

Post Office Board Agenda (Strategy Day 1)

Date:	27 July 2021	Time	15.00 – 17.15 hrs	Location	Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ
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Present		Other Attendees	
• Tim Parker (Chairman)	• Ken McCall (SID)	• Veronica Branton (Company Secretary)	• Dan Zinner (Group Chief Operating Officer)
• Nick Read (CEO)	• Carla Stent (NED)	• Tim McInnes (Strategy and Transformation Director)	• Amanda Jones (Retail and Franchise Network Director) (Item 3.)
• Zarin Patel (NED)	• Alisdair Cameron (CFO)	• Tracy Marshall (Postmaster Effectiveness Director) (Item 3.)	
• Tom Cooper (NED)	• Lisa Harrington (NED)		
• Saf Ismail (NED)	• Elliot Jacobs (NED)		
• Ben Tidswell (NED)			

Agenda Item	Action Needed	Lead	Timings
1. Welcome and Conflicts of Interest	Noting	Chairman	15:00 – 15:05 hrs
2. Introduction to the Strategy Sessions	Noting	Nick Read / Dan Zinner / Tim McInnes	15:05 – 15:45 hrs
3. Session 1 – Postmasters: Engaging with independent postmasters and strategic partners to build stronger partnerships	Discussion	Amanda Jones / Tracy Marshall	15:45 – 17:00 hrs
4. Any Other Business	Noting	Chairman	17:00 – 17:15 hrs
Evening Drinks			18:00 – 19:00 hrs

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Title:	Independent Postmaster and Strategic Partner Engagement Framework	Meeting Date:	27 th July 2021
Author:	Tracy Marshall, Postmaster Effectiveness Director & Katie Secretan, Strategic Partnerships Director	Sponsor:	Amanda Jones, Retail and Franchise Network Director

Input Sought

Discussion on proposals for Independent Postmaster and Strategic Partner Engagement structure.

Previous Governance Oversight

Pre-Board engagement sessions

Questions addressed

1. Why do we need an engagement framework?
2. What are we starting with first and why?
3. What are the risks and issues?
4. What are next steps?
5. How will we measure success?

Report

Why do we need an engagement framework?

6. Our strategic roadmap to 2025 places Independent Postmasters (PMs) and Strategic Partners (SPs) at its heart, to create a sustainable and trusted franchise business. To do this we need to build strong, trusting, transparent and rewarding relationships.
7. To build back trust we must change our behaviours as an organisation. We have started the cultural shift to being more 'PM centric' but still have a way to go. We must involve (listen not tell); be transparent (honest about what we can and cannot fix) and show progress ('you said, we did').
8. So, a starting point to building trust is making a Postmaster Promise: *'We'll build a partnership based on mutual support, trust and dialogue and work together to help your Post Office thrive in your community.'*
9. We must ground what we do around this Promise and ensure we have mechanisms that enable our PMs and SPs to tell us how we are doing.
10. To help us fulfil the Promise, our target end state is to have a coherent, effective framework by the end of the calendar year, which clearly sets out how we deliver trust building formal and informal engagement. We propose to stand up the formal engagement structure first as this seems a natural progression from the PM NED appointments and moves us closer to creating a modern franchise relationship.

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What are we starting with first and why?

