



EXECUTIVE COMMITTEE
AGENDA

Present: Paula Vennells (Chair), Martin Edwards, Mark Davies, Lesley Sewell, Chris Day, Kevin Gilliland, Fay Healey, Nick Kennett, Alwen Lyons, Martin George, Chris Aujard, Neil Hayward

In attendance: Sarah Hall, Stewart Fox-Mills, Brian Deveney, Tim Lloyd (Alsbridge)

Start time : 9.15 End: 17.30

Time	Item	ExCo Sponsor/Presenter
09.15 -11.05	Business Transformation - Operating Model and Strategic Cost Reduction	Chris Day/Lesley Sewell/ Brian Deveney/ Tim Lloyd (Alsbridge)
11.05 - 11.20	BREAK	
11.20 - 12.50	Project Sparrow and Prosecuting Authority inc business improvement	Chris Aujard/ Kevin Gilliland
12.50 - 13.10	LUNCH	
13.10 - 14.20	14/15 Budget - recommended KPI's	Chris Day/Sarah Hall/Stewart Fox-Mills
14.20 - 15.00	Public Purpose Statement	Mark Davies
15.00 - 15.10	BREAK	
15.10 - 15.50	Update on Network Transformation & Crowns inc NFSP legal framework	Kevin Gilliland
15.50 - 16.10	Industrial Relations inc Supply Chain	Kevin Gilliland
16.10 - 16.35	Policies: <ul style="list-style-type: none"> • Anti-Bribery • External Data Protection Policy • Data Sharing Policy 	Chris Aujard
16.35 - 17.00	Noting papers: <ul style="list-style-type: none"> • Acceptable Usage - Risk and Issues with Public Email and Services • Cyber Security and Information Assurance Report • Data Centre update • Pay & Reward Committee - TOR 	Lesley Sewell Lesley Sewell Lesley Sewell Fay Healey
17.00 - 17.30	AOB	
17.30	CLOSE	

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POST OFFICE AUDIT, RISK AND COMPLIANCE COMMITTEE

Prosecutions Policy

1. Purpose

The purpose of this paper is to:

- seek the ARC's views on proposed changes to the prosecutions policy and the way in which POL will prosecute criminal cases in the future; and
- update the ARC with respect to certain aspects of the Business Improvement Project.

2. Background

2.1 At its meeting on 19 November 2013, the Committee considered whether or not there was merit in formally amending the prosecutions policy and if so what the substance of those amendments should be. It was agreed at that meeting that before any firm decision could be taken in this regard:

- (a) further work needed to be done to understand the financial and other consequences of amending the policy, particularly if it were the case that the amendments resulted in fewer cases being referred to the criminal courts;
- (b) the Committee needed a clearer understanding of the work that was being done as part of the Business Improvement Programme (BIP) and the impact this would have on detecting (and preventing) losses at an earlier stage; and
- (c) it would be helpful to understand how banks and other large companies dealt with criminal loss caused by employees.

2.2 In this connection it is probably useful to note that in a report for POL Brian Altman QC observed that, "Post Office Ltd's prosecution role is perhaps anachronistic...", and that we are "the only commercial organisation (albeit Government owned) I have been able to identify (apart from RMG that retains a prosecution function) that has a commercially based, sophisticated private prosecution role, supported by experienced and dedicated teams of investigators and lawyers. To that extent it is exceptional if not unique."

3. Activities/Current Situation

3.1 The way in which prosecutions have historically been brought was set out in some detail in the paper on prosecutions considered by the Committee in November. In that paper it was noted that typically we prosecute subpostmasters for False Accounting combined with Theft, and/or Fraud. The prosecutions are brought in accordance with the Code for Crown Prosecutors and the choice of charge is largely dependent on whether we have obtained an admission of guilt, or other compelling evidence that the Defendant has taken money directly from us, or have only secured evidence that the Defendant covered up losses by falsely recording the branch's financial position (e.g. to avoid paying losses back and/or to keep their branch) on the Horizon system. As will be recalled, typically Defendants plead guilty to a charge of False Accounting, with the charge of Theft then being dropped.

3.2 In terms of the volume and cost of cases, over the past few years we have averaged about 250 investigations into possible criminal conduct a year, of which about 50 resulted in

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criminal prosecutions. The financial losses (to POL) in those cases where a prosecution was brought ranged between £1,738 and £175,260 per incident in 2012/2013, and £2,347 and £192,990 in 2013/2014. The average cost of bringing a criminal prosecution the in 2012-2013 financial period was about £7,500 (£3,600 for the costs of our internal security investigators, plus £3,900 for our external solicitors).

3.3 The amount recovered from Defendants in respect of stolen, misappropriated or unaccounted for stock or money in the cases closed so far in the 2013/2014 period was £741,182, or approximately £10,500 per case. Total losses in those cases were £1,603,932, implying a recovery rate of 46%. These figures must, however, be treated with a degree of caution, as any amounts recovered must be seen as coincidental consequence of the current policy on prosecutions. It is well established that the purpose of criminal prosecutions is to punish and deter wrongdoing, **not** to recover financial loss: this must be our guiding principle. Should we bring a prosecution for any other reason, Post Office and its Board run the risk of being accused of abusing the Criminal Justice System, with attendant reputational damage.

3.4 POL does however frequently initiate actions in the civil courts for debts it believes are due and owing to it by subpostmasters. In 2012/13, the civil debt team (a team which is entirely separate to the criminal team) recovered approximately £1.9 million, and instructed external lawyers in 100 cases, at an average cost per case in 2012-2013 of about £1,200 (£400 for the costs of Former Agent Accounting Team, plus £800 for our external solicitors). It is not proposed at this stage to review the civil recovery process, as it outside the scope of the work undertaken by Project Sparrow. That said, the way that POL interacts with subpostmasters generally is in scope for the BIP.

4. Options Considered

4.1 As noted in the November paper, broadly the options considered comprised:

- (a) **Preserving the status quo** – i.e. retaining prosecutorial capability and continuing with a prosecutions policy which is substantially the same as that which has been used in the past;
- (b) **Pursuing a prosecutions policy more focussed on more egregious misconduct** - e.g. higher value cases/cases involving vulnerable members of society/cases of involving particularly wilful wrongdoing, and engaging with the police in relation to other matters; and
- (c) **Ceasing all prosecutorial activities** but instead actively involving the police/CPS etc where it is felt that they are likely to take matters forward.

4.2 For a variety of reasons, option (a) did not gain a large degree of support from the Committee at its meeting in November and for that reason is not the focus of this paper. Similarly, given that we have been advised by leading Counsel that, due to budgetary constraints, the CPS is unlikely to have an appetite to prosecute all but the most serious cases, and there would be a substantial lead in time as we would need to open negotiations with the Director of Public Prosecutions about implementation which would take time and still leaves us in our current position. Also, if option (c) were commenced, it would not be for Post Office to implement or review the policy but for the CPS. For these reasons option (c) is not discussed in any great detail, though should the Committee decide that it is an option worth exploring further much of the analysis in the following paragraphs, particularly with respect to cost and financial implications will still be of relevance. Instead, the balance of this paper focuses on option (b), and the possible “filters” that could be applied to our

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prosecution policy in order to ensure that only cases displaying an appropriate “fact pattern” are prosecuted.

4.3 One of the “filters” that could be applied is financial: currently there are no formal financial limits set out in our prosecution policy (though in practice de minimis amounts are not pursued), an approach which gives us a run rate of approximately 50 criminal cases a year. If a financial filter were applied then (based on our analysis of historic cases) the number prosecutions would (be likely to) reduce as follows:

- £15,000 - approx. 25 cases a year
- £20,000 - approx. 20 cases a year
- £30,000 - approx. a dozen a year
- £100,000 - one or two cases a year (and these could possibly be of interest to the CPS)

In order to ensure that an appropriate balance is struck between providing a suitable deterrent, and POL not being viewed as being too heavy handed, it is recommended that a financial limit be introduced into the policy as a matter to “take into account” when deciding whether to initiate proceedings. The significance of this “guide” figure would be that cases involving losses of an amount less than it would not typically be prosecuted **save where** there are highly compelling or special circumstances (e.g. the victims of the conduct are elderly or otherwise vulnerable members). It is proposed that this figure be fixed, initially, at £20,000.

4.4 It is also suggested that factors other than financial ones should be expressly introduced into any revised prosecutions policy. After discussion with our prosecutions team and taking into account the fact patterns displayed in those cases that are being considered by the mediation scheme, it is proposed that those factors include:

- whether the losses in question have been repaid;
- whether the facts disclose a pattern of deliberate conduct designed to materially benefit him/her, or whether the fact pattern discloses inadvertence/poor book-keeping skills or “muddle-headedness”;
- the degree of sophistication of the alleged wrongdoing;
- the number of incidents;
- the extent to which any members of the public suffered loss, and if so whether they were from vulnerable groups in society;
- the period of the alleged offending;
- the cost of bringing the prosecution; and
- whether there are any alternative, more suitable, remedies available to POL.

4.5 It should be noted that, although POL is still currently able to bring cases where the evidence concerned is extracted from the Horizon system, there is a strong risk that in such cases a defence will be mounted to the effect that the Horizon system cannot be relied upon. We have been advised that in these cases, there is a strong likelihood that such a defence would be successful, at least until such time as a new independent expert is identified and has familiarised himself with the system. This is likely to take around 12 weeks, and cost up to £200,000. Accordingly, at least until such time as the dimensions of this work are fully understood, as a practical (i.e. evidential) matter court proceedings will not be started in such cases. In addition there may be material on-going costs per case for

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the independent expert as the systems change through the usual business change programmes.

4.6 For completeness, and at the request of the Committee, we have also considered how other retailers, financial institutions and quasi-public organisations respond to criminal conduct within their organisations. Although definitive information is hard to obtain, it appears that:

- Most retailers and financial institutions maintain in-house security/investigative functions, which pass evidence of crime (often CCTV footage) over to the police and then support any actions taken by the external prosecutor (e.g. CPS). Other than Royal Mail Group, we have not identified any commercial organisations that habitually bring private prosecutions.
- Although Virgin Media recently conducted a high profile, high value (c. £144 million) private prosecution of a set-top box fraud, this was conducted with the police and appears to have been an exceptional step rather than a “business as usual” activity.
- Quasi-public organisations (e.g. TfL) and charities (e.g. RSPCA) are also known to bring private prosecutions. However these are typically brought against external persons (e.g. fare dodgers or animal abusers), and not employees or others involved in the organisations’ day-to-day operations.

4.7 In the November paper, a number of other factors were identified as possibly relevant to our approach to prosecutions (e.g. brand inconsistency, engagement with subpostmasters). In addition to these, which remain relevant, the following should be noted:

- Cost of Compliance with Duty of Disclosure: The continuing duty to act properly as a prosecutor required us (through our external solicitors) to review the prosecutions of 325 individuals to ensure that the Second Sight report did not affect the safety of any convictions. The cost of this review was approx. £180,000. We will need to do similar reviews every time new information comes to light which may call into question the safety of a conviction. To seek to minimise the need for this, we have instituted a weekly, cross-business conference call at which branch accounting issues can be raised. The estimated external cost of these calls is approx. £27,000 a year.
- Wasted management time and money: To date, we have spent approximately £5million seeking to address the concerns raised over our Horizon system and the criminal prosecutions. It has also taken up a considerable number of man hours of senior management at a time of significant, strategic and fast change in the company.

5. Commercial Impact/Costs

5.1 The immediate financial impact of the above policy approach, assuming that no other changes are made, would be that the sums of money that are currently recovered via the criminal law system (£741,182 in the 2013/2014 period), would no longer be as readily recoverable. As explained in the November paper, however, it would be open to us to use the civil courts to recover losses, though this is a more time consuming process, and there is greater scope for assets to be hidden from view. The recovery rate per case pursued through the Civil Courts will be difficult to ascertain given that a number of Subpostmasters

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subject to criminal proceedings are in financial difficulties, the impact of this on the recovery process is unknown.

5.2 However, if POL can deal with problems that arise in subpostmasters' offices before they turn in to significant financial losses, the financial impact of any change in the prosecutions policy should be greatly reduced. This in part is the aim of the BIP, the key elements of which include:

- gathering better MI from the network systems;
- providing better training and support to subpostmasters and branch staff;
- identifying problem losses earlier;
- liaising with the relevant persons sooner; and
- reviewing how we respond when a subpostmaster has materially breached his obligations to us.

5.3 Appendix A provides an overview of the BIP and the actions that have and will be taken.

5.4 It should also be noted that any decision made now with respect to the future conduct of criminal prosecutions will have an immediate impact on so-called "in motion" cases. These cases, which are the subject of the separate paper due to be considered at the next meeting of the ARC/Board, are ones where no decision to prosecute has been made, but where the subpostmaster concerned has been interviewed under caution, and is waiting to hear whether or not a charge will be brought. Given that a number of cases now date back to late summer last year, when a decision was made to suspend all prosecutorial activity, POL should communicate its decision in this regard as soon as possible. The working assumption is that there could be some adverse publicity as and when the decision is communicated to subpostmasters and if delayed too long could lead to our management of the cases being called into question. It is anticipated that the number of "in motion" cases will materially reduce if we were to apply the filters referred to in this paper.

6. Proposal

6.1 It is proposed that:

- a) A revised prosecution policy be implemented and applied against more stringent financial and conduct criteria set out in paragraphs 4.3 and 4.4.
- b) Consideration be given to whether the policy be published on our website and if so what elements of it, to comply with best practice and transparency while not undermining our ability to implement the policy.
- c) The new policy, its interpretation and application be reviewed by a committee of ExCo every twelve months.
- d) An individual within Post Office Limited be appointed to take responsibility for deciding whether or not an individual case should be prosecuted against that policy (currently this accountability is shared across a number of individuals).
- e) Any prosecutions be conducted through an external law firm.
- f) The Communications team maintain a living strategy for dealing with all PR issues arising from any and all prosecutions.
- g) In conjunction with the BIP, we work to improve our civil recovery operation to maximise the losses it can recover.

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7. Key Risks/Mitigation

These pertain mainly to the potential increased risk of fraud, and being seen to be “soft” with public money, but should be capable of being addressed by enhanced MI and improvements to the control framework etc.

8. Long term considerations – horizon scan

- 8.1 Not taking action now in relation to the prosecutions policy could lead to, or exacerbate, the impact of further adverse publicity regarding Post Office’s treatment of sub-postmasters.
- 8.2 Taking this action may assist in developing better stakeholder engagement.

9. Communications Impact

- 9.1 The Communications team is already heavily involved in Project Sparrow, and they have seen this paper.

10. Recommendations

The ExCo/ARC is asked to approve the proposals set out in paragraph 6 above.

Chris Aujard
7 February 2014

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Appendix A

Business Improvement Programme

To ensure proper focus on both the Mediation Scheme and the Business Improvement Programme (BIP), the BIP has been separated into an individual programme under separate governance reporting to Kevin Gilliland.

Purpose & scope

The purpose of the BIP is to improve the effectiveness and efficiency of the support we provide to our subpostmasters in the running of their Post Offices from an operational and engagement perspective by:

- Reviewing the life cycle of the subpostmaster and all touch points with the business.
- Taking input from owners, users and recipients of Post Office policies and processes.
- Designing policies and processes that deliver improved ways of working with our subpostmaster network in a cost effective and engaging way.
- Reviewing all our interactions with Subpostmasters and making recommendations on structure design for the network and admin support function touch points.
- Developing an implementation plan to move from existing to future state.

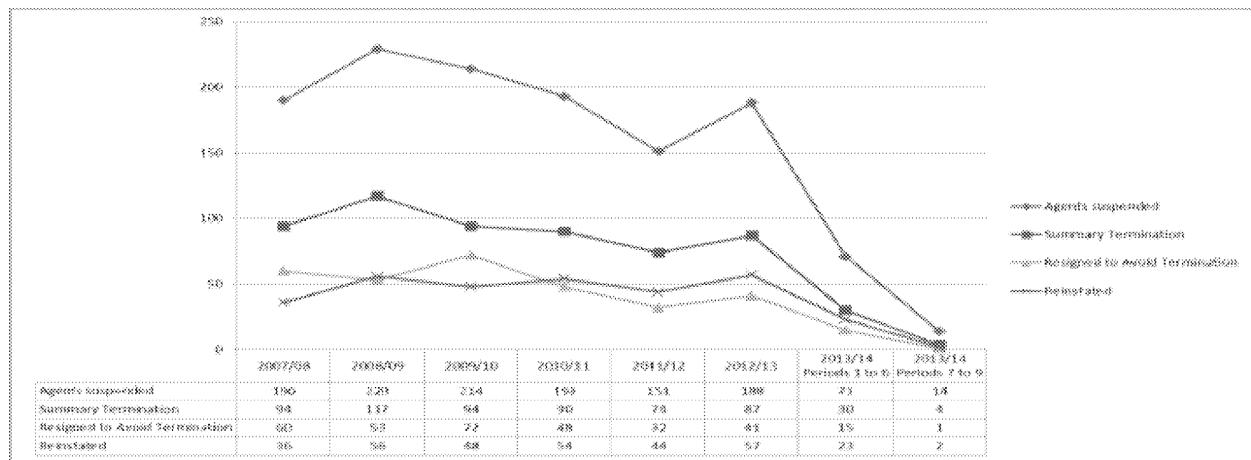
Quick Wins

In the process of mapping the “As is” and “To be” processes. Quick wins have already been implemented with more planned for implementation in Q4. The key areas of change that are pertinent to the prosecutions policy are our approach to Subpostmaster contract breaches and a pilot called HORice that we are soon to run on testing the effectiveness of a real-time data tool from Fujitsu to support earlier identification and intervention of accounting and transactional anomalies

- **Precautionary Suspension** approach – we have reviewed our approach in how we respond to material contract breaches by Subpostmasters and made the following improvements:
 - Our default position is to keep the Subpostmaster in post and the branch operational, unless in the usually low number of cases where not to precautionary suspend the Subpostmaster would carry a high risk of damage to POL’s reputation and / or a high risk to POL’s assets, or where a customer has been directly involved in a potential fraud by the Subpostmaster. The effect of this approach has resulted in a significant reduction in the number of precautionary suspensions in 12/13 and especially in the second half of the year. See graph below.
 - We are introducing in Q4 a new category of action in dealing with material breaches of contract i.e. Suspended termination. This is where the Subpostmaster has materially breached the contract and would have previously had their contract terminated. The new Suspended Termination category is where mitigating circumstances are such that the decision is to award a suspended termination is made; the Subpostmaster remains in post on the condition that if a further breach of contract occurs in an agreed period (set by the nature of the first breach and typically a year) then the contract termination is triggered.
 - Where a potential breach of contract has occurred our approach is to work with the Subpostmaster to establish the facts and then to take the appropriate action. Any

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investigation is carried out in a totally objective way treating the Subpostmaster at all times with dignity and respect regardless of whether there is evidence to suggest any wrong doing.

