

POST OFFICE LIMITED (POL) – Q3 Review

Thursday 16 October 2014, 14:15–15:15 UG-H, 1 Victoria Street, London

Present

Roger Lowe	Richard Callard
Rachel James	Tim McInnes
Bhavya Sharma	Peter Batten
Tobi Adetimilehin	James Baugh
Rajesh Kedia	
Jeremy Ankers	

Actions

- None

Financial Performance

The panel queried whether Network Transformation (NT) was on track and, if so, how that fed through to bonuses. The team explained that NT was indeed on track, but that it was the only bonus metric that is currently being met. POL has two key challenges in meeting its financial targets: firstly the targets themselves are very ambitious, requiring an increase in revenue to £45m, and secondly POL is facing pressures in a number of its markets (e.g. mails market has dropped). Removal of tax discs will create challenges going forward, reducing both revenue and footfall. Nevertheless, financial services are doing well and there is also a move towards high value products such as mortgages.

Relationship with Royal Mail

The panel queried whether the team had visibility on any future long-term agreement with Royal Mail. The team explained that POL were looking to raise this issue early as much of Network Development requires Royal Mail involvement. The team felt POL were looking to be genuinely innovative with regard to products and process in a way that Royal Mail are currently limited (e.g. both culturally and by their agreement with the Unions). The relationship with Royal Mail was feeling more positive overall, with examples of joint teams working together in the same office. The panel acknowledged it was positive that POL was looking to take the lead in the relationship.

Post Office Card Account (POCA)

The team explained that the POCA product offered an opportunity to receive social security payments without holding a bank account. POCA brings in £60m revenue per annum in addition to significant footfall. It represents POL's second biggest contract. The current contract expires in March 2015 with the possibility of a 2 year extension. Extensive discussions are on-going with DWP, who are maintaining a position of requiring a 10% saving on the

baseline contract. POL are holding firm on 1-2%. The panel queried what levers the team had with DWP. The team explained that there were none, although POL was really the only viable option to deliver the contract. There was a lack of alignment in Whitehall. It was agreed there was significant political risk, however there has been a strong steer from HMT that there is little appetite for political level engagement.

Management

The team explained that POL were in the process of appointing a CFO. A submission has been put to the CST, however it is understood there is a significant backlog. Nonetheless HMT officials are positive the appointment will be approved. Appointment of a new CEO has been de-prioritised.

Issues to raise at Risk Committee

It was agreed that there were currently no risks to escalate to the Risk Committee.