

IN STRICTEST CONFIDENCE

Notes of the discussion at the Board and conversation with Mark Russell 21st May 2013

Discussions before Mark Russell joined the meeting

- PV fed back on the NFSP conference speech, including the suggestion from VC that JS announce a seat on the Board for the NFSP, and that JS was going to 'hold the Board to account'. Neither issue was in fact raised but gave the Board a view of what might happen
- JS in her speech did say she would like the business to produce a timeline to mutualisation.
- There was a lot of pressure from JS to show we are listening to subpostmasters
- View is JS is emotionally closer to supporting the NFSP and wants to keep them on board as we move to the NT model but she is very clear about the need for commercial sustainability
- It will get harder as we move toward the election
- All agreed want to change how we work but not the governance.
- Need to prove to JS, through the timeline, the logic of commercial sustainability before mutualisation, give her areas where we could be flexible.
- Need to set out our desired route, the building blocks to mutualisation, a timeline including the Rothschild definition with gates which constitute success in JS eyes
- Stick to Rothschild date

Discussions with Mark Russell and Peter Batten Shareholder Executive

- MR explained that the conversations at ShEx are dominated by RMG. But POL is the most political business that ShEx deal with. Impression in there has been great progress since the separation from RMG, confident that we can drive commercial business. He comes from nuclear decommissioning and even they did not achieve long term funding. Advised not to push for long term funding unless we are clear we can deliver the plan.
- We are driving a turn-around but playing it out in a political environment, how do we get 'air-cover'?
- MR- You have to win the argument with Ministers. They make the decisions you have to convince people that you understand their political agenda. Mutualisation is out there so the Ministers want to show progress. You need to go on the front foot as a lot of politicians wave the flag for mutualisation especially VC and JS
- Rothschild suggest long way out, 2020 at least, we cannot jeopardise commercial sustainability, this seems to be missing from the commercial agenda

- MR – Be careful about using 'long way out'. Say you are on the case, making the first steps next year, moving to mutual ways of working possible share stakes. Need to show the stages and talk it through with JS
- MR – the next 2 years will get more and more fraught politically and the Ministers will want to make announcements about mutualisation.
- The Business needs to retain its current governance structure to drive the commercial agenda. We know we need to be engaging with stakeholders and subpostmasters and creating a more mutual way of working.
- Need to identify what constitutes success, a small number of criteria, gateways in the timeline we are producing for JS. What is the balance between commercial sustainability and mutualisation?
- MR – Priority is getting commercials right but running a parallel track with mutualisation
- PB – The Strategy looks to 2020, but JS horizon is 2015. Try to tweak messages in the strategy for JS what can you do on Mutualisation by the next election.
- MR – suggested getting someone to talk to the business eg Alan Johnson
- We are focussed on turnaround
- MR – Could you move on something around governance whilst protecting the sovereignty of the Board? Preserve the characteristics of existing governance maybe look at an advisory council or trust. Look at how you could pass reward to subpostmasters and staff. Lay out the options, don't get too academic. What could the path to mutualisation realistically look like up to commercial sustainability and beyond?
- Discussion turned to the CWU and NFSP
- Support from Minister and govt for the stance with CWU
- MR – Relationship kept at an arms-length, stronger since separation. Minister supports the Post Office's stance
- NFSP is different, GT/MJ promoting the idea of a seat on the Board, GT now grandstanding on RMG privatisation yet JS seems closer to them
- MR – fair challenge ShEx need to do more to support POL on this. But PO has to convince Ministers of their position. JS became an MP in 2005 in the middle of the PO closure programme and is very sensitive to the issue, so wants to keep GT and the NFSP on board.
- MR – give her some good news to announce, eg mutualisation milestones, growing the network not closing eg basics, and moving to financial sustainability.
- PB – twin track approach, engage with you subpostmasters directly. Need to be cuter about how we handle them

- MR – fabulous job since independence, benefits are obvious, good relationship with ShEx and BIS. This meeting has helped him get up to speed, would like to come back in the Autumn maybe Oct. Always remember that Ministers will always be political. Keep your eye on the main plan but remember her agenda, respond to her basic political needs, the same with VC.

Board discussion after MR and PB left the meeting

- Need to define the work in a different way. We should own the agenda.
- Concerns about the German model as the unions are very different
- Struck by the idea of parallel tracks
- Personalised narrative for each stakeholder is very important
- Very helpful to consider messages about growing the network, mutualisation gateways and commercial sustainability for political needs of JS etc.
- Need to define mutualisation and the steps along the journey, what can we give before commercial sustainability

Actions for June Awayday

The Board will look at ways of adopting a twin track approach on this subject which keeps commercial sustainability in our sights as our key goal.

We will look at 3 things--

1. New ways of working with both employees and SPMs, so that we engage with them directly as well as through their unions. This includes something on what we mean by a Trade Association instead of the NFSP and what principles we would want to see agreed before we would agree to participate in a working group on this subject.
2. Some kind of addition to our governance structure which does not compromise the sovereignty of the Board (because of the need to drive to commercial sustainability), but which gives the full range of key stakeholders a forum for engaging with the business at Board/Chairman/CEO level. What could the TOR, membership and chairmanship of such a body be and how would members be appointed? (consider the National Trust and other models).
3. The value/feasibility of some kind of share scheme for employees/SPMs. (this was suggested by Mark but needs to bear in mind that the business is dependent on taxpayer's money)

The Board should also be updated on related work such as the public purpose