**HORice**

This is a real-time data tool from Fujitsu to support earlier identification and intervention of accounting and transactional anomalies which could be an indicator of non-conformance or fraud. The real-time element will enable analysis to be undertaken at the point it happens rather than waiting for historical data to be gathered. We are piloting this in March and if the results are as we expect this tool could nip problems and losses in the bud - there have been specific historical cases of significant losses (i.e. £185k) where having this data would have identified a pattern or behaviour within one to two months rather than after 1 year.

Longer Term Changes

The Business Improvement Programme has 9 work streams that capture all the touch points the Subpostmaster has with Post Office in running their branch. These are: pre-appointment process; operational support; physical support; performance management; training; communication; IT; early warning/intervention approach; leavers process.

The milestone plan for each of the workstreams is currently being scoped and will be completed by the end of February 2014. Some of the workstreams will have longer timelines than others due in part to the interdependency on other workstreams to complete or other business considerations – the IT workstream is a good example of where delivery will depend on the requirements of the other programme workstreams.

Review Mechanism

The proposed ways of working for each workstream will include an ongoing review mechanism that ensures that continuous improvement is embedded into business as usual.

Measuring Success

The Programme has two main key performance indicators (KPIs) – Agent Engagement and Operational Cost Reduction.

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- **Agent Engagement** - the formal measure is the Subpostmaster annual engagement and in particular the support category of the survey. This will be supplemented with Pulse surveys undertaken by Comms at quarterly intervals throughout the year. Reviewing the life cycle of the subpostmaster and all touch points with the business
- **Operational Cost Reduction** - the cost of support to the network will be baselined as part of this Programme. Headline numbers suggest that 40% of the current support to the network is spent on recovery support ie correcting things that haven't been done right first time

Each of the nine workstreams will have performance measurements that feed into the two main KPIs.

Branch User Forum

The purpose of the Branch User Forum is to provide a way for Subpostmasters and others to raise issues and insights around business processes, training and support directly feeding into the organisation's thinking at the highest level. The forum is a forward looking mechanism to ensure the business processes and approaches are fit for purpose for users and are in keeping with Post Office behaviours and values. The Forum consists of 6 Subpostmasters, 2 Crown members and 4 PO Senior Managers. The second meeting took place on 16 January and covered the communication approach that the forum would take and a review of the initial inputs to the forum.

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POST OFFICE LTD BOARD

Business Improvement Programme

1. Purpose

The purpose of this paper is to:

- 1.1 update the Post Office Board on the Business Improvement Programme

2. Background

- 2.1 The Branch Support Programme was initiated in July 2013 to review the level of support the Post Office provided to subpostmasters to operate their post offices and to introduce improved levels of support having taken feedback from subpostmasters.
- 2.2 As the findings of the Branch Support Programme unfolded it became evident that the scope of this programme needed to be wider to ensure that the required cultural change was to be embedded within the Post Office. Consequently the Programme has been renamed the Business Improvement Programme with a wider scope which is detailed within this paper.

3. Business Improvement Programme – Purpose and Scope

- 3.1 The purpose of the Business Improvement Programme (BIP) is to improve the effectiveness and efficiency of the support we provide to our subpostmasters and operators in the running of their Post Offices from an operational and engagement perspective.

- 3.2 What is in and out of the scope of this programme is detailed below:

In Scope	Out of Scope
Cash, stock & stores management Finance Service Centre (FSC) NBSC & HSD Training – design & delivery Audit – design & delivery Communications Structure design for the network and admin support function touch points IT Spmr/operator selection process Spmr contract breaches Sales support – delivery methods Product design, delivery & Comms Crown – where the touch points are the same for the Crown network then these are in scope Refinement of network operating models	Crown network as an entity Supply Chain as an entity NTP as an entity Wider business organisational design

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4. Programme Outputs – Quick Wins

In the process of mapping the “As is” and “To be” processes “Quick wins” have already been / will be implemented by end March 2014. Our focus has been on addressing the key issues raised in the Second Sight interim report and some of the themes from the Mediation Scheme cases although a number of these improvements were already in train within the Post Office.

4.1 Subpostmaster Contract Breaches - we have reviewed our approach to how we respond to material contract breaches by Subpostmasters and made the following improvements:

- Where a potential breach of contract has occurred our approach is to work with the Subpostmaster to establish the facts and then to take the appropriate action. Any investigation is carried out in a totally objective way treating the Subpostmaster at all times with dignity and respect regardless of whether there is evidence to suggest any wrong doing.
- Our default position is to keep the Subpostmaster in post and the branch operational, unless in the usually low number of cases where not to precautionary suspend the Subpostmaster would carry a high risk of damage to POL’s reputation and / or a high risk to POL’s assets or where a customer has been directly involved in a potential fraud by the Subpostmaster. This has resulted in a significant reduction in precautionary suspension and termination cases as evidenced at appendix 1. Examples of some of the cases are detailed at appendix 2. These branches are then monitored so if the initial problem were to reoccur we can respond quickly.
- In March we are introducing a new category of action in dealing with material breaches of contract i.e. Suspended termination. This is where the Subpostmaster has materially breached the contract and would have previously had their contract terminated. The new Suspended Termination category is where mitigating circumstances are such that the decision is to award a suspended termination is made; the Subpostmaster remains in post on the condition that if a further breach of contract occurs in an agreed period (set by the nature of the first breach and typically a year) then the contract termination is triggered.

4.2 Early Identification Tool - this is a real-time data tool from Fujitsu.

- It will support earlier identification and intervention of accounting and transactional anomalies which could be an indicator of non-conformance or fraud.
- The real-time element will enable analysis to be undertaken at the point it happens rather than waiting for historical data to be gathered.
- The pilot called HORice will be run in March and if the results are as we expect this tool could nip problems and losses in the bud - there have been specific historical cases of significant losses (i.e. £185k) where

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having this data would have identified a pattern or behaviour within one to two months rather than after 1 year.

4.3 Accounting Losses Support – we have refined our processes to react more responsively to reports of unexplained losses from Subpostmasters

- Where unexplained accounting discrepancies are raised by Subpostmasters either via NBSC or some other route eg flag case these are passed to the Branch Support Team for resolution.
- The Branch Support team will assess whether the case is satisfactorily closed or whether further training is required.
- If further training is required the Branch Support team will action this.
- If further investigation is required the Branch Support team will pass to the Mediation Case Managers for assessment and further investigation as appropriate.
- Longer term, calls to NBSC will be categorised and analysed to establish root cause and resolution.

4.4 Training - we have improved the training approach by:

- Introducing an introductory call to the new Subpostmaster two weeks before they take up post.
- Having earlier contact with the Subpostmaster following their initial training and replacing the month 1 telephone call with a branch visit.
- Reviewing the effectiveness of the balancing work-aid to help Subpostmasters identify and hopefully resolve balancing problems earlier.
- Longer term, we are considering options on how best to optimise e-learning in our initial training to agents and on an ongoing basis

5. Programme Outputs – Longer Term

- 5.1 The Business Improvement Programme has 9 work streams that capture all the touch points the Subpostmaster has with Post Office in running their branch. These are: pre-appointment process; operational support; physical support; performance management; training; communication; IT; early warning/intervention approach; leavers process.
- 5.2 The milestone plan including costs and benefits for each of the workstreams will be completed by the end of February 2014, with interdependencies mapped.
- 5.3 The proposed ways of working for each workstream will include an ongoing review mechanism that ensures that continuous improvement is embedded into business as usual.

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6. Success Criteria

6.1 The Programme has two main key performance indicators (KPIs) – Agent Engagement and Operational Cost Reduction:

- Agent Engagement - the formal measure is the Spmr annual engagement and in particular the support category of the survey. This will be supplemented with Pulse surveys undertaken at quarterly intervals.
- Operational Cost Reduction - the cost of support to the network will be baselined as part of this Programme. Headline numbers suggest that 40% of the current support to the network is spent on recovery support ie correcting things that haven't been done right first time

6.2 Each of the nine workstreams will have performance measurements that feed into the two main KPIs.

7. Interdependencies

7.1 Other business programmes identified as having key interdependencies with this Programme are:

- Sparrow ie Initial Complaint Review and Mediation Scheme. Sponsor – Chris Aujard. Programme led by Belinda Crowe
- Network Transformation. Sponsor – Kevin Gilliland. Neil Ennis, Programme Director.
- Business Operating Model – Sponsor – Lesley Sewell. Programme led by Brian Deveney.

8. Governance

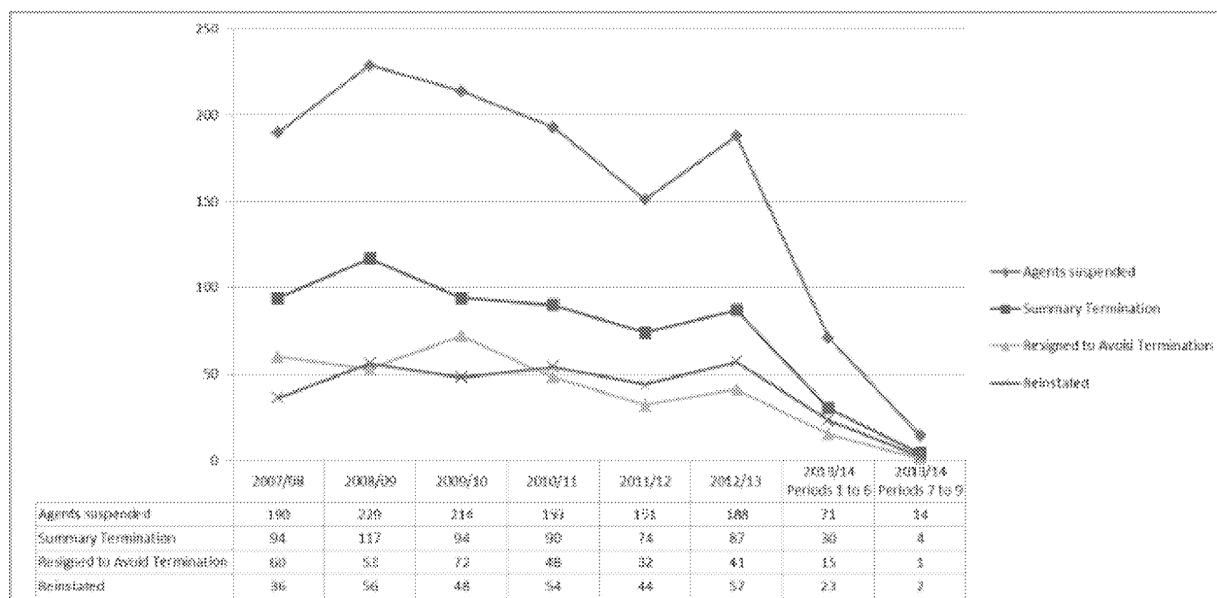
8.1 The Business Improvement Programme will operate with a formal programmatic approach supported by the necessary governance and resource. The rationale for this is that a cultural change in behaviours will be required and therefore the right support in each of the workstreams and business areas will be needed to ensure that the changes are managed effectively and successfully embedded within the organisation with pace.

8.2 The Programme Board will meet monthly with monthly updates provided to ExCo and POL Board.

Kevin Gilliland
13th Feb 2014

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Appendix1



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Appendix 2
Subpostmaster Contract Breaches – New Approach Examples

No Precautionary Suspension Examples – these are where under the previous approach precautionary suspensions would have happened.	
Date of Audit	Decision in respect of Contract breach
Sept 2013 Risk Based Audit	Audit result was £1112.98 short. As this was over the £1K threshold this would have previously led to a precautionary suspension pending investigation. Three cheques totalling £800 were missing – the response from Spmr was vague in relation to where they were. Rather than suspend, upon making good the full amount of the loss on the day the branch was re-opened and service maintained. The Spmr later attended a meeting with the Contracts Advisor in relation to the contract breach.
October 2013 Risk Based Audit	Audit result was £5401.44 short which would have led to automatic precautionary suspension. Spmr claimed historic stamp shortage (2008) and part Transaction Correction had been disputed. The loss was made good on day. The Spmr was kept in post. The investigation and the interview with the Spmr taking place at a later date. Written warning was issued.
November 2013 Audit following cash check escalation	Audit result was £17,818.42 short. It was clear from Field Support Advisor (auditor) on site that this was down to OIC who failed to appear with safe keys which would have previously led to automatic precautionary suspension. The Spmr accepted full responsibility and undertook to repay at earliest opportunity in full (received within 7 days). The Spmr was kept in post and interviewed at a later date. The Spmr has since left as part of a commercial transfer.
December 2013 Special Request Audit	Audit result was £36148.04 short. Staff member had been manipulating cheques within the account – these cheques were not being received by the processing centre. The staff member was son of the Spmr who had left him in charge without proper controls. The Spmr accepted full responsibility for loss, removed her son from the branch and entered into repayment arrangements with us to repay the loss. Previously the Spmr would have been precautionary suspended whilst the investigation was completed but in this instance the investigation was but was done on the day. As the Spmr is a pluralist if suspended she would have been suspended from both branches.
Precautionary Suspension Examples – these are cases that under the new approach warrant precautionary suspension	
Date of Audit	Decision in respect of Contract breach
November 2013 Risk Based Audit	Audit result was £33,388.14 short. During the audit the Spmr admitted taking £29k and giving it to his brother to buy a car. Precautionary suspension took place and following interview with Contract Advisor the Spmr's contract was terminated. The debt is still outstanding. A temporary Spmr is running the branch.
September 2013 Risk Based Audit	Audit result was £7488.00 short. The Spmr admitted misuse of funds to keep business running as struggling to maintain. He was precautionary suspended because no reasonable explanation and funds would have continued to be at risk. He later resigned to avoid termination

POL00027478
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Post Office Ltd

2014-15 Scorecard

13th February 2014



Purpose and Contents

Purpose

- The purpose of this session is:
- To review and agree the measures to be used for POL in 2014-15
- To discuss bonus worthy metrics
- To agree next steps

Contents

- 2013-14 - Scorecard
- 2014-15 – Draft Scorecard for discussion and agreement
- Questions and timeline



2013-14 Scorecard – a reminder

Key Performance Indicators	Year to Date			Full Year			2012-13 Outturn
	Act	Target	Var	Latest view	Target	Var	
Growth							
Total Net Income (excl NSP) £m (Bonus 20%)	650.3	678.7	(28.3)	880.0	900.0	(20.0)	902.4
Operating profit £m (Bonus 25%)	86.1	74.6	11.5	102.0	102.0	0.0	94.2
Earnings before ITDA and Subsidy £m*	(63.6)	(74.7)	11.1	(97.2)	(97.2)	0.0	(115.4)
Free cashflow £m	121.2	5.2	116.0	103.7	(16.3)	120.0	132.2
Customer							
Customer Satisfaction**	87.5%	88.0%	(0.5)%	88%	88%	0%	87%
Easy to do business with (Bonus 20%)**	43%	44%	(1%)	43%	44%	(1%)	N/A
Net Promoter score**	(3)	5	(8%)	(3)	5	(8%)	N/A
Queue time % < 5 minutes - Top 1k branches	81.5%	79.7%	1.8%	81%	81%	0.0%	80.7%
Horizon availability	99.9%	99.7%	0.2%	99.9%	99.7%	0.2%	99.8%
Branch - Compliance (new basket)	98.4%	98.0%	0.4%	98%	98%	0.0%	97.8%
People							
Engagement Index % (Once a year) (Bonus 10%)	51%	56%	(5%)	51%	56%	(5%)	55%
(No.) % of BME appointments over total recruits at senior leadership and senior manager	10%	4%	6%	10%	4%	6%	N/A
(No.) % of Female appointments over total recruits at senior leadership and senior manager	49%	40%	9%	49%	40%	9%	N/A
Modernisation							
Crown Profit (Loss) £m (Bonus 12.5%)	(22.1)	(19.8)	(2.3)	(26.8)	(23.0)	(3.8)	(37.0)
NT Conversions - contract signatures (Mains & Locals) (Bonus 12.5%) ***	2,407	2,369	38	3,000	3,000	0	1,450
NT Branches Open (Mains & Locals)***	1,467	1,610	(143)	1,950	1,950	0	507

Bonus worthy metrics

* ITDA Interest, Tax, Depreciation, Amortisation

** Monthly = 3 month average. YTD = 12 month average

*** YTD and FY = cumulative including prior years



Draft 2014-15 Scorecard

Key Performance Indicators	Status	Bonus %	Threshold	Target	Stretch	ExCo owner	Rationale
Growth							
Total Net Income (excl NSP) £m (Bonus)	Existing	20%	910	925	940	Chris	Target is budget
Operating profit £m (Bonus)	Existing	25%	99	99	130	Chris	Target is budget
Earnings before Interest, Tax, Depreciation, Amortisation and Subsidy (EBITDAS) £m	Existing			(61.0)		Chris	Target is budget
Free cashflow £m	Existing			TBC		Chris	Final figure TBC - Target will be budget
Customer							
Customer Satisfaction**	Existing			88%		Martin	Maintain current target - Externally reported metric
Easy to do business with (Bonus)**	Existing	20.0%	46%	48%	50%	Martin	See separate paper
Net Promoter score**	Remove?			TBC		Martin	Proposal is to remove - See separate paper
Queue time < 5 minutes - Top 1k branches	Remove?			TBC		Kevin	Proposal is to remove - See separate paper
Horizon availability	Existing			99.8%		Lesley	Target maintained at current year level. (Above SLA of 99.56%)
Branch - Compliance	Change			TBC		Nick/ Kevin	Nick/ Kennett - FS
People							
Engagement Index % (Once a year) (Bonus)	Existing	10.0%	55% (or 13-14 outturn if higher)	56% (or 13-14 outturn +1 if higher)	57% (or 13-14 outturn +2 if higher)	Fay	Target should be an improvement 2012-13 (prior to IR issues)
Subpostmaster Engagement	New			48%		Fay	New for 2014-15
(No.) % of BME appointments over total recruits at senior leadership and senior manager	Existing			7%		Fay	National average is 11.9%, FTSE 100 average is 5.7% (POL last 3 month average 6.7%)
(No.) % of Female appointments over total recruits at senior leadership and senior manager	Existing			45%		Fay	National average is 51% of the population. (POL last 3 month average 41%)
Modernisation							
Crown Profit (Loss) £m (Bonus)	Existing	12.5%	Same as Target	TBC	TBC	Chris/ Kevin	Await calculations from Clarity - to align with budget.
NT Conversions - contract signatures (Mains & Locals) (Bonus)	Existing	12.5%	TBC	TBC	TBC	Kevin	TBC
NT Branches Open (Mains & Locals)***	Existing			TBC		Kevin	TBC



Questions for discussion

Scorecard

- Are you happy with the new Subpostmaster Engagement score being added to the scorecard?
- Should the Branch Compliance metric be re-worked from the current one to have more of a Financial Services focus? (currently under review).
- Should the current 4 customers metrics be reduced to the 2 as proposed by Commercial (dropping Queue time and NPS – see separate paper) ?
- Are there any other metrics that should be added? Eg cost reduction?
- Are there any metrics that should be removed?
- Confirm that NTP target remains based on signatures and not openings?

