economy and Transport Board of LGA is meeting Ed Davey on 13 December, with Paula potentially also able to attend – an opportunity to review progress in the Local Government space. Part of that can cover the learnings of the Sheffield pilot – the document from Sheffield CC summarising the pilot is being presented to BIS officials (Mike Whitehead / Peter Batten) in Sheffield on November 24 (Mike Granville is attending).
- *Mails Distribution Agreement* - Discussions proceeding well. Main issue outstanding related to exclusivity on returns and collections – with some smaller issues of clarification. Still see this as on track for December.

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Financial Services

- *Bol* – Discussions continue on the contract by Nick Kennett. Following meetings with Edward Davey and Stephen Lovegrove, the next step is Lovegrove meeting Mridul Hedge of Treasury on 28 November. We need Treasury / BIS to recognise that there are opportunities for POL to lever its position here to real financial advantage (and thereby plan upside) – and that the ‘extension’ debate can be positioned as ‘injecting flexibility’ into a monolithic contract creating an ability for POL to get out before 2020 in the case of Bol problems in a way that isn’t there at the moment. The pricing advantage of the deal promotes future investment for POL which in turn enables FS growth. We need to maintain momentum in these discussions.
- *Financial Services – HSBC / Santander* - On Santander discussions, Nick is chasing up Santander on their internal deliberations and, within POL, we have signed off the pricing proposals we will use in discussions. Cable is speaking to Brian Robertson and Joe Garner of HSBC on 22 Nov (we’ve supplied full background briefing – we’ve also flagged to BIS informal intel that we believe that HSBC have done some further research and there has been a ‘positive change’, not from their main set of customers but from the more potentially vulnerable customers. They are looking at the research in more detail, so it is still to be deciphered – but we think it has the potential to inform an approach to the forthcoming meeting (although we don’t know what that approach will be).

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- Note *RBS* has been successful to date – 500,000 transactions expected in the first 2 months.
- *NS&/* - Overall the announcements handled well and media OK. We are grateful for BIS work on the Premium Bonds arrangement – as that allowed the general positioning to work that POL should look on this as an opportunity. We are now progressing the changes and lining up our own products to take advantage of withdrawals. Note we have now just launched our Junior ISA
- *Credit Unions /Financial Inclusion* – We are about to send a paper to Edward Davey (responding to his request for Nick’ s thoughts). We await DWP review outcome, but have had a further good meeting with ABCUL so stand ready and positive. Once that comes out, maybe a possibility for a further meeting between Nick and Davey to pick up on Bol and on Credit Unions – interested in Will’ s view.
- *Final point* – It would be worth checking if Will is sighted on the meeting between Alice / Paula / Nick with Andrew Hudson of (DG Public Services on the Treasury) on 8 December.

State Aid

- The Commission has recommended that BIS delay notifying till the new SGEI framework is agreed. The advice that UKREP have given BIS is that if POL’ s notification was to be submitted before the new framework is

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settled, the Commission would come under intense pressure to open a full investigation, publishing the Commission's decision and giving third parties an opportunity to comment, which would take months to resolve. The head of the unit at the Commission working on POL's notification reported that they are still confident that POL's notification will be approved by the end of March.

Mutualisation

We have continued with our constructive approach to this. We won't respond to the consultation per se, but it would be helpful to share any views the Board has with BIS as the next steps after the consultation are being considered.

Horizon Issues

- For background – the current position with the Horizon issues is that we have four strands in play – all of which are interrelated – with members of the JFSA we believe sitting behind each one
 - Shoosmiths have effectively put forward 5 'letters before claim' – seeking to access information before determining whether to go to Court in a civil action. Legal are resisting strongly – in two cases the applicants have already pleaded guilty to false accounting, but they are gathering data where obliged to do so. The stance to Shoosmiths is that we would vigorously defend with confidence any case taken to Court
 - There have been a number of FOIA requests about the system – probably JFSA members seeking to get information (potentially for Shoosmiths?), but also by Matt Prodger – BBC journalist
 - The Inside Out BBC regional documentary programme in the East is picking on a couple of cases and replicating the interest shown

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by other 'inside out' regions earlier in the year. We are maintaining our robust stance. The cases cited in the programme are all cases where we are confident on our stance. The programme today (Tues) has asked a series of further questions.

- Mike Weir MP has put down some Parliamentary Questions (that are almost identical to one of the FOIA requests) which have been referred to POL to answer. We have put together a long and thorough draft which we' ll be putting via Legal and Group Comms before putting to you for your view and signature.

- Half Year Results

Positioning of half year results that we have been using internally;

A strong half year for the Post Office – £55m operating profit

- *We' ve had a strong start to the year and currently our overall operating profit performance is running well ahead of target and considerably better than last year.*
- *This is due to income being ahead of target in a number of areas and spending less than planned. We do, however, need to increase the pace at which we are investing, in order to be ready to start our next 12-16 plan in April 2012. For the first time in many years, we finish the half year hitting our overall sales targets. This performance, plus some one off events that have improved income means we are reporting a £55m operating profit.*
- *And while we remain in a cash negative position, we are performing ahead of plan on cash flow. My thanks go to you and your teams for your valued contribution.*

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- Universal Credit update
 - The responsibility for Registration to Universal Credit (UC) claimants to use the online service has formally passed from Cabinet Office to DWP as it has now been acknowledged that the Cabinet Office's IdA solution will not be ready in time. It is not yet clear as to what DWP's approach to solution or procurement will be.
 - POL is currently setting up further detailed meetings from a high level meeting held with the UC Customer Design Team, in the meetings we will discuss:
 - Using a FOoG hub office to test DWP's customers reactions to assisted services delivered by third parties
 - POL's thoughts regarding how ID verification / registration might be managed within UC
 - POL's digital inclusion strategy to see where / how it might support DWP's efforts in this area
 - Lord Freud attended a model office demonstration and was particularly impressed with the potential for AEI to counter fraud. DWP also expressed a desire to work more closely with POL to enable us to support UC.
 - Martin Moran is meeting Terry Moran 22 November to update on progress and try to establish closer links with the UC core design team.

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