

From: "Brightwell, Rob (Business Sectors - Services Directorate)" <[REDACTED]>
Sent: Mon 21/11/2022 10:54:02 PM (UTC)
To: "Hollinrake, Minister (BEIS)" <[REDACTED]> "Brooks-White (Jobshare)" <[REDACTED]>, Post Office Team <[REDACTED]>, "Creswell, Carl (Business Sectors - Services Directorate)" <[REDACTED]>, "Bickerton, David (Business Sectors DG Office)" <[REDACTED]>, Permanent Secretaries <[REDACTED]>
Subject: RE: Readout: Minister Hollinrake meeting with Nick Read 21/11/2022

Guy – for clarity, the bold point under the heading of postmaster compensation was made in the context of GLO disclosures.

Rob



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From: Hollinrake, Minister (BEIS) <[REDACTED]>
Sent: 21 November 2022 22:03
To: Brooks-White (Jobshare) <[REDACTED]> Post Office Team <[REDACTED]> Creswell, Carl (Business Sectors - Services Directorate) <[REDACTED]> Bickerton, David (Business Sectors DG Office) <[REDACTED]> Permanent Secretaries <[REDACTED]>
Cc: Hollinrake, Minister (BEIS) <[REDACTED]>
Subject: Readout: Minister Hollinrake meeting with Nick Read 21/11/2022

Hi all,

Thank you for the briefing and for supporting the Minister during the meeting this afternoon. Overall, the Minister took a firm line with Nick but he felt it was a good introductory meeting.

Please shout if any questions!

Guy

Attendees:

Minister Hollinrake (KH)
 Nick Read, CEO Post Office (NR)
 Richard Taylor, Post Office
 Carl Creswell, BEIS (CC)
 Eleanor Brooks, BEIS
 Rob Brightwell, BEIS
 Guy Brindle, Senior Private Secretary, BEIS

MEETING STARTS

- NR: slightly subdued trading week. Deposits over the last few weeks have been markedly down. Trying to figure out whether this is a change in consumer behaviour or something less significant. Footfall reasonably robust as we are doing a lot of the work on energy vouchers/pay-outs. Feels pretty representative of other colleagues in running retail businesses. Planning on having 11,700 branches by the end of the month which is 200 more than the requirement. Noise from postmasters on the specifics of trade is relatively balanced - recent

postmaster conference was well attended and received. 6 weeks to go till Xmas, it's the time of year where it's all to play for.

- KH: Agreed the Golden Quarter is a crucial period as always. Post Offices are always of high importance to MPs constituents and as community hubs, so very keen to see where we can help you meet challenges.

KH asked NR about the 3 year plan

- NR: committed to the board that by 6th December they will produce a 3 year plan, a series of recommendations and options.
- Realistically, will this be within the parameters of the spending review? No. Settlement last year was more than some way off the request which itself was fairly heavily managed down. World has changed markedly in last 6 months so this is now even harder.
- Royal Mail industrial action is very worrying to watch, and fears that this will have a marked impact on POL. 40% of business is driven by RMG, so any erosion in consumer confidence will affect POL. Postmasters are very uncertain at the moment, and little profit to go around. Big job to rebuild the profitability of the postmaster network, or review the suitability of the 11,500 service requirement.
- Compensation - hard work but vital this is dealt with quickly and effectively. Giving evidence on the 8th December and though good progress is being made there is always anxiety from within the business as the inquiry is ongoing, and it continues to be a distraction from the running of the business. Need proper funding for a replacement Horizon system, training, support and governance to roll out a system of this size and scale.
- Good news is that Post Office is £20m ahead at the end of this month from where predicted - insurance/banking/bill payments and other parts of business are going well and supporting the Mail side of the business.

KH probed on figures and savings currently factored in by POL

- KH: what is the scale of the likely deficit, have you used all your headroom and how much more will you be using?
- NR: will be speaking to the board in a few weeks' time for a more detailed discussion - instinct is probably no less than £160m in best case scenario, but likely to be more. Extension of inquiry timelines have increased spend, think somewhere between £60-70m after initial planning for £22m. Expected £40-50m on Horizon replacement and probably £100m + for Mail shortfall.
- KH: what have you already done in terms of cost mitigations?
- NR: Reduction on budget of up to 60-70%. Need to test risk appetite with the board. Reducing change management budget of £160m to £80m. All in all - costs/functions are being challenged and reviewed to see more where savings can be made.

KH raised the subject of Postmaster Compensation

- KH: View on how compensation is going and how it will go from here?
- NR: HSS has been a huge success. Looking like we will get to 97% by end of year. Overturned historical convictions has been slow and ponderous (with bigger anticipated cost) but we are getting there. GLO - making sure we have a consistent and fair approach across all offers and other schemes
- KH: A key thing from our perspective is getting Legal resource/admin etc from POL teams - so can we get your continued commitment on this?
- NR: Of course POL will continue to get on with this and support BEIS where needed .

KH raised the BEIS Policy Review

- NR: I feel this is taking too long. No ToRs or chair etc. Genuine opportunity for a clear evidence-based decision making. If we can support with the appropriate level of ambition then there is a chance. There is an ignition session on 13 December planned to kick things off. Have to balance social, commercial, and political aspects and align on exactly what we want to achieve.
- CC: There is a lot of work ongoing to set this up, and getting a better sense of the facts of Post Office consumer usage. There is a question about whether we need a chair to progress this work and we will be speaking this through with the Minister imminently.

- NR: Honestly there isn't really a need for a chair, and I worry that this will hold the process up if we continue down this route.

Miscellaneous

- KH: Limiting cash deposits and Post Office branches. I know you have taken this up with the FCA and I am very minded to do this as well. I have also been speaking with HMT and am not convinced by the FCAs judgement on this as it has affected numerous small businesses.
- NR: This is very frustrating. We are pushing hard with the FCA and the banks. Some banks are ignoring it anyway. I had a note from the Chair of the FCA who promised he was looking at this earnestly.
- NR: We would welcome any support on EBRS [classifying Post Offices as vulnerable businesses so they receive support beyond March 2023]. We are mobilising postmasters to write to their MPs. Appreciate this is a CX issue but would welcome your support.
- KH: We will look into it.

MEETING ENDS



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