Bonus

- Is the balance of bonus right?



The ExCo is asked:

- Discuss and agree the measures to be included in the scorecard for 2014-15 and agree which are bonus worthy metrics
- Agree next steps to complete target setting, link to bonus scheme (% split, threshold, stretch) and communicate
- Consider approach for agreeing LTIP metrics
- Note the timeline below
 - Timeline for 2014-15 Scorecard:
 - Late January / Early February - Directorates look at key measure and objectives for the year ahead based on the strategic plan and other operational requirements. At the same time Finance pull together a first draft of the scorecard based on the strategic plan deliverables.
 - 13th February - ExCo session to discuss/ review/ approve proposed metrics for 2014-15 scorecard
 - End of February - ExCo approve final scorecard with targets including threshold and stretch targets (if not completed on 13th)
 - 11th March (papers on 2nd March) - Remco to approve STIP and LTIP schemes
 - 26th March - Board approve the budget
 - Early April - Agree STIP and LTIP targets with Shareholder

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POST OFFICE LTD EXECUTIVE COMMITTEE

Statement of Public Purpose

1. Purpose

The purpose of this paper is to invite ExCo to:

- note the results of the research undertaken as part of the Public Engagement Exercise into the Public Purpose of the Post Office
- approve the proposal and arrangements for the next steps in agreeing and publishing the Public Purpose of the Post Office

2. Background

- 2.1. In the response to its consultation 'Building a Mutual Post Office' (July 2012) Government set out that a definition of the public purpose, developed collaboratively with stakeholders, should be undertaken as a first step towards the potential mutualisation of the Post Office.
- 2.2. The response set out the Government's wish for the Post Office to engage with stakeholders to create a statement capturing the business' public benefit, referring to the social need behind many of its services alongside the role of the network at the heart of many communities.
- 2.3. The response stated that 'mutual businesses...require a clear vision around which the wide ownership base can coalesce', citing Arup's mission as a commitment to good design, and John Lewis Partnership's stated purpose as being the happiness of its members. The response went on: "For the Post Office, defining an appropriate level of service and those customers' needs it must meet, alongside the interests of those within the business who work to meet those needs, will be a vital prelude to mutualisation. This will enable codification of the Post Office's purpose within a future mutual's constitution."

3. Activities/Current Situation

- 3.1. The Post Office established a Stakeholder Forum in October 2012 comprising stakeholders and experts from a range of organisations to begin defining its public purpose. Paula Vennells chaired the Stakeholder Forum, which comprised the NFSP, CWU, Unite, Age UK, Consumer Futures, CAB, British Youth Council, Mutuo and the BBC.
- 3.2. Two working groups were established to produce the content of the public purpose. One group looked at the Public Purpose from the perspective of those delivering post office services, the other from the perspective of the consumer. These discussions resulted in two versions of a Public Purpose Statement and Principles **Annex 1**. It was agreed that these two statements and principles would be tested

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with the public and wider stakeholders through an engagement study across a range of audiences.

- 3.3. A research agency, Truth, was appointed by the Post Office to conduct the research and report back to the Public Engagement Working Group (this included the communication leads for each of the members of the Stakeholder Forum).
- 3.4. The Public Engagement Working Group started an engagement and research exercise on 30th August 2013 to get the views of the public and wider stakeholder groups. The result of this was a very comprehensive piece of research which covered all nations and included colleagues, subpostmasters, the general public, customers, small businesses and those members of the public that are traditionally hard to reach (elderly and the digitally excluded). The research included surveys, workshops and interviews – a short selection of quotes from the research are included in **Annex 2**. The full research document will be available on Boardpad.
- 3.5. The conclusions from the research were presented to the Public Engagement working group in November and the Stakeholder forum in December 2013. The research identified three broad themes which resonated with those who took part, those of community, trust and accessible
- 3.6. We have reviewed the research, comments from the public engagement working group and the Stakeholder Forum and drafted a Public Purpose Statement for discussion with ExCo before consideration by the Board. This is at **Annex 3**

4. Options Considered

- 4.1. In developing this proposal we have considered (a) what other organisations say about their Public Purpose, (b) sought to ensure that the language used is clear and simple to understand, and (c) the Public Purpose complements the Post Office's Securing the Future: 2020 Strategy.
- 4.2. We have also considered governance issues in relation to the public purpose statement. A number of potential measures would, subject to ExCo agreement, be utilised in relation to delivery, ranging from network accessibility criteria to customer satisfaction scores and engagement data. A summary of potential measures is at **Annex 4**.

5. Proposal

- 5.1. The proposal is to take the draft Public Purpose statement to the Board on the 26th February 2014. The statement would then be put to BIS with an eventual announcement in March / April 2014, potentially alongside the launch of the Post Office Advisory Council.
- 5.2. Further to this proposals will be developed in relation to governance arrangements. The Board had previously considered this issue and felt that the business should be held to account for delivery of the public purpose through the Board or the ARC.

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6. Key Risks/Mitigation

6.1. There is the risk that the Public Purpose may be misinterpreted or misused by some organisations / individuals. In addition, there may be parties that do not fully agree or sign-up to the Public Purpose statement. However, a thorough process and research project has been undertaken, stakeholders were invited to take part in that process and there was broad consensus on the key themes that should be included in the Public Purpose statement.

7. Communications Impact

- 7.1 For the first time in our history we will have a clear definition of why the Post Office exists and its public purpose: a definition forged by our customers and our people. The Public Purpose represents a powerful opportunity for our organisation, particularly within the context of the development of mutual ways of working. It will present a vision around which we have the opportunity to motivate colleagues, subpostmasters, stakeholders and most importantly customers.
- 7.2 Ultimately the Public Purpose statement will play a key communications role in challenging perceptions about the business and will provide a vehicle around which we will be able to articulate the ways in which we are different from other businesses. Alongside the development of our brand through marketing activity, it will support commercial priorities through demonstrating to our customers (existing and new) that the Post Office is unique because of our public purpose.
- 7.3 The Public Purpose also strongly relates to the development of mutual ways of working. We can use the Public Purpose statement to galvanise colleagues in all parts of the business around a common purpose to increase engagement and bring a renewed emphasis on customer excellence.

8. Recommendations

- 8.1. ExCo is asked to:

- note the results of the research undertaken as part of the Public Engagement Exercise into the Public Purpose of the Post Office
- consider the proposed Public Purpose statement and arrangements for the next steps in agreeing and publishing the Public Purpose statement

Mark Davies

February 2014

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Annex 1

Stakeholder Forum Output

<p>As a mutual Post Office we will be accountable to the public, customers, our people and their representatives for the delivery of the Public Purpose</p>	
<p>Public Purpose from the perspective of those who deliver Post Office services</p> <p>Public Benefit Purpose</p> <p>The Post Office exists to deliver trusted, vital and valued products and services which are universally accessible</p> <p>We will do this by</p> <ul style="list-style-type: none">• Making a positive contribution to the all communities we serve• Developing a dynamic, enterprising, ethical and commercially sustainable business by continually evolving - investing in our infrastructure, products, services and people to ensure we secure the business for the future.• Keeping our customers at the heart of what we do, building relationships based on trust and integrity.• Staying true to our core of financial, government and postal services, continuing to modernise and expand into new markets; ensuring we are always providing our customers with relevant, value for money services.• Providing a high quality, responsive service that offers choice to meet the needs of our customers.• Inspiring, engaging and fairly rewarding our people. Developing them to ensure they have the highest standards of excellence and professionalism. They are proud to be a part of the Post Office.	<p>The public purpose from the perspective of the Consumer</p> <p>The public purpose of the Post Office</p> <p>The Post Office is accessible and accountable to all its customers, treating them fairly and offering them the products and services that they need and can trust.</p> <p>Key elements</p> <ul style="list-style-type: none">• Promises to provide the services people want and treat people fairly• Member involvement in the direction of the organisation• Sustainability• Future-proof business planning• Ethical attitudes in its behaviour towards its customers and its dealings with business partners



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Annex 2

Public Purpose Research Quotes (from the Public Engagement Exercise)

“In our community it provides a much needed banking system. [Our] nearest town [is] 17 miles away. It provides a person to answer many questions both financial and social.” **Source: Customers, qualitative questionnaire**

“The Post Office plays such an important role in the communities they serve. They are often the social fabric that glues the community together.” **Source: Those delivering the service, qualitative questionnaire**

“I have given a score of 9 for both statements because I believe that the products and services the Post Office provides are very important and affect the quality of life of many members of our society.” **Source: Customers, qualitative questionnaire**

“It is not just a commercial set up like a supermarket the staff are normally local and care very much about providing the ultimate service to their neighbours in the community.” **Source: Customers, qualitative questionnaire**

“Always being open and honest, and always fighting to give customers the best customer and best products and service.” **Source: Customers, qualitative questionnaire**

“PO provides access to key services associated with Government in a familiar and secure environment. The brand is one that most people recognise, and more importantly trust.” **Source: Customers, qualitative questionnaire**

‘The Post Office is the heart of most communities, it’s not just about the service we offer it is a social experience for many people as well, sometimes the only time some people get out and see anyone’ **Source: Those delivering the service, qualitative questionnaire**

‘It is a focal point of any community as it deals with all aspects, pensions car tax, insurance, posting letters and parcels. It is vital to all our communities as it keeps people together.” **Source: Customers, qualitative questionnaire**

“I highlighted ‘keeps’ as well, because you want to keep your customers. I think you’ve got to focus on how to keep them, throughout every Post Office not just individually.” **Source: Customers, qualitative workshop, Cardiff**

“It’s all about involvement. If you cut out your customers from your decision-making processes you’re going to alienate them.” **Source: SMEs, qualitative workshop, Cardiff**

“Everybody looks for value for money. And you feel you get it at the Post Office.” **Source: Customers, qualitative workshop, Belfast**

“What’s relevant to one person isn’t going to be relevant to another. It feels like a descriptive word that doesn’t really have any value.” **Source: SMEs, qualitative workshop, Belfast**

“This is about everybody being treated the same, Black, White Protestant, Catholic etc.” **Source: Customers, qualitative workshop, Belfast**

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“This is about more than just the service. It’s about the extra stuff – the meeting point, the information point, the place that people can come and talk. More than the sum of its parts.”

Source: Customers, qualitative workshop, Belfast

“I kept thinking promises can be broken. I don’t know why, it was at the back of my mind so I just didn’t like the word.”

Source: Those delivering the service, qualitative workshop, Cardiff

“What you want may not be possible.”

Source: Customers, qualitative workshop, Belfast

“Most of it is about things you need not things you want. Post Office is straight-up, its not going to come up with these ‘Buy One Get One Free’ type thing.”

Source: Customers, qualitative workshop, Belfast

“It’s about good standards, morals, fair. It’s not like the banking service.”

Source: Customers, qualitative workshop, Belfast

“I like the word ‘secures’ the business. It’s got to be secure. I like ‘future’. No future, no existence.”

Source: Those delivering the service, qualitative workshop, Cardiff

“Its fine for them to grow, just keep the customer at the heart.”

Source: Customers, qualitative workshop, Belfast

“I don’t really care what it invests in its infrastructure; I just want the service to be provided for me.”

Source: SMEs, qualitative workshop, Belfast

“Every other part of the high street is evolving and sometimes Post Office feels archaic. Its important it evolves as otherwise it become s obsolete.”

Source: SMEs, qualitative workshop, London

“I thought it doesn’t really belong in the Public Purpose. The public going into any place, a shoe shop or a Burger King, will expect the people there to be trained to do what they’re doing.”

Source: Those delivering the service, qualitative workshop, Edinburgh

“We don’t know what the future holds. We have a ten-year deal with the Royal Mail so maybe we won’t stay true to that, but we should stay relevant to providing services that customers want, that are more important.”

Source: Those delivering the service, qualitative workshop, Belfast

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Annex 3

The Public Purpose of the Post Office – draft

The Post Office is a commercial multi-channel business set apart by its public purpose: that of providing customers with key products and services through an unrivalled community presence across the UK.

Our public purpose is driven by a belief in the power of communities and the crucial role they play in all our lives in bringing collective focus which supports the common good.

To deliver our Public Purpose we will run our organisation by following four principles:

1. Keep customers at the heart of everything we do
2. Build relationships based on trust
3. Treat everybody with fairness, honesty and respond to different people's needs
4. Make a positive social and economic contribution to all the communities we serve

As an organisation we pledge to:

- Maintain ethical attitudes in all our behaviours
- Provide access to vital and valued products and services in our branches, online and on the phone
- Invest in the organisation to secure the business for the future
- Listen to the views of customers, colleagues and those with a special interest in the Post Office
- Develop and engage ourselves and our partners to ensure they provide the highest level of service

Confidential**Annex 4****Measuring our performance against the public purpose**

The chart below sets out potential metrics for measuring our performance against the public purpose statement.

Principle	Potential measures
Keep customers at the heart of everything we do	Customer Panel Customer Surveys and feedback Government accessibility criteria Assisted Digital development Customer Satisfaction Scores Net PromoterScore (and other brand metrics) Customer Helpline numbers results
Build relationships based on trust	BREC Brand Study Government Services offered Engagement data/tools
Treat everybody with fairness and honesty and respond to different people's needs	Product Development: Customer Value Propositions Customer satisfaction figures
Make a positive social and economic contribution to all the communities we serve	CSR strategy/Your Charity Community Enterprise Fund Community index report Investment in community branches Product / Service awards won Industry metrics
Pledge	
Maintain ethical attitudes in all our behaviours	Post Office staff values and behaviours Engagement metrics
Provide access to vital and valued products and services	Product development and growth
Invest in the organisation to secure the business for the future	Strategy 2020 Community branch investment/development Development of customer propositions Business transformation
Listen to the views of customers, colleagues and those with a special interest in the Post Office	Mutual Ways of Working: - Post Office Advisory Council - Branch User Forums - Subpostmaster Engagement Survey - Communications framework - Engagement metrics
Develop and engage ourselves and our partners to ensure they provide the highest level of service	Post Office Learning and Development Policy Employee engagement survey

The Public Purpose of the Post Office
PEWG Sharing session

Qualitative engagement findings

30th October 2013

truth

Executive Summary

Elements tested in the qualitative engagement

The public purpose statement

We assessed two iterations

A

“The Post Office exists to deliver trusted, vital and valued products and services which are universally accessible.”

B

“The Post Office exists to be accessible and accountable to all its customers, treating them fairly and offering them the products and services that they need and can trust.”

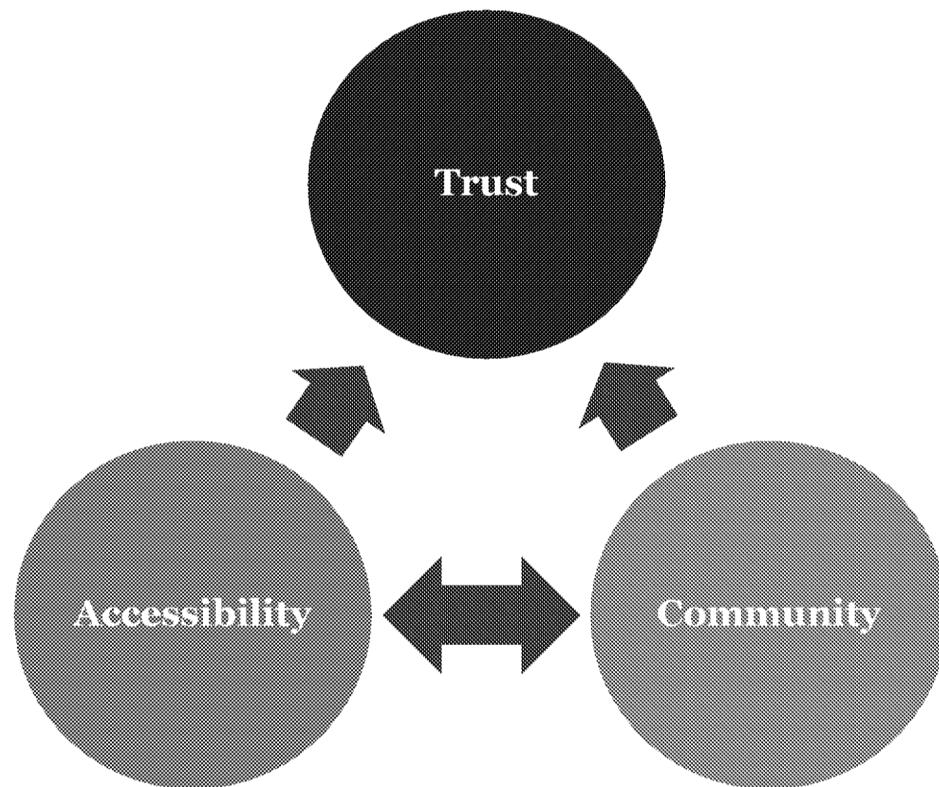
The principles

We assessed 18 principles describing an aspect of what and how the Post Office needs to do to achieve its public purpose

It is important that the Post Office...