11. Appointing the PM NEDs has been a meaningful step in bringing first-hand experience into the Board room, to amplify the focus on what really matters to PMs and SPs. However, we recognise they can't possibly speak for the entire large and diverse network.
12. Area Managers are our 'jewel in the crown' but we recognise there is more we can do to empower them to fix more issues 'on the ground' and help them to surface the big issues more quickly and transparently.
13. We heard from the Consultation feedback that 60% of PMs want to be more involved and play a more active role in Post Office so there is clearly an appetite for increased engagement. It's a similar story for SPs, who want more information on our long-term plans and more engagement at a strategic level.
14. The elephant in the room is the NFSP who are the official representative body for postmasters. They are coming under increasing pressure, as their relevance and effectiveness in representing PMs interests is being called into question. In the recent PM Consultation, only 35% felt engaged with the NFSP.
15. Our proposal is to stand up a formal engagement structure, with a slightly different approach for PMs and SPs, recognising the distinctly different needs of these groups. We propose 9 Regional Forums for PMs for the purpose of raising tactical issues that can't be resolved at a local level. Engagement will be two way - PMs raising issues on behalf of other PMs and then sharing outputs from forums for transparency. There will also be a Senior Operator Forum for SPs, enabling us to share branch and operational activity directly with them so that change can be driven from Head Office.
16. A selection of nominated members from across the 9 Regional PM Forums will sit on one national forum. This will operate at a more strategic level to surface the big issues regardless of branch type or location. For example, helping us to work out how to take PMs on the 'digitising mails journey' or getting traction on network stability levers such as automation. Similarly, there will be an Executive SP Forum for the purpose of providing strategic insight and sharing priorities to create alignment with SPs to drive joint business plans.
17. We would expect members of the GE and SLG to attend the National PM and Executive SP Forums, the outputs of which will be shared with PMs and SPs to ensure transparency, and with the GE and Board to give visibility of issues and action being taken. We would like to discuss more about how we do this, on the 27th.

What are the risks and issues?

18. There is a risk, and high likelihood that this proposal will create conflict with the NFSP as they are mandated to be the only body with which POL will 'discuss and consult on matters' affecting PMs, for example Remuneration. (an NFSP briefing note is in Appendix 1)
19. We believe the NFSP are perceiving threats on a number of levels:
 - a) Judge Fraser criticised the NFSPs ability to be independent as they are financially dependent on being funded by POL under the Grant Fund Agreement (GFA)
 - b) CWU activity in bringing a Workers Rights Claim indicates an aspiration to represent PMs
 - c) Increasing pressure from PMs questioning their relevance and effectiveness

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d) Increased engagement activities by POL such as the creation of a PM Director role and the contents of this paper.

20. Recent conversations with the CEO of the NFSP have been difficult; he blames POL for 'undermining the NFSP'. Our strategy so far has been to adopt a less confrontational approach and try to help the NFSP accept the need for change. We have tacit support from Richard Taylor and his Public Affairs team to raise this with BEIS to ensure they are onboard. We need to decide what the relationship with the NFSP should be in the future, given the GFA and will bring some options for discussion with the Board on the 27th July.
21. We recognise it will be a challenge to attract the right mix of diverse PMs to each forum who are prepared to commit to what will be highly visible roles so we need to think carefully about how we make it appealing.
22. As there is a risk that the forums may be viewed as 'not having teeth' it is critical for us to demonstrate proper governance and transparency (e.g. attendance, agendas and outputs). We need an infrastructure of dedicated people, with the right skills and capability to manage this well, much like the way Co-Sec supports the Board. The Postmaster Director (currently being recruited) will own PM engagement, co-ordinating all activity and ensuring join up across the business. A similar role is needed in the SP team. Regional Managers will need coaching on effective facilitation and chairing of meetings.

What are the next steps?

23. This is our action plan below by month:
 - July/August
 - Recruit SP Engagement and PM Director roles
 - August
 - Hold briefing sessions to gain 'buy in' and commitment from our SLG population and other key stakeholders who will be required to attend meetings
 - Engage with the NFSP on our proposals
 - Write up and publish the Terms of Reference for the forums
 - September
 - For SPs, all group forum engagement and individual account management activity in place
 - Launch the new postmaster engagement structure at local events
 - October
 - Pulse survey to measure PM sentiment
 - November
 - Regional PM forums stood up and first meetings held
 - February
 - National PM forum stood up and first meeting held
 - Develop and trial new AM role with enhanced empowerment.

How will success be measured?