- 1 ...makes a positive contribution to all communities it serves
- 2 ...keeps customers at the heart of what it does
- 3 ...builds relationships based on trust and integrity.
- 4 ...develops a dynamic, enterprising, and commercially sustainable business by continually evolving
- 5 ...invests in its infrastructure, products, services and people to ensure it secures the business for the future
- 6 ...stays true to its core of financial, government and postal services
- 7 ...continues to modernise and expand into new markets
- 8 ...provides its customers with relevant, value for money services
- 9 ...provides a high quality, responsive service
- 10 ...offers choice to meet the needs of its customers
- 11 ...inspires, engages and fairly rewards its people.
- 12 ...develops its people to ensure they have the highest standards of excellence and professionalism
- 13 ...ensures its people are proud to be a part of the Post Office.
- 14 ...promises to provide the services the public wants
- 15 ...treats people fairly
- 16 ...involves its people and stakeholders in the direction of the organisation
- 17 ...has ethical attitudes in its behaviour towards its customers and in its dealings with business partners
- 18 ...future proofs its business plans

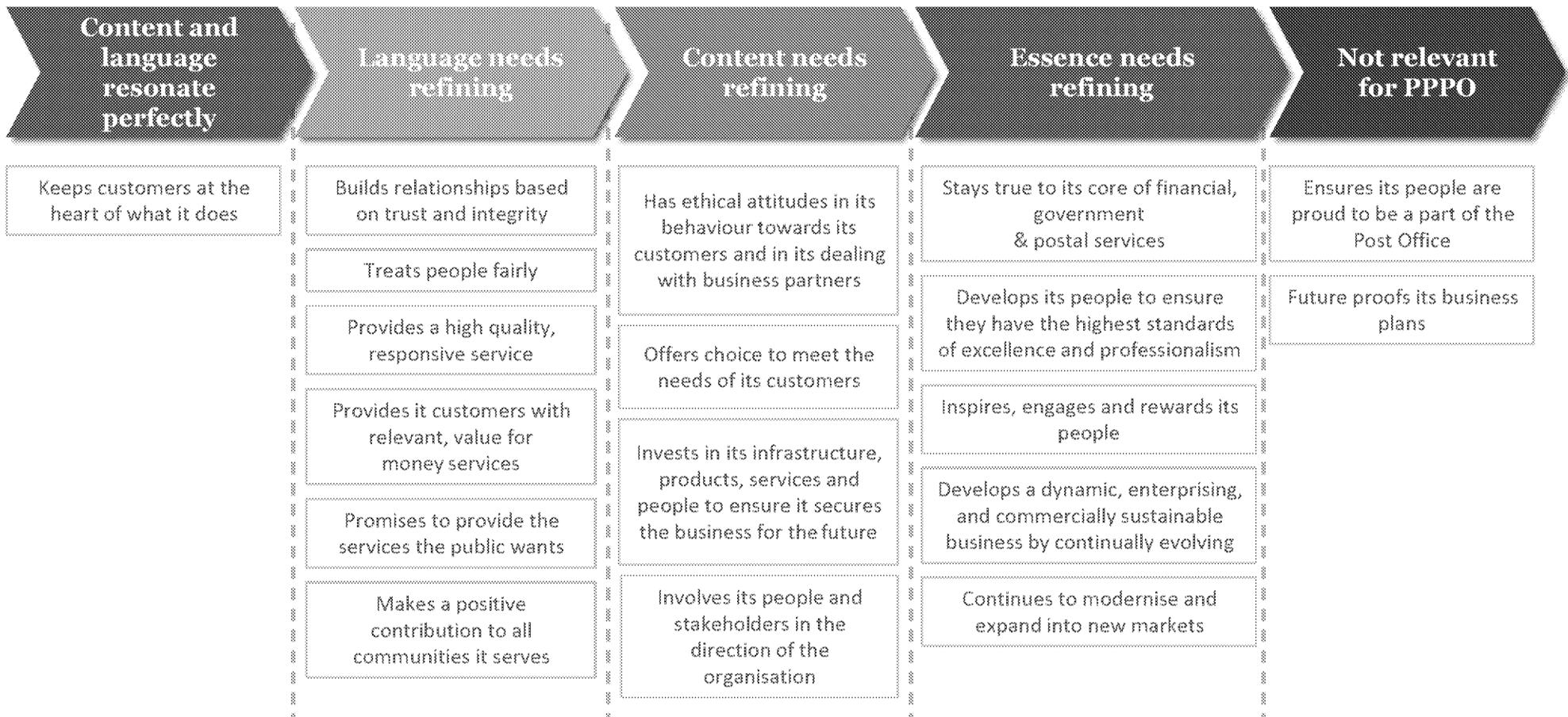
Three broad themes emerged as central to people's perceptions of the role of the Post Office and what makes it unique



Trust
<ul style="list-style-type: none">• Help and support (e.g. source of information and advice)• Service delivery (e.g. face to face, reliable)• Superior customer service (friendly, personal, caring, go the extra mile)
Accessibility
<ul style="list-style-type: none">• Wide range of product and services• Convenience (e.g. easy access / branch network)• For everyone (e.g. vulnerable groups, people in later life, isolated areas)
Community
<ul style="list-style-type: none">• Social / important role in communities• Vital to society and local / small communities• At the heart of the community• British institution

No refinement needed

More refinement needed



Suggested refinements

Keep as it is

Refine language elements to improve clarity

Restructure principles to better reflect the essence of the idea

Extract and combine relevant essences to provide reassurance

Remove from the definition

Original principles		Findings and implications	How it could look like
1	Keep customers at the heart of what it does	Captures the essence of how people view the Post Office – a public service that prioritises people over profits	Keep customers at the heart of what it does
2	Builds relationships based on trust and integrity	Trust lies at the heart of the principle's popularity. Demonstrating the value of building relationships over time provides important reassurance for both current and future PO customers	Builds relationships based on trust
3	Treats people fairly	Essence resonates strongly but language and benefits need to be more tangible to avoid feeling vague and losing its meaning.	Treat everybody with fairness and honesty
4	Provides a high quality, responsive service	Language needs slight revision to emphasise the commitment to delivering good service which is at the core of the principle's relevance	Provides a consistently high level of service
5	Provides its customers with relevant, value for money services	Essence perceived to lie more in accessibility of value for money services rather than relevance.	Provides access to value for money products and services
6	Makes a positive contribution to all communities it serves	Principle goes some way towards capturing the vital role that PO plays in communities, but its social and economic contribution needs to be more clearly referenced to broaden appeal	Makes a positive social and economic contribution to all communities it serves
7	Promises to provide the services the public wants	Sentiment is admirable, but what makes PO different is how they offer what people need rather than what they want	Responds to different people's needs

	Original principles	Findings and implications	How it could look like
8	Has ethical attitudes in its behaviour towards its customers and in its dealing with business partners	Whilst the sentiment of 'ethical' is valued, language needs to better capture relevant essence and benefit to public.	Maintains ethical attitudes in all its behaviours
9	Offers choice to meet the needs of its customers	Concept of 'choice' can feel too broad and contradictory – essence lies more in being able to answer a wide range of different needs. This essence was better captured by two elements extracted from statement A "vital and valued".	Provides access to vital and valued products and services
10	Invests in its infrastructure, products, services and people to ensure it secures the business for the future	Essence is relevant but length and 'corporate' language hinders resonance	Invests in the organisation to secure the business for the future
14	Involves its people and stakeholders in the direction of the organisation	While the essence of ensuring key stakeholders feel they have a voice in the future of the organisation is relevant, the 'corporate' language causes confusion and hinders resonance.	<p>Listens to the views of the people delivering the service regarding the future of the Post Office</p> <p>Listens to the views of key communities regarding the future of the Post Office</p>

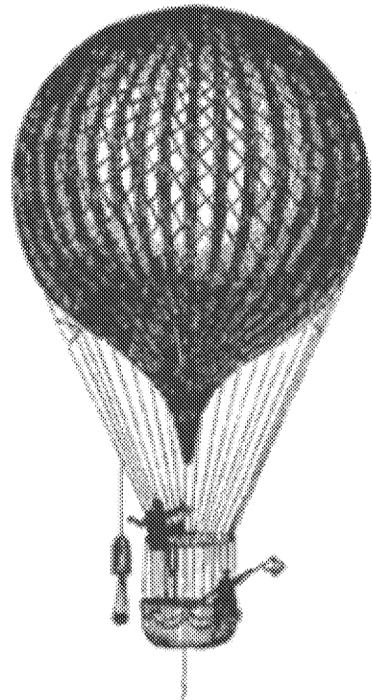


Original principles	Findings and implications	How it could look like
13 Inspires, engages and rewards its people	While principle is clearly understood to deliver a relevant end benefit in good service, the need for it to be explicitly stated within the Public Purpose of the Post Office is questioned	
12 Develops its people to ensure they have the highest standards of excellence and professionalism	Language requires refinement to better communicate core relevant benefits for both colleagues and customers. However key essence of providing good service potentially better communicated elsewhere.	Develops and engages its people to ensure they provide the highest levels of service
10 Stays true to its core of financial, government and postal services	Essence provides reassurance about the future of PO, however examples perceived as restricting organisation's ability to adapt and survive in the future	Continually evolves and modernises to secure the business for the future
15 Develops a dynamic, enterprising, and commercially sustainable business by continually evolving	'Corporate' tone and language does not resonate with perceptions of PO. However 'continually evolving' perceived as a relevant way to talk about need for change in the future, and 'commercially sustainable' is potentially accepted as relevant if positioned as means to deliver PO's public purpose and valued service.	Develops a commercially sustainable business while staying true to its core public purpose
16 Continues to modernise and expand into new markets	While 'modernise' resonates in the context of providing good service and ensuring survival of PO there is strong resistance to concept of expanding into new markets The reference to new markets was either misunderstood or viewed negatively as being too commercially aggressive without being grounded in the public purpose	
17 Ensures its people are proud to be a part of the Post Office	While principle's end benefit of good customer service is clearly understood and deemed relevant, the need for it to be explicitly stated within the Public Purpose is strongly questioned	Removed
18 Future proofs its business plans	While there is wide acceptance that the PO needs to change in order to survive, the language and context of the principle was viewed as meaningless and unfeasible	Removed



Full Findings

Agenda of the day



Content

- 1. At a glance**
- 2. Post Office in their own words**
- 3. The response to the public purpose statements**
- 4. The response to the principles**
- 5. Evidences pack**

Our ultimate goal

For all to commit to
a unique, universal & timeless
Public Purpose

Post Office's reason to be



truth

The objectives of the qualitative engagement in detail

This stage aimed at capturing the initial responses of the public, businesses and those delivering the service to the outputs created by the members of the Stakeholder Forum

This stage enabled us to:

- Identify **potential challenges** in terms of clarity and understanding to ensure the language and terminology used are comprehensible to all
- Assess if people's **emotional attachment** to the Post Office is sufficiently reflected
- Identify potential **points of divergence** where consensus could be more difficult to obtain

Elements tested in the qualitative engagement

The public purpose statement

We assessed two iterations

A

“The Post Office exists to deliver trusted, vital and valued products and services which are universally accessible.”

B

“The Post Office exists to be accessible and accountable to all its customers, treating them fairly and offering them the products and services that they need and can trust.”

The principles

We assessed 18 principles describing an aspect of what and how the Post Office needs to do to achieve its public purpose

It is important that the Post Office...

- 1 ...makes a positive contribution to all communities it serves
- 2 ...keeps customers at the heart of what it does
- 3 ...builds relationships based on trust and integrity.
- 4 ...develops a dynamic, enterprising, and commercially sustainable business by continually evolving
- 5 ...invests in its infrastructure, products, services and people to ensure it secures the business for the future
- 6 ...stays true to its core of financial, government and postal services
- 7 ...continues to modernise and expand into new markets
- 8 ...provides its customers with relevant, value for money services
- 9 ...provides a high quality, responsive service
- 10 ...offers choice to meet the needs of its customers
- 11 ...inspires, engages and fairly rewards its people.
- 12 ...develops its people to ensure they have the highest standards of excellence and professionalism
- 13 ...ensures its people are proud to be a part of the Post Office.
- 14 ...promises to provide the services the public wants
- 15 ...treats people fairly
- 16 ...involves its people and stakeholders in the direction of the organisation
- 17 ...has ethical attitudes in its behaviour towards its customers and in its dealings with business partners
- 18 ...future proofs its business plans

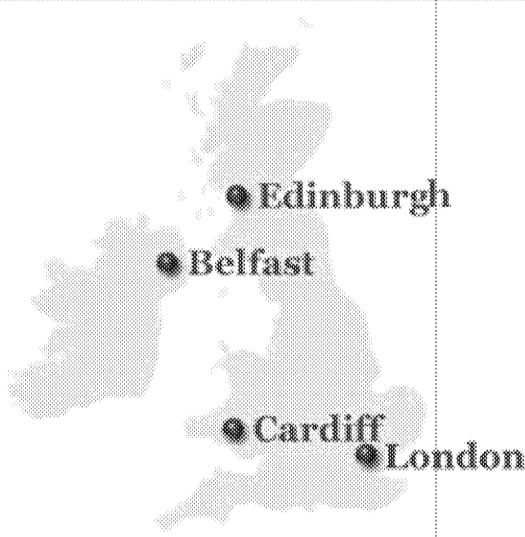
Qualitative engagement: Overview of the 4 Nations' workshops conducted

In the workshops we talked to:

- 21 x Colleagues
- 48 x member of the public
- 48 x business owners / key decision makers

In addition to the workshops

8 x paired depth interviews (16 customers in total) were conducted with hard to reach audiences



The public

The workshops listened to the voice of the public, capturing the diversity of the UK population in terms of age, gender, working status, affluence, living area (urban, urban deprived, rural, isolated rural). A broad spectrum of attitudes towards the Post Office and usage frequency were recruited to ensure different views of Post Office were considered

Hard to reach audiences (the public)

Depth interviews were conducted with hard to reach audiences – those in later life with disabilities and / or a carer, living in isolated rural locations – to ensure they were consulted as part of the engagement process

Businesses

The workshops listened to the voice of SMEs. This included talking to business owners and key decision makers responsible for dealing with Post Office on behalf of their company. Each workshop included businesses from different sectors and of varying size from across the UK – sole traders, micro-businesses (1-9 employees), small business (10-49 businesses)

Those delivering the service

Each colleague workshop included an even mix of colleagues working in Crown branches, sub-postmasters and those working in sub-post offices. In addition, the sessions captured the views of people at different levels of seniority and length of time in the business

Qualitative engagement: Overview of the qualitative questionnaire survey

1,096
questionnaires
were completed

The high response rate and diversity of channels used for the qualitative engagement exercise enabled us to capture a wide range of opinions across different audiences

The public

612
participants

The public responses combined answers from existing PO customers (reached out to via VoC survey), direct invites and the general public (via a press release and link posted onto the Post Office website)

Those delivering the service

373
participants

Sub-post office responses were collected through a range of different channels. This may include people who work in sub-post offices as well as sub-post masters.
98 participants

POL employees' responses covered those working directly for POL, from Crown branch colleagues to admin staff, including field teams and supply chain. Their views were collected using a number of different channels: PO intranet, PO Branch focus, newsletters, direct e-mails to branch managers. *269 participants*

Participating stakeholders



Age UK response represents the voice of those in later life. It combines the evidence base and feedback of the Age UK research team, later life communities (collated by engaging with local Age UK Partners) and speaking directly to those in later life (including carers, people over 80 years old and those with more complex needs such as long term health problems and low mobility). *30 participants*



British Youth Council contribution includes members and representatives who were recently elected. *18 participants*

Citizen Advice Bureau reflects the views of 5 internal experts

Purpose of today

To share all key findings and the response to the draft elements composing the definition of the public purpose of the Post Office

Truth to share the following with the PEWG:

- 1 Key considerations and **criteria for success** in terms of drafting the elements
- 2 The key **evidence** in the responses from the general public, businesses and those delivering the service informing key learnings
- 3 The **suggestions of refinements** of the initial elements composing the public purpose of the Post Office “*How it could look like*”

Chapter 1

At a glance

Both strands of the qualitative engagement stage received an engaged and rich response



The high number, length and richness of responses collected during the workshops and from the qualitative questionnaires reflect that:

- The public, businesses and those delivering the service all had a point of view about Post Office's reason to be
- All were willing to share and explain their views
- All highly valued being listened to
- And for many, it meant voicing their warmth and/or strong attachment towards the organisation

All elements of the public purpose were assessed against a consistent list of success criteria

We assessed the ability of each element to capture why Post Office exists (*the statement*) and what it needs to do to achieve its public purpose (*the principles*) to inform if it should be included or not in the final definition.

In order to understand the potential exclusion of an element from the public purpose, we explored how well both its content and its structure resonated amongst the different audiences:

The essence should be...

- Credible and achievable
- Unique to Post Office and among other principles
- Non-contradictory with other principles
- Relevant to the present and the future

The language should be...

- Clear and comprehensible
- Meaningful
- Unambiguous
- Memorable
- Engaging

Summary of response to the Public Purpose of the Post Office

- Overall, there was a **positive response** to the proposed public purpose definition of the Post Office across all audiences – the general public, businesses and those delivering the service
 - Both **statements** were seen to broadly and equally capture the Post Office's core reason for being
 - No **principle** was categorically rejected i.e. rated as 'not important at all and should definitely not be included in the definition of the public purpose'
- The strength of feeling towards the individual principles, and the extent to which they should be included in the public purpose definition, showed some variation across specific audiences. However, there was **no strong divergence emerging within the overarching themes** in terms of their stated importance, particularly across the Nations

The qualitative engagement process confirms that whilst **no critical aspects were felt to be missing** from the public purpose tested, there is **a need for clarity around some of the content and further pressure testing** of the prioritisation of principles in order to maximise its effectiveness

Chapter 2

Post Office in their words

The engagement questionnaire was used across the qualitative stage to assess the public purpose of the Post Office

Everyone who participated in the engagement process was asked to share their thoughts on the public purpose of the Post Office.

1

What are the key reasons why the Post Office needs to exist in the UK today?
i.e. why do you think the UK needs the Post Office?

2

What is it about the Post Office that you believe makes it different to other organisations?

i.e. what it is the Post Office does for individuals, communities and society that is not done elsewhere?

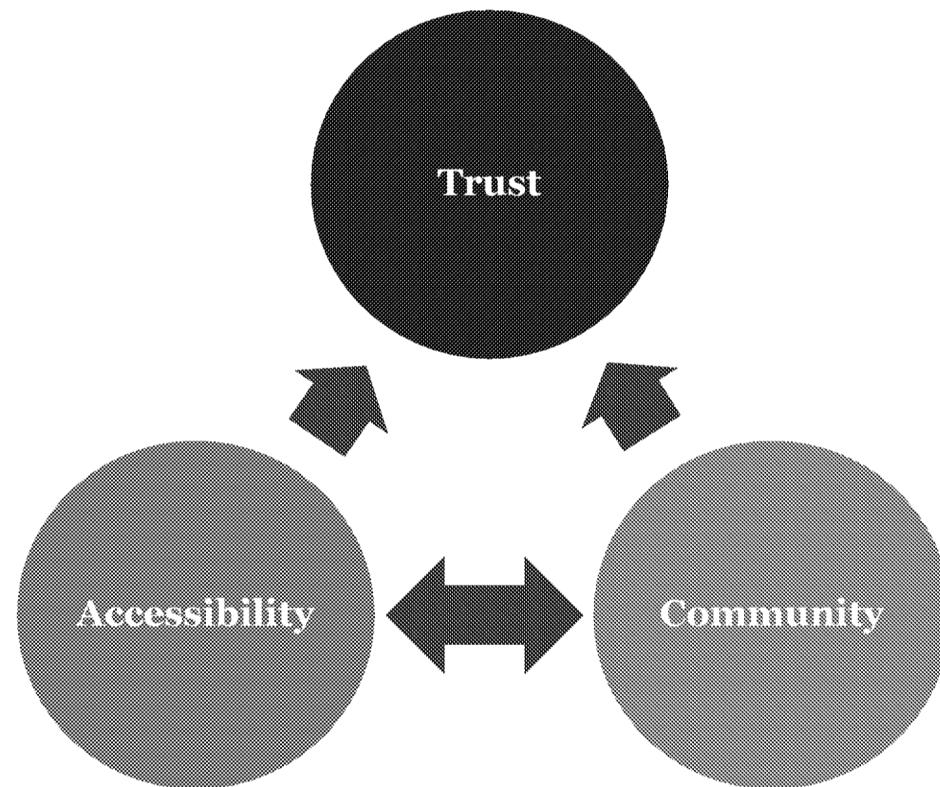
3

As the Post Office evolves, what principles must it protect and to continue to uphold?

i.e. what are the ideals and principles that underpin what the Post Office does and that need to be protected for the future?

These three questions were used to help get people thinking about why PO exists, what it is for and how this should inform its vision for the future.

Three broad themes emerged as central to people's perceptions of the role of the Post Office and what makes it unique



Trust
<ul style="list-style-type: none">• Help and support (e.g. source of information and advice)• Service delivery (e.g. face to face, reliable)• Superior customer service (friendly, personal, caring, go the extra mile)
Accessibility
<ul style="list-style-type: none">• Wide range of product and services• Convenience (e.g. easy access / branch network)• For everyone (e.g. vulnerable groups, people in later life, isolated areas)
Community
<ul style="list-style-type: none">• Social / important role in communities• Vital to society and local / small communities• At the heart of the community• British institution

Trust, Accessibility and Community: in their own words

*"It is a unique mix of public and private sector - a brand so ingrained into the fabric of UK society that nothing other than the NHS comes close to in terms of public affection and **trust**."*

Source: Those delivering the service, qualitative questionnaire

*"Having easy **access** to a national postal and parcels service is vital, particularly one which has customer service at its heart. It must provide a service across the whole of society, taking into consideration the needs of those less able and the elderly."*

Source: Age UK, qualitative questionnaire

*"In our **community** it provides a much needed banking system. [Our] nearest town [is] 17 miles away. It provides a person to answer many questions both financial and social."*

Source: Customers, qualitative questionnaire

*"We know we are a **trusted** brand with customers. This has become especially important in the current economic climate where Banks/ Building societies have lost trust among the general public."*

Source: Those delivering the service, qualitative questionnaire

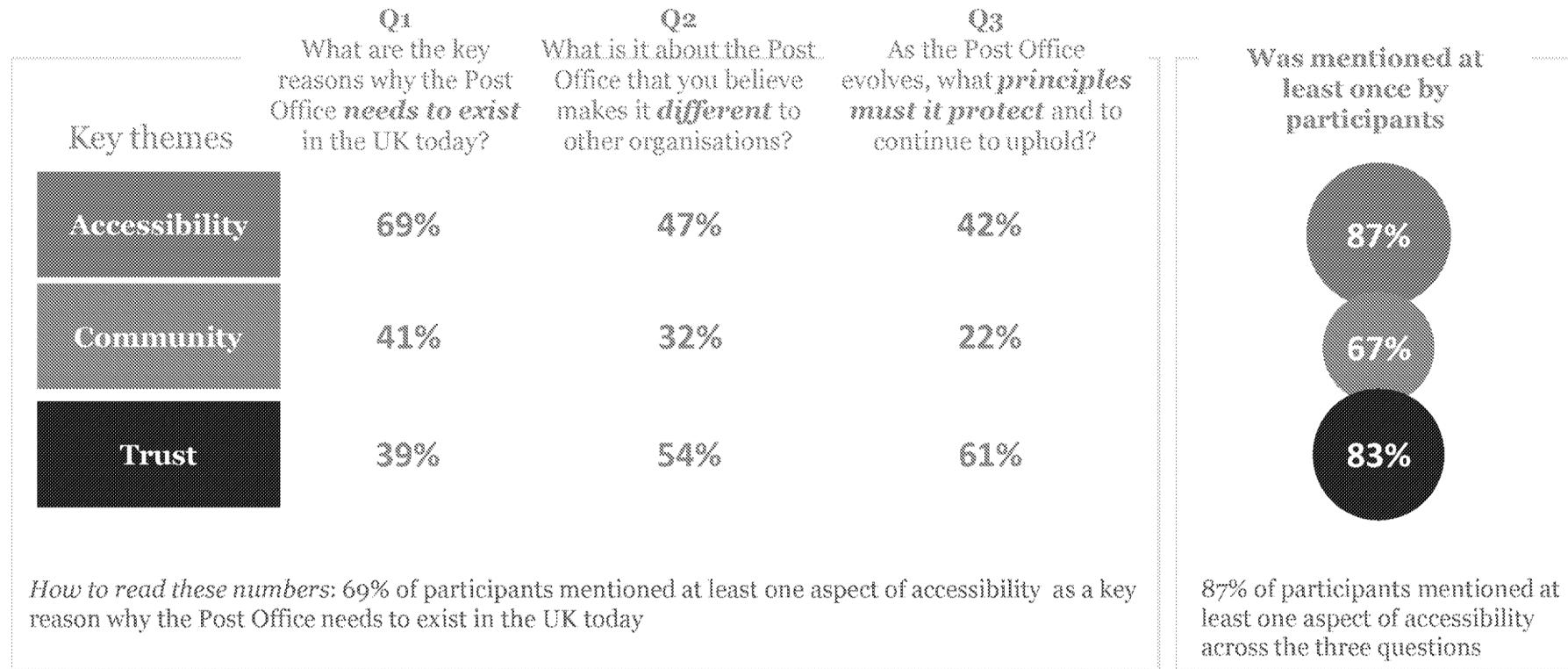
*"PO provides **access** to key services associated with Government in a familiar and secure environment"*

Source: Customers, qualitative questionnaire

*"The Post Office plays such an important role in the **communities** they serve. They are often the social fabric that glues the community together."*

Source: Those delivering the service, qualitative questionnaire

These key themes need to be present within the public purpose of the Post Office to ensure that it resonates across audiences and reflects its core reason for being



Chapter 3

The public purpose statements

Reviewing the public purpose statements tested

Statement

A

“The Post Office exists to deliver trusted, vital and valued products and services which are universally accessible.”

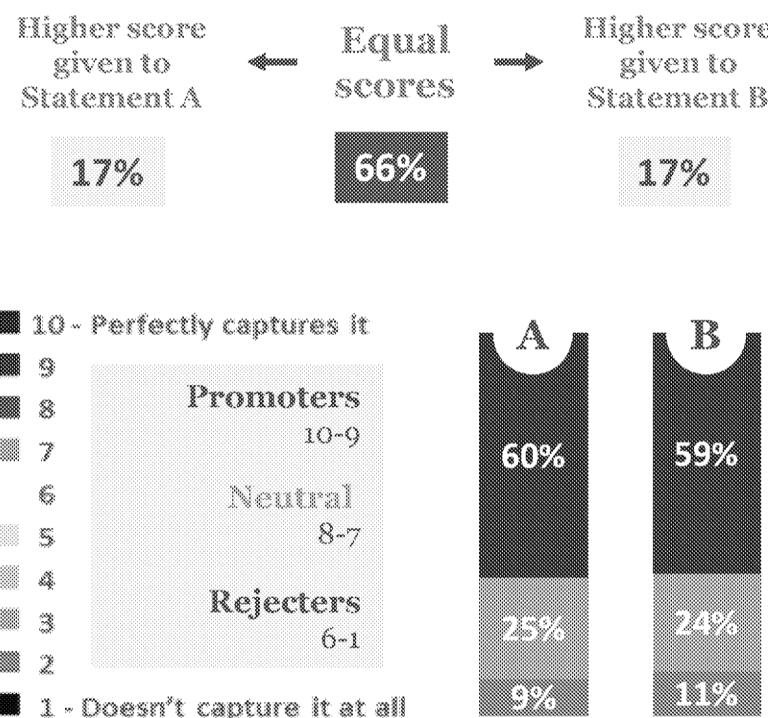
Statement

B

“The Post Office exists to be accessible and accountable to all its customers, treating them fairly and offering them the products and services that they need and can trust.”

Both statements were positively received and often given equal scores

How well does each statement capture what you feel is the post office's core reason for existing



In essence, both statements are seen to be reflective of Post Office's purpose and its essential role in society

Where a higher score is given to one statement over the other, this is often rooted in personal preference for the language and / or tone of voice

The length of the statements was also often a differentiating factor. For example, some people's preference for Statement A was driven by its shorter length in comparison to Statement B

Response to statements: Supporting evidence from engagement exercise

"Both statements cover the ethos of the PO and is what people see as the purpose of the PO."

Source: Those delivering the service, qualitative questionnaire

"It is about being a trusted, accessible provider of needed services. Both [of] these descriptions meet that desire to a high degree."

Source: Those delivering the service, qualitative questionnaire

"I gave the same score to both as they both seemed to be saying the same thing."

Source: Customers, qualitative questionnaire

"Both statements contain important principles.
Statement one is marginally better because it applies universally whereas statement two only includes current customers. Both would be improved if they addressed the aspiration to promote financial and social inclusion. The phrase treating customers fairly is used by the FCA to regulate financial services firms and is now being used in a similar way within the energy market, the Post Office may want to avoid this term as a way of distinguishing itself from the financial services industry."

Source: Age UK, qualitative questionnaire

"Both statements equally capture the essence of the Post Office role in the community. I prefer the first comment because it's more snappy than the second, which is rather long winded."

Source: Customers, qualitative questionnaire

"I have given a score of 9 for both statements because I believe that the products and services the Post Office provides are very important and effect the quality of life of many members of our society."

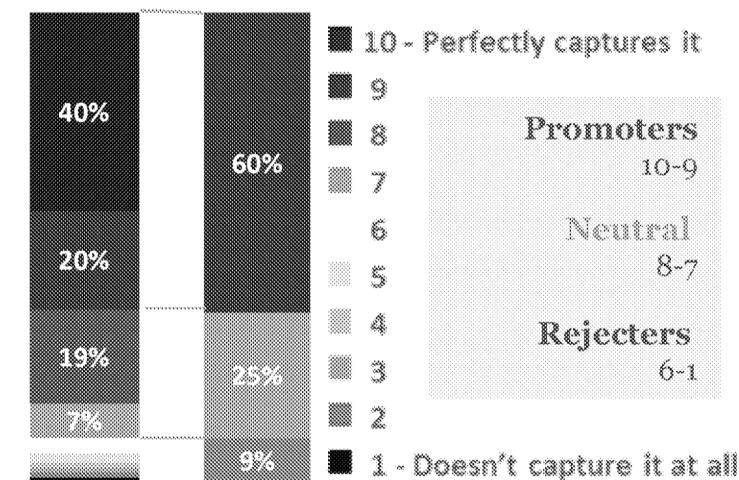
Source: Customers, qualitative questionnaire

A

"The Post Office exists to deliver trusted, vital and valued products and services which are universally accessible"

Overall, this statement receives a positive response from all audiences.

How well does each statement capture what you feel is the post office's core reason for existing



The shortness of Statement A drives its appeal, increases engagement and can also enhance belief in the commitment to deliver. The overall tone was sometimes criticised for having a more corporate feel, in part due to the absence of explicit reference to people or customers

Response to language

Trusted: considered the key differentiating factor at the heart of Post Office's unique role and values – as an organisation, the service it delivers and those delivering it. In this context it can feel more exclusively related to products and services

Vital & Valued: reflects how many people feel about Post Office, but can convey a more corporate / serious tone

Universally accessible: not always understood or considered accurate in relation to PO. "Accessible to all" or "accessible to everyone" were clearer

Response to Statement A: Supporting evidence from engagement exercise

"I don't like the fact it doesn't mention customers. If we don't have customers we fall flat on our faces."

Source: Those delivering the service, qualitative workshop, London

"I think the word "universal" implies this world wide, so although we are dealing with letters and parcels worldwide, not everyone in the world can access all of our products and services as such."

Source: Those delivering the service, qualitative questionnaire

"The two main things are TRUST and ACCESSABILITY. Within walking distance and staffed by people you know."

Source: Customers, qualitative questionnaire

"I think this one is better. It's shorter, concise and to the point. The other one goes on and on about what we're doing which most people know. We don't have to go into three four sentences explaining what we do."

Source: Those delivering the service, qualitative workshop, Belfast

"Trusted, vital and valued suggests they have a bigger purpose than to make money, the sense that its part of the fabric of our society, part of our heritage."

Source: SMEs, qualitative workshop, London

"The first is shorter and more concise. Not much difference in the ultimate message, just shorter and sweeter."

Source: Customers, qualitative questionnaire

"It's too short and snappy. It doesn't have enough detail, enough meat on the bones."

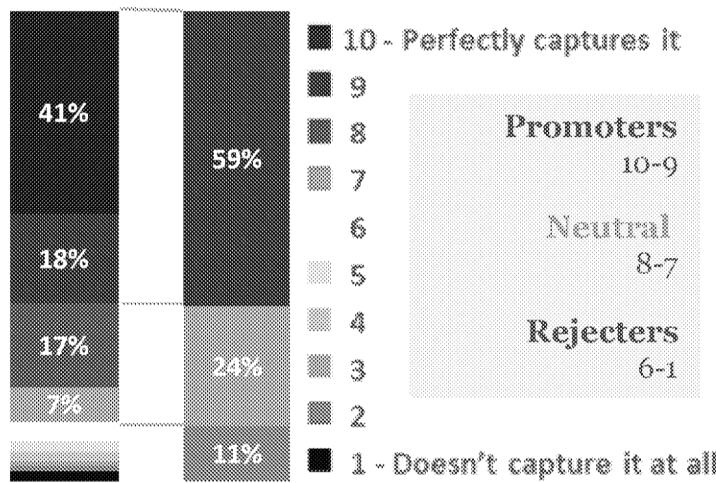
Source: Those delivering the service, qualitative workshop, London

B

“The Post Office exists to be accessible and accountable to all its customers, treating them fairly and offering them the products and services that they need and can trust.”

Overall, this statement receives a positive response from all audiences.

How well does each statement capture what you feel is the post office's core reason for existing



The warmth of Statement B is felt to be reflective of PO as an organisation. The addition of the word “customers” – absent from Statement A – enhances this sentiment. The statement is often criticised for being too long. Whilst largely seen to be covering the same content as Statement A, some of the terminology is too broad.

Accountable: Provides reassurance to some customers but can lead to concerns from those delivering the service that the front line service would unfairly bear the brunt of this.

Accessible to all: Reflects one of the fundamental points of difference that PO is seen to possess over other organisations and public services

Customers: Its presence adds a human touch not always felt by Statement A. But it is also criticised for not being inclusive – focusing on current customers rather than potential / future customers. Businesses can also feel distant from the term

Treating them fairly: The tone can be viewed as slightly condescending/ patronising, especially with the phrasing “them”, creating a distance between Post Office and the public. More explicit terminology is needed to communicate the full extent of its meaning i.e. beyond face to face service in branch

Need: Preferred to “want”, which can give a sense of overpromising. Implies business decisions respond to more genuine market needs

Response to Statement B: Supporting evidence from engagement exercise

"Accountable means people can blame us for everything that goes wrong even when though it's not my product."

Source: Those delivering the service, qualitative workshop, Belfast

"[For "accountable"] I had visions of angry people hunting for their parcels."

Source: Customer, qualitative workshops, Cardiff

"Sounds almost patronising and condescending - separating itself from the consumer."

Source: SMEs, qualitative workshop, London

"I like the fact the emphasis is on the accessibility not the products. I can get everything in my post office elsewhere, but I use it because it near where I live. On the other one the universally gets in the way of the accessible."

Source: Customer, qualitative workshop, London

"Although the other is good and punchy this feels more for the people. It comes across as more caring."

Source: Customer, qualitative workshop, London

"The second [statement] states that the Post Office offers products and services that the customers need and can trust. This is more of a personal statement for customers than the first."

Source: Customers, qualitative questionnaire

"It's really good, encapsulates everything we do and the purpose we've been discussing all afternoon."

Source: Those delivering the service, qualitative workshop, London

In order to understand what truly resonates with people in terms of language, tone and structure, there are a number of factors that need to be explored

- *Further testing different lengths* of statement to understand optimum balance of being more engaging vs. more explicit
- *More formal* vs. *more emotional tone* to understand which feels most relevant and appropriate to PO/context of public purpose
- Assessing the role the three **key themes** of trust, accessibility and community – e.g. structuring statement to different degrees around the themes
- Different tone and language to ensure content is more future facing and not rooted in the present – e.g. replace ‘exists’ with ‘purpose’ upfront in the statement
- Different tone and language to ensure inclusivity of future users, businesses and broader stakeholders – e.g. use ‘people’ and ‘everyone’ rather than customers

How the public purpose statement could look like if...

1. MORE FORMAL

“The Post Office’s purpose is to provide a trusted and accessible service that responds to the needs of all customers and communities it serves.”

2. MORE PUNCHY

“The Post Office gives all communities access to a trusted service and the products they need.”