24. We will take a pulse survey to measure PM and SP sentiment in October and again in late January 2022 using two of the same key sentiment questions asked in the Postmaster consultation survey carried out earlier this year: 1) 'How would you describe your relationship with Post Office?' and 2) 'How supported, or not, do you feel from Post Office?'. Our aim is that this new formal engagement structure, coupled with other



continuous improvement activity across Post Office, will lead to improved positive scores of 30% for both by January, from a baseline of 17% and 25% respectively.

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Appendix 1

National Federation of Sub Postmasters (NFSP) – briefing note

What is the background?

They are the representation organisation for postmasters, with around 7.3k of our branches run by their members.

During the Network Transformation programme, the NFSP agreed to the Grant Framework Agreement (GFA). This committed them to supporting Network Transformation, including acceleration of the final (compulsory) phase of the programme, in return for funding. At this

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The GFA is for a period of 15 years, starting in 2015, expiring in 2030. Under the GFA, we fund their annual operation (£1.5m pa) and some specific projects (£1m pa). In return, they provide certain services to postmasters and the opportunity for free membership for any postmaster who wants it.

What is the NFSP mandated to negotiate on PMs behalf?

- Our NT Contracts (approx. 5544 NFSP members) state NFSP is solely acknowledged by Post Office Ltd as a representative body of operators. The NFSP is the only body with which Post Office Ltd will seek to discuss and consult on matters affecting operators, subject to any legal, regulatory or political obligations.
- Our SPSO contracts (approx. 1770 members) state that we will consult the NFSP on remuneration rates as well as the definitions of Commercial and Small Post Office® branches and the remuneration system applicable to them.

What was Judge Frasers criticism and what action is being taken to address?

- CIJ criticised POL's relationship with the NFSP. In particular, the CIJ found that it was "not an organisation independent of the Post Office" and "the Post Office effectively controls the NFSP". The Judge was particularly critical of the GFA, which contains terms allowing POL to seek clawback of funds from the NFSP for breach of certain terms. These included a term which required the NFSP not to take "any action" which might bring POL's "name or reputation into disrepute". The Judge also criticised the NFSP itself for appearing to "put its own members' interests well below its own" in relation to how it approached proposed changes to the NT contracts in 2011.
- We are continuing discussions with the NFSP with respective legal advice on both sides to find suitable wording for the GFA that resets the relationship to address the above comments. We have also started a conversation with Calum Greenhow (CEO of the NFSP) on their strategy to become financially independent. We are also looking internally at various options on how we can ensure that the NFSP can become financially independent.

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What is the current engagement approach?

- Monthly meeting with their 'Negotiation & Engagement Team' – discussions around product change, network issues, IT, service and support updates, marketing plans as well as remuneration.
- Ad hoc meetings to discuss specific issues with PO senior stakeholders e.g. MDA2 and ATM withdrawal.
- Monthly meetings between NFSP CEO (Callum Greenhow) and Amanda Jones and occasional "121s" with Nick Read once or twice a year.
- Quarterly tripartite Working Group between BEIS, NFSP and PO, established by BEIS 2 years ago with the then aim of working collaboratively to identify and capitalise on new business opportunities for POL and its postmasters.

How does the NFSP use the Grant Fund Agreement?

The Grant Fund of £1.5m is used to ensure the NFSP maintains direct and indirect support to its members, therefore costs include resource, outsourcing of support services, communication printing costs, HO costs, meeting costs.

The NFSP provides support to its members in areas such as: Financial support through their charity, the NFSP Benevolent Fund; legal and employment advice; contractual issue representation.

There is a current annual project specific grant agreed for the funding of a Post Office Mails support team for IRRELEVANT to help support Postmasters to achieve their mails obligations and help achieve the mails segregation targets, therefore achieving additional remuneration to their members through the segregation bonus scheme. This year, this team is also focused on achieving wider compliance metrics and building understanding of the MDA2.

They also have a desire to provide retail support to their members, which was declined by us as we did not feel this provided good value for money.