3. MORE EMOTIONAL

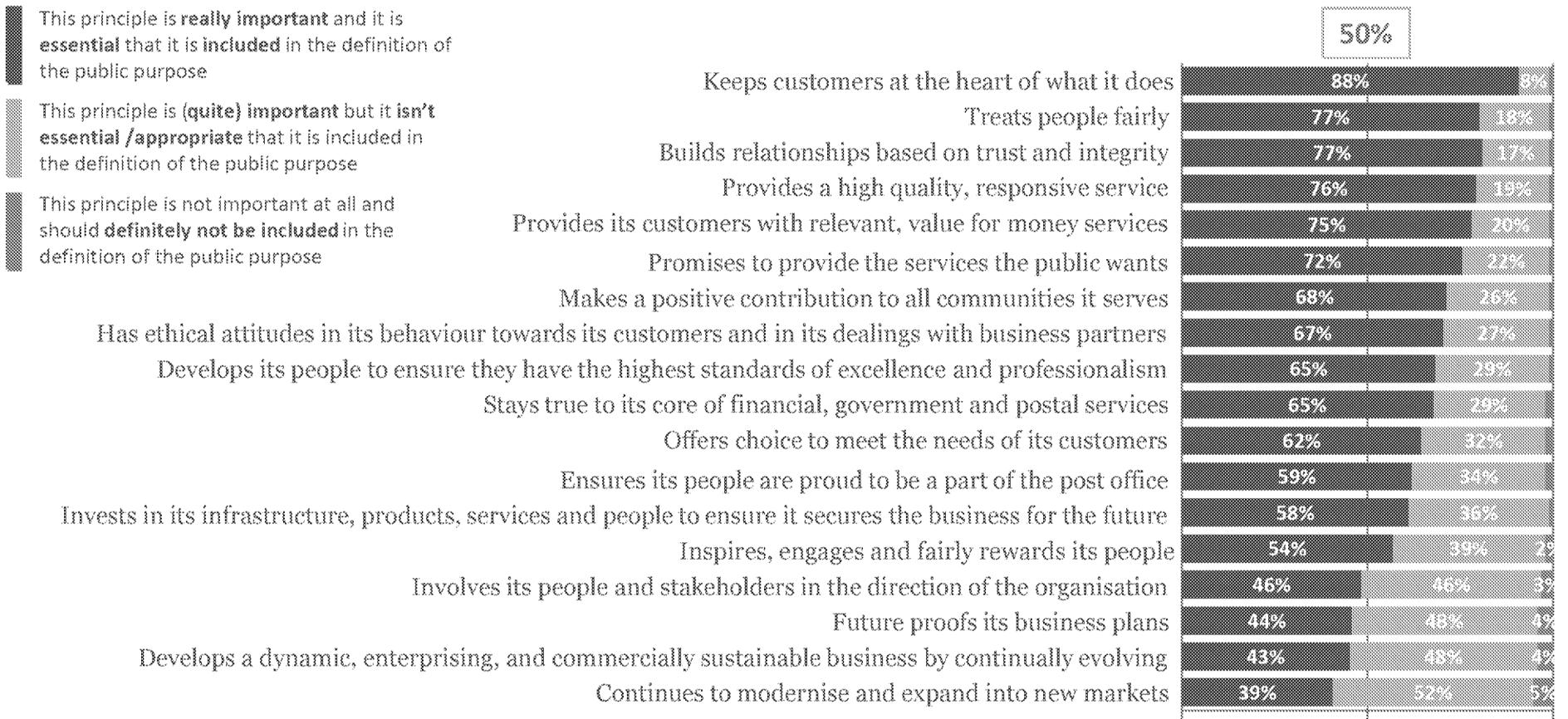
“The Post Office’s purpose is to provide a trusted and accessible service that keeps people and communities at the heart of everything it does.”

Chapter 4

The Principles

Overall response to the principles was positive, with no principles strongly rejected. Those with a more explicit benefit for the public tended to be prioritised

It is important that the Post Office...



Although some differences in the individual ranking of certain principles, there were no overall critical differences in responses

		The public	Those delivering the service	Sub-post Offices	Those working for POL
This principle is really important and it is essential that it is included in the definition of the PP	Keeps customers at the heart of what it does	87%	88%	86%	89%
	Treats people fairly	80%*	73%	79%	72%
	Builds relationships based on trust and integrity	76%	80%	82%	80%
	Provides a high quality, responsive service	81%*	71%	73%	69%
	Provides its customers with relevant, value for money services	79%	70%	70%	69%
	Promises to provide the services the public wants	78%*	65%	68%	63%
	Makes a positive contribution to all communities it serves	68%	68%	73%	66%
Has ethical attitudes in its behaviour towards its customers and in its dealings with business partners		67%	66%	70%	64%
	Develops its people to ensure they have the highest standards of excellence and professionalism	69%*	62%	67%	60%
	Stays true to its core of financial, government and postal services	71%*	58%	70%*	53%
	Offers choice to meet the needs of its customers	64%	62%	63%	62%
	Ensures its people are proud to be a part of the post office	60%	58%	67%*	55%
Invests in its infrastructure, products, services and people to ensure it secures the business for the future		57%	62%	69%	59%
	Inspires, engages and fairly rewards its people	54%	57%	65%*	54%
	Involves its people and stakeholders in the direction of the organisation	44%	50%	60%*	46%
	Future proofs its business plans	45%	43%	57%*	38%
Develops a dynamic, enterprising, and commercially sustainable business by continually evolving		41%	47%	41%	49%
	Continues to modernise and expand into new markets	33%	46%*	40%	48%

The elements of principles that resonated most strongly shared a number of commonalities in terms of structure and content

- **An approachable but appropriate tone**
 - People preferred a style that was **formal but not corporate, emotional but not colloquial**. This reflected the warmth of people's perceptions of the Post Office while also reassuring them that the principles would be committed to
- **Clear articulation and comprehension of the idea**
 - The terminology and contextualisation were easily understandable and not confusing. For instance, business terminology (e.g. stakeholders, commercially sustainable) were considered ambiguous and not understood by all
- **Clear relevance to the Post Office in terms of what it does and what it stands for**
 - The essence of the concept was recognised as important, even where it may not be directly relevant to the individual (e.g. Post Office's role in communities)
- **Broad and inclusive** enough to ensure they remain relevant for all audiences today and in the future
 - The essence of the concept was not too specific, without being vague, to allow Post Office to evolve in the future (e.g. product offering, channels, etc.) and stay relevant, especially amongst businesses and younger audiences
- **Conveyed a public benefit** (explicitly or implicitly)
 - Principles that directly related to internal matters (e.g. developing its people, taking pride in working for PO) were commended, but not deemed as critical to be included by members of the public
- **Provided reassurance** about the future direction of the Post Office as an organisation and a business
 - Principles that were future facing were best received when linked with being essential to the preservation of Post Office

No refinement needed

More refinement needed

Content and language resonate perfectly

Language needs refining

Content needs refining

Essence needs refining

Not relevant for PPPo

Keeps customers at the heart of what it does

Builds relationships based on trust and integrity

Has ethical attitudes in its behaviour towards its customers and in its dealing with business partners

Stays true to its core of financial, government & postal services

Ensures its people are proud to be a part of the Post Office

Treats people fairly

Provides a high quality, responsive service

Develops its people to ensure they have the highest standards of excellence and professionalism

Future proofs its business plans

Provides its customers with relevant, value for money services

Offers choice to meet the needs of its customers

Inspires, engages and rewards its people

Promises to provide the services the public wants

Invests in its infrastructure, products, services and people to ensure it secures the business for the future

Develops a dynamic, enterprising, and commercially sustainable business by continually evolving

Makes a positive contribution to all communities it serves

Involves its people and stakeholders in the direction of the organisation

Continues to modernise and expand into new markets

Suggested refinements

Keep as it is

Refine language elements to improve clarity

Restructure principles to better reflect the essence of the idea

Extract and combine relevant essences to provide reassurance

Remove from the definition

Original principles		Findings and implications	How it could look like
1	Keep customers at the heart of what it does	Captures the essence of how people view the Post Office – a public service that prioritises people over profits	Keep customers at the heart of what it does
2	Builds relationships based on trust and integrity	Trust lies at the heart of the principle's popularity. Demonstrating the value of building relationships over time provides important reassurance for both current and future PO customers	Builds relationships based on trust
3	Treats people fairly	Essence resonates strongly but language and benefits need to be more tangible to avoid feeling vague and losing its meaning.	Treat everybody with fairness and honesty
4	Provides a high quality, responsive service	Language needs slight revision to emphasise the commitment to delivering good service which is at the core of the principle's relevance	Provides a consistently high level of service
5	Provides its customers with relevant, value for money services	Essence perceived to lie more in accessibility of value for money services rather than relevance.	Provides access to value for money products and services
6	Makes a positive contribution to all communities it serves	Principle goes some way towards capturing the vital role that PO plays in communities, but its social and economic contribution needs to be more clearly referenced to broaden appeal	Makes a positive social and economic contribution to all communities it serves
7	Promises to provide the services the public wants	Sentiment is admirable, but what makes PO different is how they offer what people need rather than what they want	Responds to different people's needs

	Original principles	Findings and implications	How it could look like
8	Has ethical attitudes in its behaviour towards its customers and in its dealing with business partners	Whilst the sentiment of 'ethical' is valued, language needs to better capture relevant essence and benefit to public.	Maintains ethical attitudes in all its behaviours
9	Offers choice to meet the needs of its customers	Concept of 'choice' can feel too broad and contradictory – essence lies more in being able to answer a wide range of different needs. This essence was better captured by two elements extracted from statement A "vital and valued".	Provides access to vital and valued products and services
10	Invests in its infrastructure, products, services and people to ensure it secures the business for the future	Essence is relevant but length and 'corporate' language hinders resonance	Invests in the organisation to secure the business for the future
14	Involves its people and stakeholders in the direction of the organisation	While the essence of ensuring key stakeholders feel they have a voice in the future of the organisation is relevant, the 'corporate' language causes confusion and hinders resonance.	<p>Listens to the views of the people delivering the service regarding the future of the Post Office</p> <p>Listens to the views of key communities regarding the future of the Post Office</p>

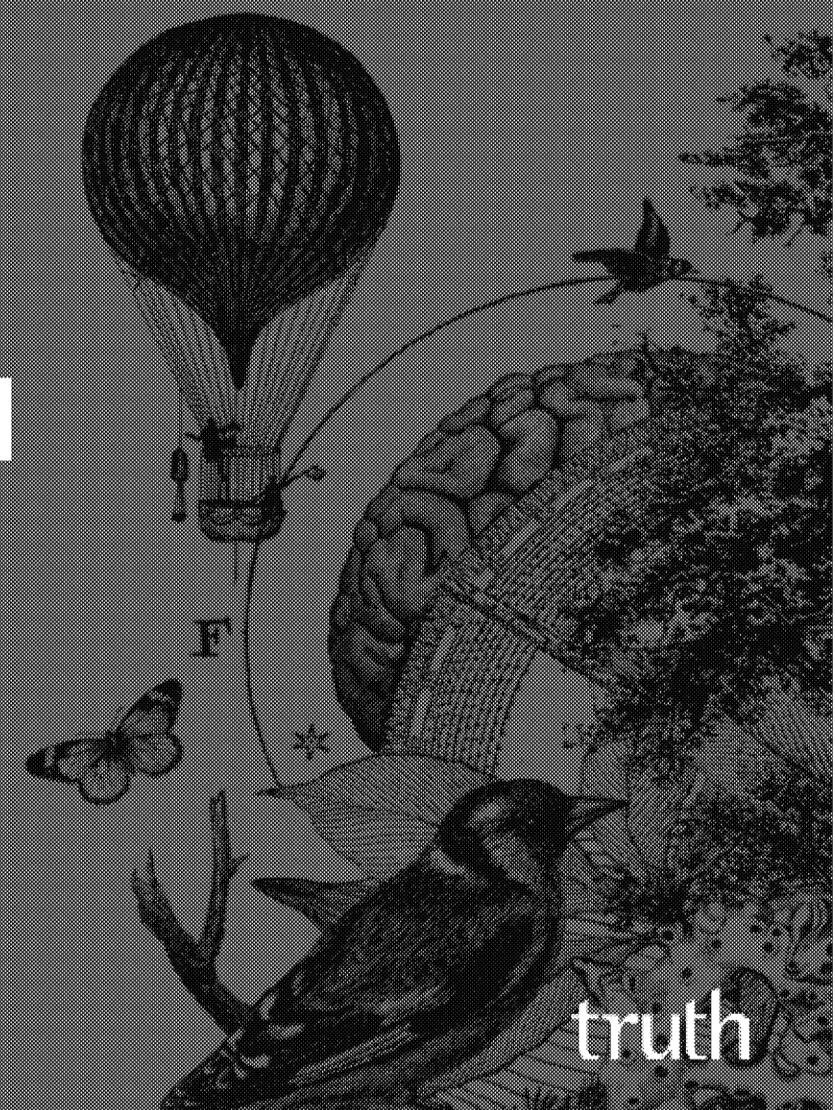


Original principles	Findings and implications	How it could look like
13 Inspires, engages and rewards its people	While principle is clearly understood to deliver a relevant end benefit in good service, the need for it to be explicitly stated within the Public Purpose of the Post Office is questioned	
12 Develops its people to ensure they have the highest standards of excellence and professionalism	Language requires refinement to better communicate core relevant benefits for both colleagues and customers. However key essence of providing good service potentially better communicated elsewhere.	Develops and engages its people to ensure they provide the highest levels of service
10 Stays true to its core of financial, government and postal services	Essence provides reassurance about the future of PO, however examples perceived as restricting organisation's ability to adapt and survive in the future	Continually evolves and modernises to secure the business for the future
15 Develops a dynamic, enterprising, and commercially sustainable business by continually evolving	'Corporate' tone and language does not resonate with perceptions of PO. However 'continually evolving' perceived as a relevant way to talk about need for change in the future, and 'commercially sustainable' is potentially accepted as relevant if positioned as means to deliver PO's public purpose and valued service.	Develops a commercially sustainable business while staying true to its core public purpose
16 Continues to modernise and expand into new markets	While 'modernise' resonates in the context of providing good service and ensuring survival of PO there is strong resistance to concept of expanding into new markets The reference to new markets was either misunderstood or viewed negatively as being too commercially aggressive without being grounded in the public purpose	
17 Ensures its people are proud to be a part of the Post Office	While principle's end benefit of good customer service is clearly understood and deemed relevant, the need for it to be explicitly stated within the Public Purpose is strongly questioned	Removed
18 Future proofs its business plans	While there is wide acceptance that the PO needs to change in order to survive, the language and context of the principle was viewed as meaningless and unfeasible	Removed

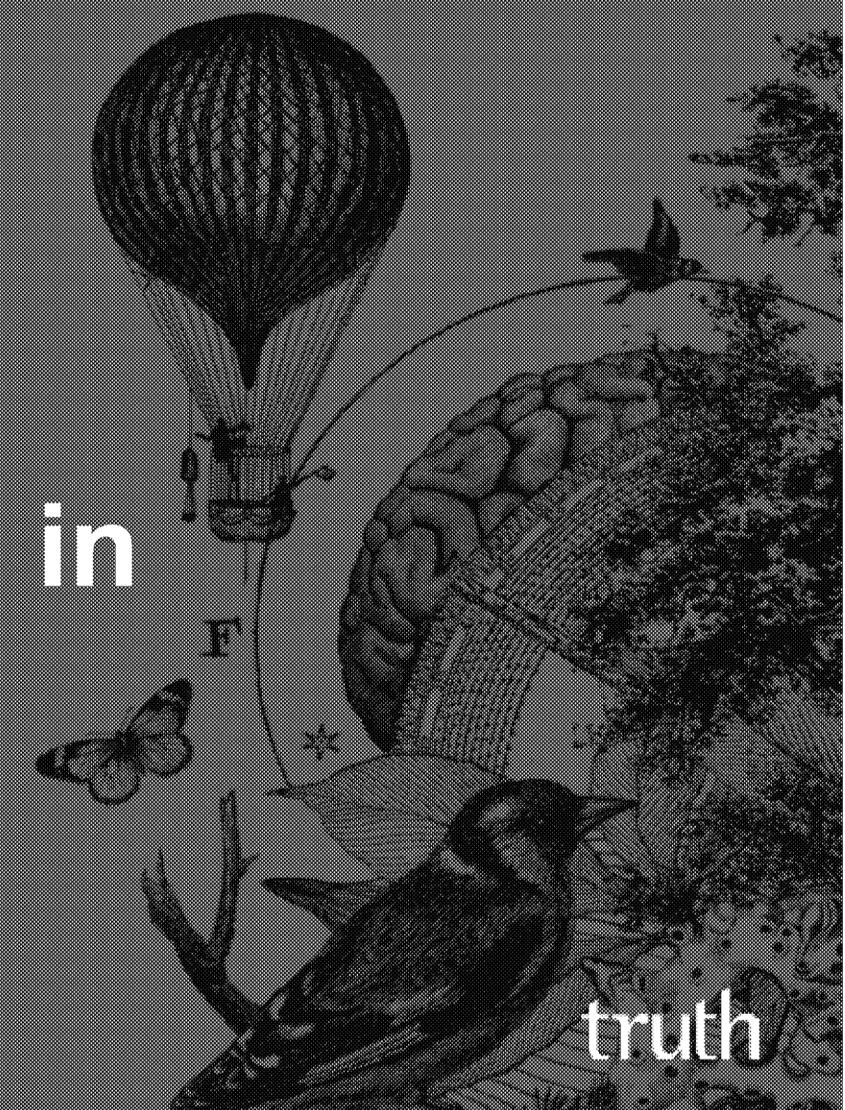
Chapter 5

Evidence pack

Post Office in their words in more detail



The response to the individual public purpose statements in detail



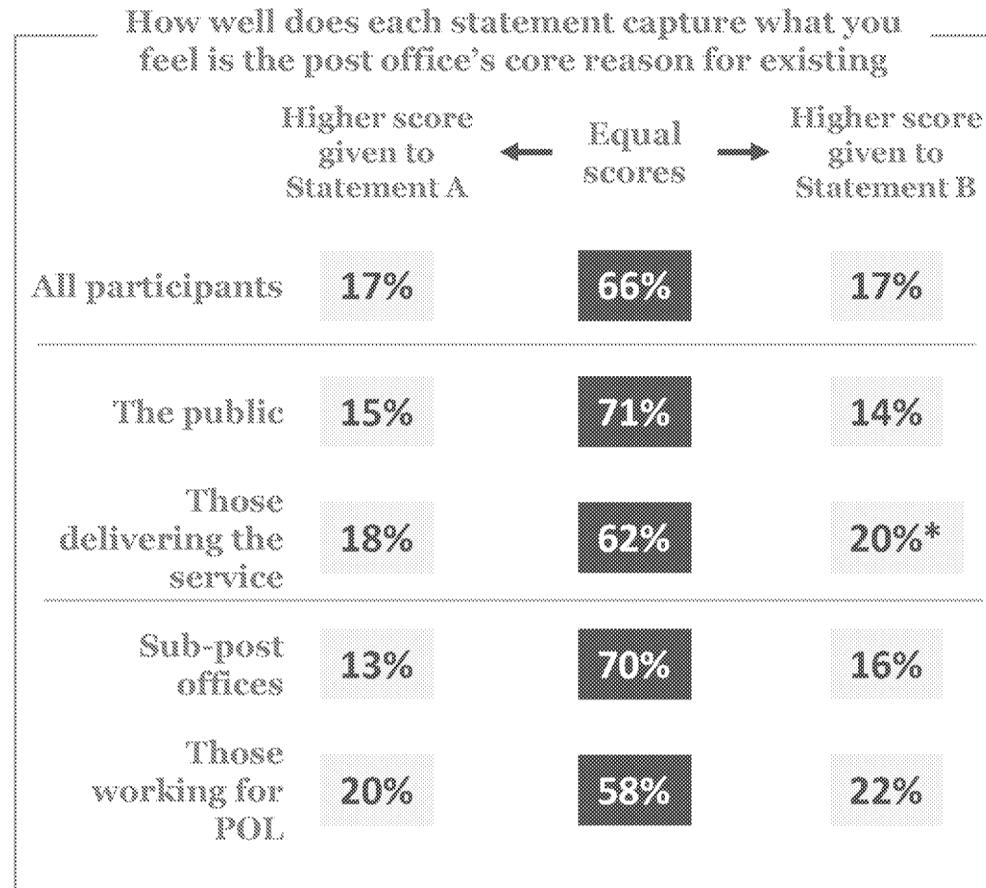
The response to the individual public purpose principles in detail



Online questionnaire responses by groups



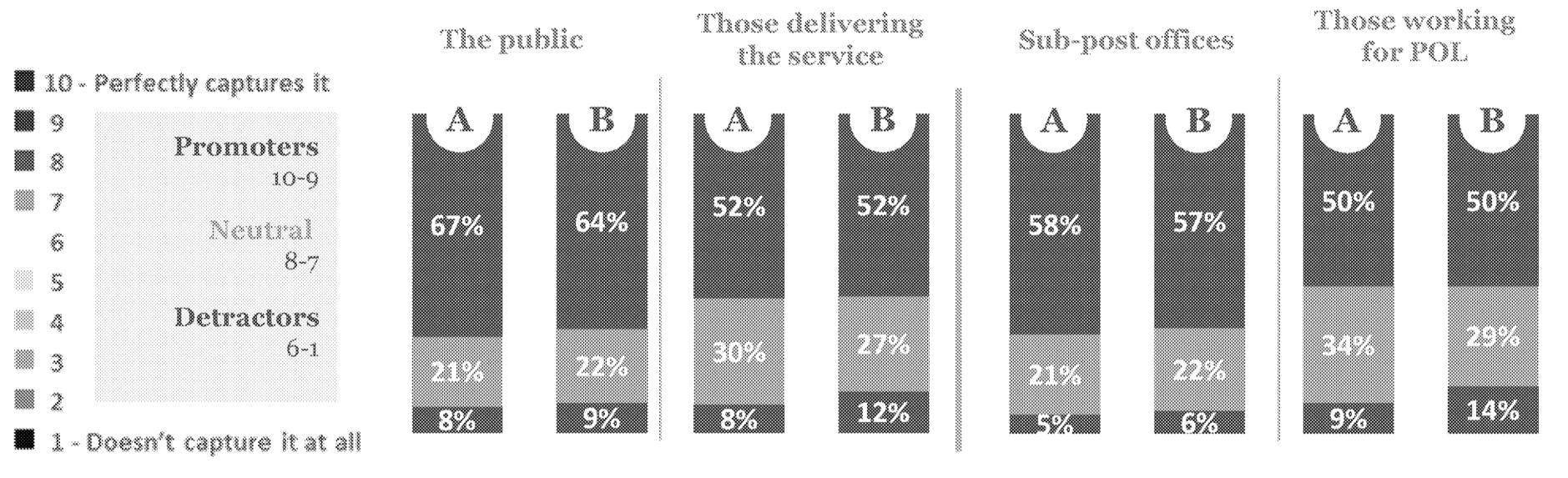
Both statements score equally across all subgroups



96 Source: Post Office public engagement exercise – Qualitative Questionnaire conducted by Truth (all participants n=1,096; The public n=612; those delivering the service n=373, Sub-Post Offices n=98; Those working for POL n=269)

The public tends to be slightly more engaged with both statements. However, those delivering the service do not reject them either

How well does each statement capture what you feel is the post office's core reason for existing

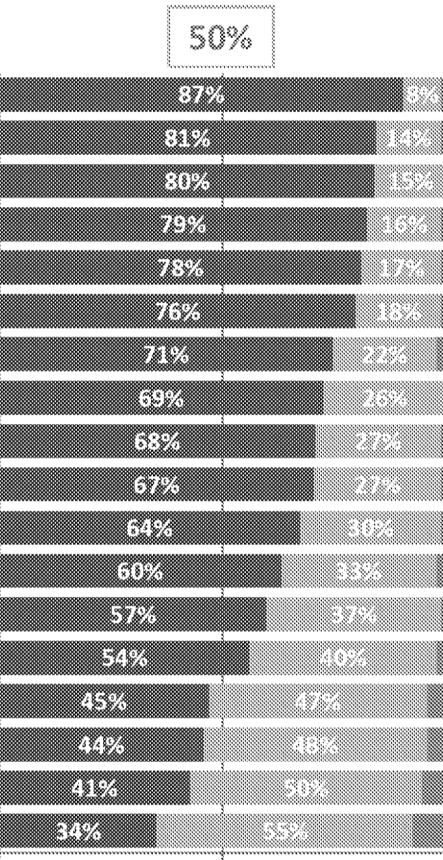


Response to the principles amongst the public

It is important that the Post Office...

- This principle is **really important** and it is **essential** that it is included in the definition of the public purpose
- This principle is **(quite) important** but it **isn't essential /appropriate** that it is included in the definition of the public purpose
- This principle is not important at all and should **definitely not be included** in the definition of the public purpose

- Keeps customers at the heart of what it does
- Provides a high quality, responsive service
- Treats people fairly
- Provides its customers with relevant, value for money services
- Promises to provide the services the public wants
- Builds relationships based on trust and integrity
- Stays true to its core of financial, government and postal services
- Develops its people to ensure they have the highest standards of excellence and professionalism
- Makes a positive contribution to all communities it serves
- Has ethical attitudes in its behaviour towards its customers and in its dealings with business partners
- Offers choice to meet the needs of its customers
- Ensures its people are proud to be a part of the post office
- Invests in its infrastructure, products, services and people to ensure it secures the business for the future
- Inspires, engages and fairly rewards its people
- Future proofs its business plans
- Involves its people and stakeholders in the direction of the organisation
- Develops a dynamic, enterprising, and commercially sustainable business by continually evolving
- Continues to modernise and expand into new markets



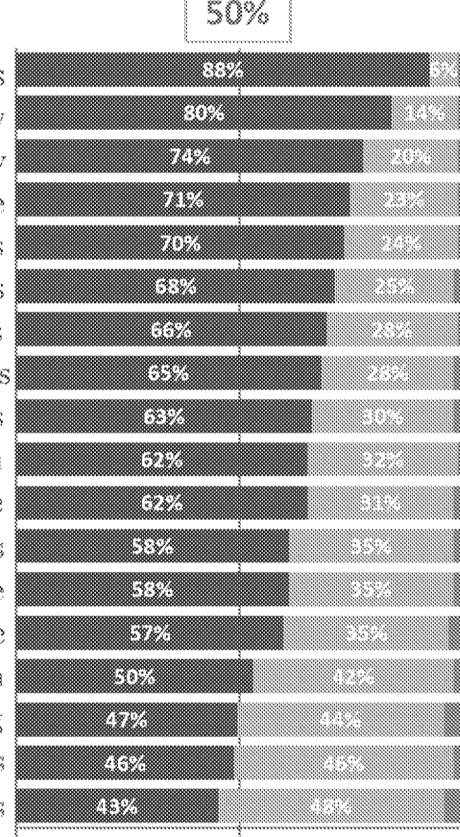
Response to the principles amongst those delivering the service

It is important that the Post Office...

- This principle is **really important** and it is **essential** that it is included in the definition of the PP
- This principle is **(quite) important** but it **isn't essential /appropriate** that it is included in the definition of the PP
- This principle is **not important at all** and should **definitely not be included** in the definition of the PP

Keeps customers at the heart of what it does
Builds relationships based on trust and integrity
Treats people fairly
Provides a high quality, responsive service
Provides its customers with relevant, value for money services
Makes a positive contribution to all communities it serves
Has ethical attitudes in its behaviour towards its customers and in its dealings with business partners
Promises to provide the services the public wants
Offers choice to meet the needs of its customers
Develops its people to ensure they have the highest standards of excellence and professionalism
Invests in its infrastructure, products, services and people to ensure it secures the business for the future
Stays true to its core of financial, government and postal services
Ensures its people are proud to be a part of the post office
Inspires, engages and fairly rewards its people
Involves its people and stakeholders in the direction of the organisation
Develops a dynamic, enterprising, and commercially sustainable business by continually evolving
Continues to modernise and expand into new markets
Future proofs its business plans

50%



Differences in the order of the principles, but no critical differences in responses

This principle is really important and it is essential that it is included in the definition of the PP	The public	Those delivering the service	Sub-post Offices		Those working for POL
			Sub-post Offices	Those working for POL	
Keeps customers at the heart of what it does	87%	88%	86%	89%	
Treats people fairly	80%*	73%	79%	72%	
Builds relationships based on trust and integrity	76%	80%	82%	80%	
Provides a high quality, responsive service	81%*	71%	73%	69%	
Provides its customers with relevant, value for money services	79%	70%	70%	69%	
Promises to provide the services the public wants	78%*	65%	68%	63%	
Makes a positive contribution to all communities it serves	68%	68%	73%	66%	
Has ethical attitudes in its behaviour towards its customers and in its dealings with business partners	67%	66%	70%	64%	
Develops its people to ensure they have the highest standards of excellence and professionalism	69%*	62%	67%	60%	
Stays true to its core of financial, government and postal services	71%*	58%	70%*	53%	
Offers choice to meet the needs of its customers	64%	62%	63%	62%	
Ensures its people are proud to be a part of the post office	60%	58%	67%*	55%	
Invests in its infrastructure, products, services and people to ensure it secures the business for the future	57%	62%	69%	59%	
Inspires, engages and fairly rewards its people	54%	57%	65%*	54%	
Involves its people and stakeholders in the direction of the organisation	44%	50%	60%*	46%	
Future proofs its business plans	45%	43%	57%*	38%	
Develops a dynamic, enterprising, and commercially sustainable business by continually evolving	41%	47%	41%	49%	
Continues to modernise and expand into new markets	33%	46%*	40%	48%	

Accessibility and products are stronger anchor points amongst the public

	What are the key reasons why the Post Office <i>needs to exist</i> in the UK today?	What is it about the Post Office that you believe makes it <i>different</i> to other organisations?	As the Post Office evolves, what <i>principles must it protect</i> and to continue to uphold?
Accessibility	The public 61%*	46%*	40%*
	Those delivering the service 52%	33%	32%
Community	The public 33%	27%	22%*
	Those delivering the service 34%	29%	15%
Trust	The public 34%	49%	54%
	Those delivering the service 29%	38%	46%
Products	The public 49%*	14%*	9%
	Those delivering the service 26%	7%	7%

101 Source: Post Office public engagement exercise – Qualitative Questionnaire conducted by Truth (The public n=619; Those delivering the service n=370)

* Significantly higher at 95%

Accessibility is a more critical principle to be protected amongst those working for POL

	What are the key reasons why the Post Office <i>needs to exist</i> in the UK today?	What is it about the Post Office that you believe makes it <i>different</i> to other organisations?	As the Post Office evolves, what <i>principles must it protect</i> and to continue to uphold?
Accessibility	Sub-post offices 49%	34%	23%
	Those working for POL 54%	33%	35%*
Community	Sub-post offices 33%	29%	16%
	Those working for POL 34%	30%	15%
Trust	Sub-post offices 24%	39%	43%
	Those working for POL 30%	38%	48%
Products	Sub-post offices 27%	12%*	7%
	Those working for POL 26%	6%	7%

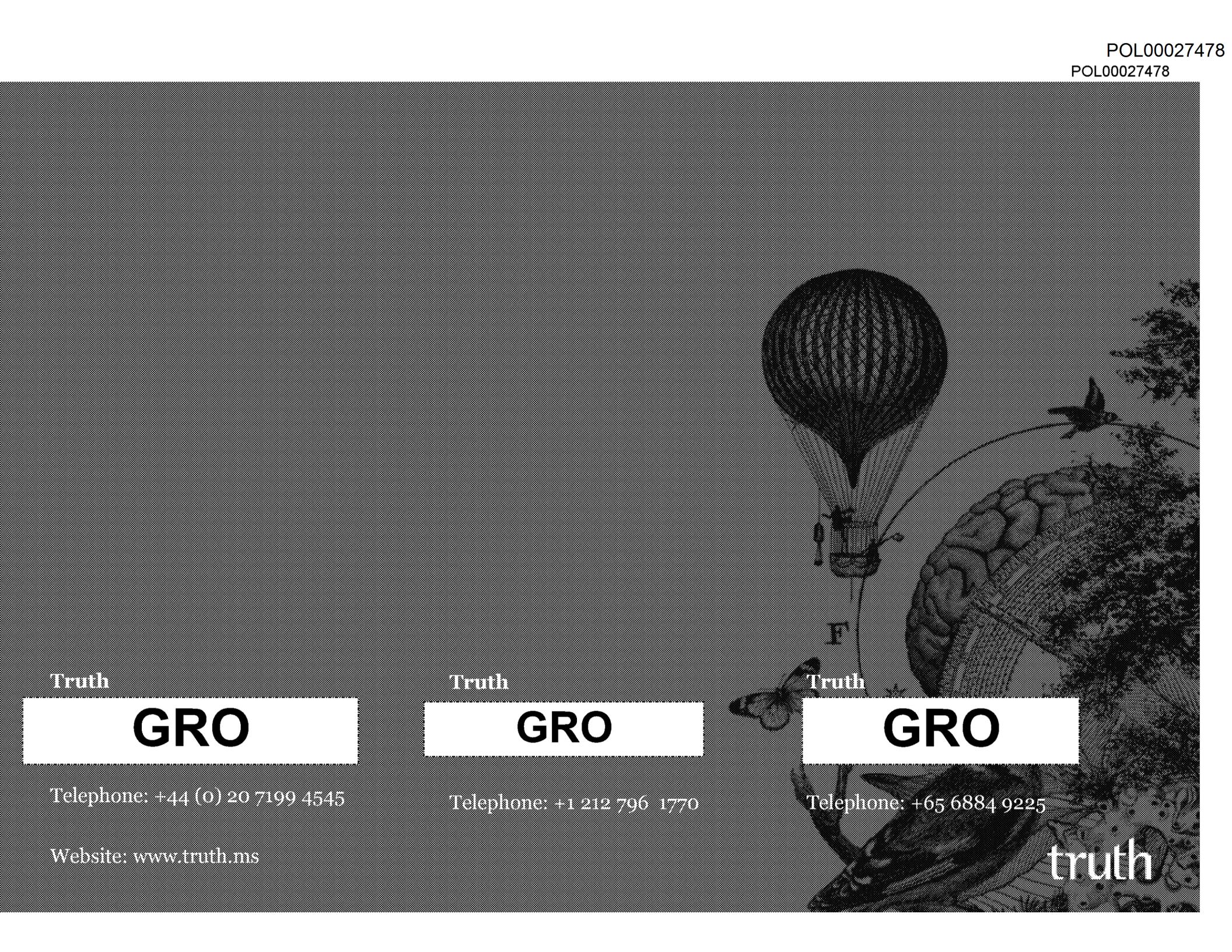
102 Source: Post Office public engagement exercise – Qualitative Questionnaire conducted by Truth (Sub-post offices n=98; Those working for POL n=267)

* Significantly higher at 95%

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POST OFFICE LTD EXECUTIVE COMMITTEE

Business Transformation Programme

1. Purpose

The purpose of this paper is to:

- 1.1. Update Executive Committee (ExCo) on progress to date with the Business Transformation Programme;
- 1.2. Agree that this paper and presentation go forward to February's Post Office Board meeting.

2. Background

- 2.1. Our market testing and visits to India in late 2013, and early 2014 confirmed our approach that Post Office requires a new business operating model if we are to become a commercially sustainable business. Advice from market testing was that we should procure a transformation partner to help maximise the benefits of this business operating model, bringing the capacity and experience we will need to deliver the change.
- 2.2. In November 2013 we updated the Board and a programme was commissioned to examine the business case for engaging a transformation partner; understand the preferred engagement model and prepare for a partner selection exercise in April 2014 (assuming the business case is compelling). We engaged Alsbridge Consultants, who are experts in this area to support us in analysing the partner market, build a business case and prepare us to go to market in April.

3. Activities/Current Situation

We have made good progress to date as outlined below:

3.1. Market Analysis and business readiness:

- Alsbridge have completed unattributed market engagement on behalf of Post Office Ltd with 4 market leaders in this area, Accenture, Capgemini, HP & IBM. Key feedback included:
 - All 4 are interested in the opportunity;
 - All are willing to invest if the scope is wide enough;
 - Remuneration tied to business outcomes is acceptable to all;
 - Restrictions and concerns around on-shore large scale TUPE.
- In January a second Post Office delegation, including Paula Vennells, travelled to India to visit a number of transformation delivery organisations. The group were again impressed by the capability of these organisations and could see significant opportunities to assist in not only reducing our cost base but also increasing our revenue.
- A Business Readiness Analysis exercise was carried out with a wide range of senior stakeholders from across the business. This exercise informs the overall transformation plan and the key activities we need to undertake. The key outcomes show that we have significant gaps in our readiness to engage

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a transformation partner in key areas of, stakeholder alignment, clarity of target operating model and consistency with business strategy. As part of the programme, we are working with the ExCo subgroup to address these issues and close the gaps.

- 3.2. We have completed a high level benefits analysis across the business which shows that simple Business Process Outsourcing (BPO) will not deliver our strategic plan. Significant change to our current operating model and how we do business is required, this is where we would expect the partner to work with us and invest in the transformation and change required. The benefits review included:
 - An extensive engagement across all Directorates of the business over the last 6 weeks using the current organisation charts and the FY14/15 staff budgets to build a picture of the potential opportunities in staff costs and possible constraints that we may face. Early indications are clear that even an aggressive approach to BPO will not produce sufficient savings to meet the 2020 Strategy requirements. Early estimates are circa £20-25m by 2018 based on 50% reduction in all areas excluding Crown and Supply Chain (Cash only). This level of cost reduction would only be achieved by offshoring.
 - The non-staff costs are still being investigated but no clear picture will be available until the Target Operating Model (TOM) is clear and understood, this is not likely to be until after the transformation partner is in place as they will help to shape the final TOM. We estimate a further opportunity of approx. £30m reduced costs by 2018.
 - A key part of our strategy is delivering approx. £400m of additional revenue, and if we use the assumptions from the Strategic Plan, this will drive an additional £240m (60% of revenue) costs. Assuming 50% of this is Agents Fee, there is a potential £120m of additional costs that could potentially be incurred under our current operating model. We will expect the partner to greatly reduce this potential cost increase, and help drive the revenue increase through efficiency, automation, best practice and a digital agenda. In addition, we will target the partner with a stretch on revenue of 7%, to be driven through new products, speed to market and new channels.
- 3.3. Given the broad scope of business transformation we have looked at the other major activities underway across the business to consider when the programmes should or could merge to ensure we deliver a single effective, business wide solution that is targeted on the future TOM:
 - We are working closely with major programmes to ensure alignment to the vision.
 - Work is under way to align the current operating plans by pillar to ensure a customer lens is applied, this is being led by Paul Brown and will form a key input to the programme.
 - Our future state operating model will be completed in conjunction with the transformation partner, this will ensure we fully utilise their capabilities in this area and that it will be flexible and quick to respond to market changes.
- 3.4. Business Process Mapping (BPM) to Level 2 detail is a pre-requisite activity for any transformation programme. There are benefits to doing this early and with a separate partner:

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- The output will be used to inform the procurement dialogue process with the transformation partner allowing more contractual certainty. It will accelerate benefits delivery from the transformation partner (saving circa 3 months). It will provide a High Level Transformation plan for comparison with the final plan from our partner.
- A previous exercise carried out by PA consulting identified 17 Level 0 processes in Post Office. We intend to complete Level 2 mapping on 7 of these in the business areas: Product Design and Introduction; Product Sales and Support; Supply Chain (Not Cash); and Financial and IT support.
- This work will be carried out between March and June 2014 by an independent partner.

3.5. Work is progressing on the procurement for both the BPM partner and the transformation partner:

- The intention is to secure a BPM partner through the appropriate Government framework; we should have a partner in place by early March.
- We are on plan to deliver an OJEU and PQQ for the transformation partner in early April.

4. Options Considered

- 4.1. Several options have been considered and examined to determine the best market engagement for a partner. The options of Multiple Partners, Multiple Lots and Single Partner have been analysed against time, complexity, cost and public procurement rules.
- 4.2. We have also considered the different disciplines and specialisms in this area such as IT, BPO & Customer Insight. The current landscape within Post Office has several of these currently in flight:
 - We are currently in the market for our IT Transformation through the towers which will bring best of breed and a competitive tension between suppliers.
 - Customer insight is being addressed through the Customer Management programme led by Martin George and we will ensure close alignment to this programme.
 - The BPM activity as referenced earlier.
- 4.3. The output of the analysis showed that the best solution for Post Office was a single transformation partner to deliver alternative sourcing strategies, efficiencies through end to end process redesign, investment and innovation in our transformation journey.

5. Commercials

5.1. Strategic Plan assumptions on attributable cost base:

FY	14/15	15/16	16/17	17/18	18/19	19/20
Cost (£m)	£516	£491	£476	£471	£464	£461
Target Reduction* (£m)	-£28	-£25	-£15	-£5	-£7	-£3

*Note – Target Reduction represents the required savings to the current cost base.

Revenue projections are not yet quantified and programme costs will be completed as part of the business case in March.

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6. Risk Management

- 6.1. Risks connected with the partner procurement are being managed through careful design of commercial and contractual terms to drive the right behaviours.
- 6.2. The risk that Industrial Relations may be strained by the implications of business transformation will be addressed through Stakeholder and Communications plans.
- 6.3. Risks resulting from the scale and complexity of change will require focus from ExCo and SLT and managed through the Transformation Committee.
- 6.4. A constant theme from all the market engagement activity is the importance of having Supplier Relationship Management skills as a key element in delivering this type of programme and ensuring on-going cultural change. As the TOM design is progressed a key element will be the capacity and capability of the retained organisation.

7. Communications

- 7.1. Due to the sensitivity of the programme and the potential people impact communications are a major work stream.
- 7.2. The programme has engaged directly and early with both HR and the IR teams to establish a communications strategy.
- 7.3. Early indications from both these teams is not to communicate anything formally with any stakeholder group until such times as we have a clear execution plan.

8. Recommendations

ExCo is asked to:

- 8.1. Approve the sourcing of a single transformation partner and the BPM partner;
- 8.2. Note the progress made to date and our preparations to begin a procurement exercise in April (subject to approval of the Business Case);
- 8.3. Agree that this paper and the presentation are presented to February's Board meeting;
- 8.4. Note that the programme will return to the ExCo and Board in March to seek approval to go to the market.

Chris Day & Lesley Sewell
10 February 2014

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Business Transformation – Operating Model

Executive Committee Briefing

13th February 2014

Draft v0.12

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Agenda

1. Context – the 2020 Strategy
2. Why Change?
3. Proposed Approach
4. Our Asks of the ExCo
5. Q&A and Next Steps





Context - 2020 strategy

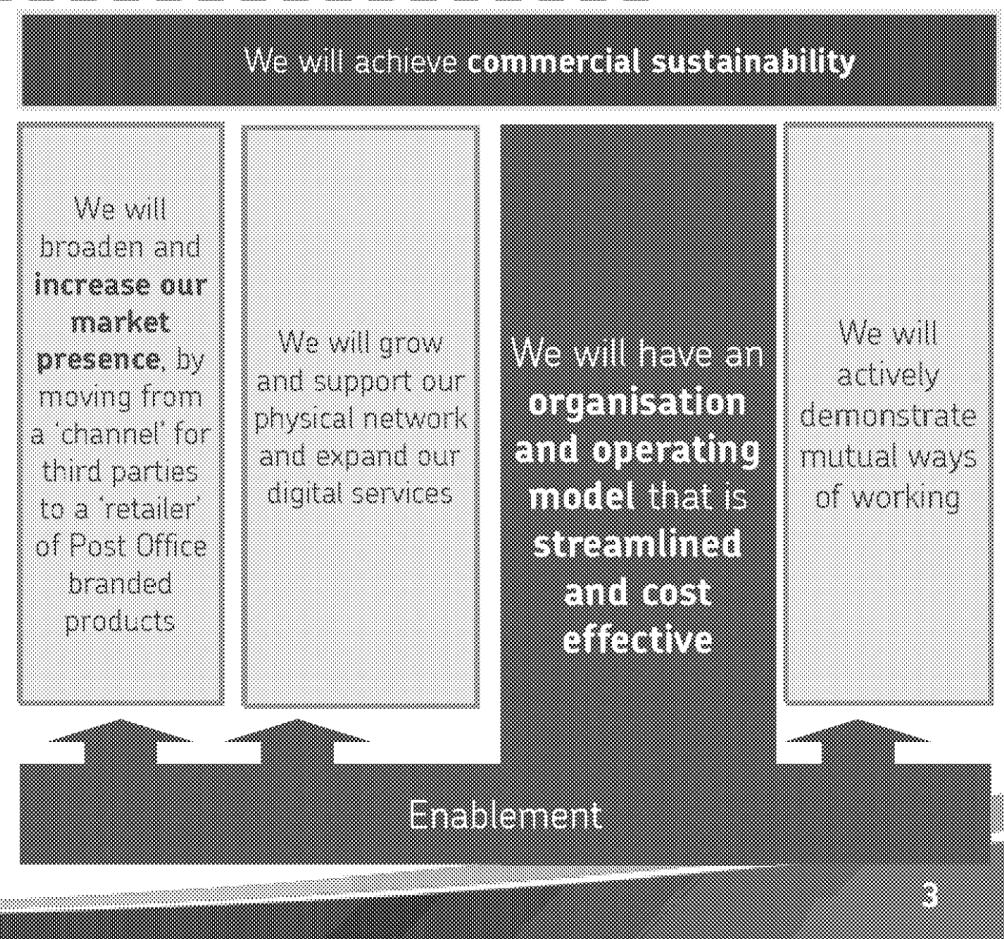
The 2020 strategy aims to deliver a sustainable business through 4 key strands of activity. Our focus is the Operating Model strand.

To deliver the strategy, we must address two fundamental issues:

1. Our organisational model is structured on a traditional, product structure. To make the transition from a channel business to a retailer we need an organisation that is built around the customer -focused on delivering an excellent customer experience.
2. While the Network Transformation Programme will increase the proportion of our cost base which is variable, it will not be enough to secure a commercially sustainable future. We must also reduce central costs and ensure that as we grow our income we are not adding fixed cost back in.

Key Objectives:

- Deliver cost reductions
- Efficiency, agility, innovation
- Enable revenue growth via new capabilities





Why Change? If we do not fundamentally change our operating model we will not have a sustainable business by 2020

A transformed Operating Model is essential to ensure Post Office:

- Has the ability to contain costs as income grows, and build margin
- Can Deliver at Pace & respond fast to changing customer needs
- Be modern and relevant by quickly adopting innovative new technologies
- Adopt new ways of working to become a truly flexible & agile business
- Has the capability and capacity to enter new market segments



This is highly impactful and is not optional - incremental evolution will not deliver the step change required for delivery of the Post Office 2020 strategy

We need to be ambitious, recognise the scale of change and commit our time and resource to it now

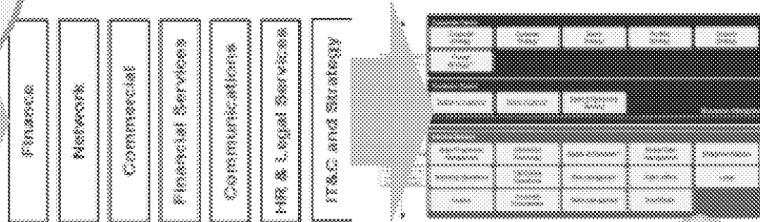


Alignment – being ready to bring our common functions together, share capabilities, standardise and outsource as appropriate

Also to stop activities which do not clearly align to the strategy

Future Business Model is a key driver:

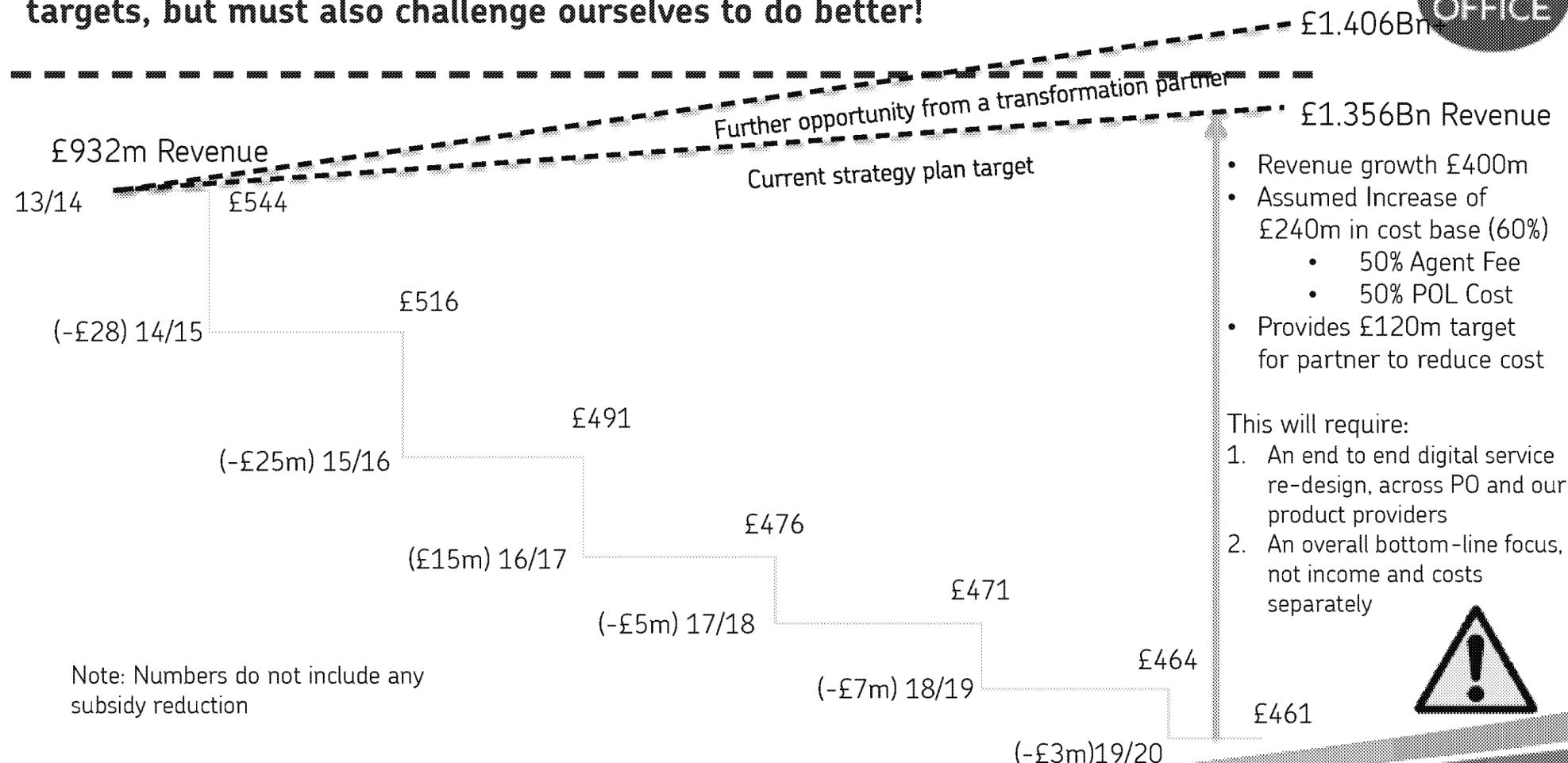
- Brand Purpose
- Customer Propositions
- Customer Experience
- Omni-Channel & Digital Strategy
- Product Strategy



People – culture, organisation & ways of working, appetite for outsourcing & redundancies – will all need to shift

Financial – we need to be thinking about the overall bottom line, not costs & income separately

Why Change? We need to be confident that we can meet our cost & revenue targets, but must also challenge ourselves to do better!



Note: Numbers do not include any subsidy reduction



Approach – we need to establish our common requirements of the new operating model via Design Principles



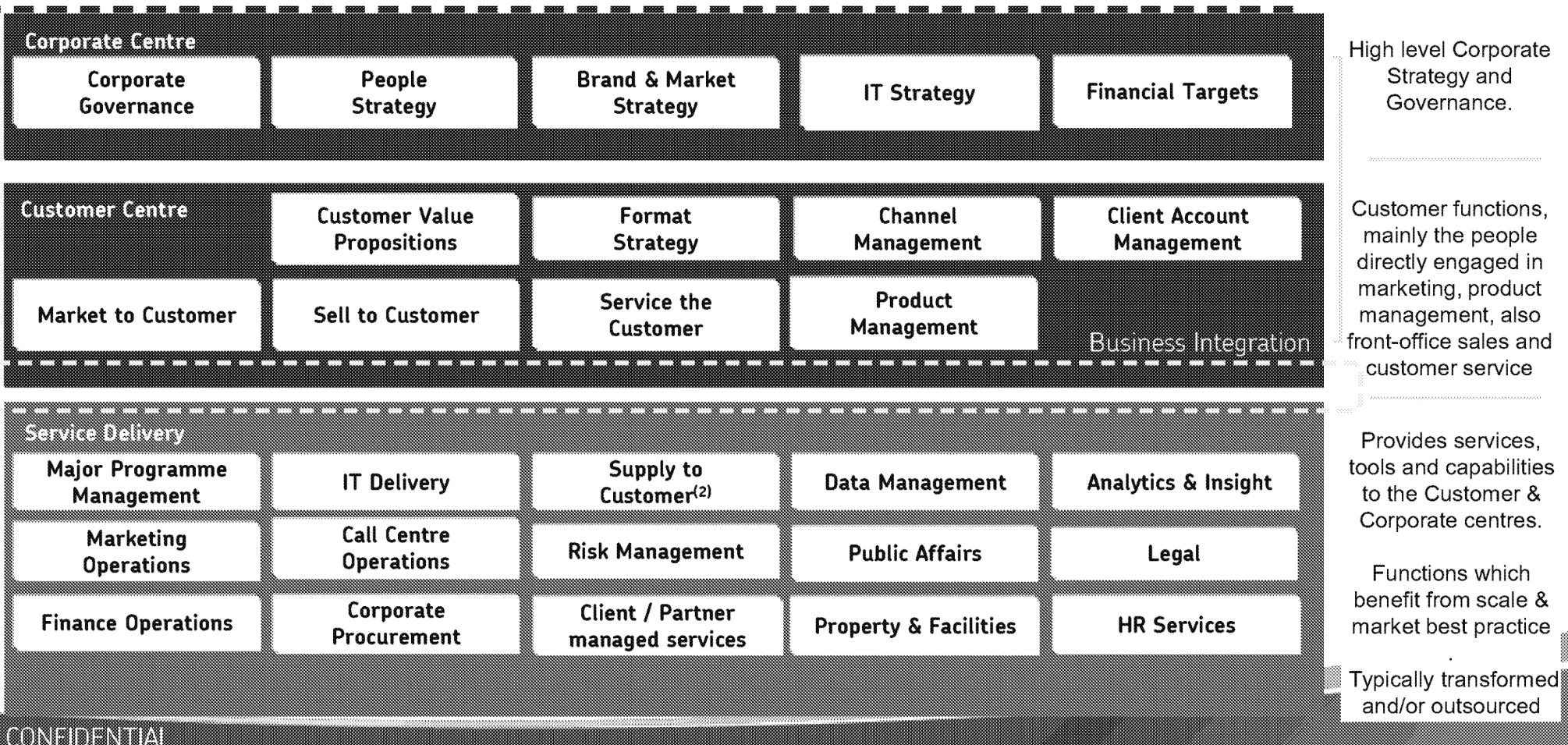
Design Principles

1. We are **easy to deal with** when, where & how customers want with a consistent experience across channels
2. Our **product / channel mix reflects** customer needs, is profitable & meets the public purpose
3. We have a **single view of** and **strong relationships with** our customers
4. We are **flexible, agile and scalable** and have the **capability** to meet evolving market and customer needs
5. We **manage our costs** by standardising & sharing process, automation and effective sourcing
6. We will **focus, challenge, prioritise and align all our activities** to deliver the Post Office 2020 strategy





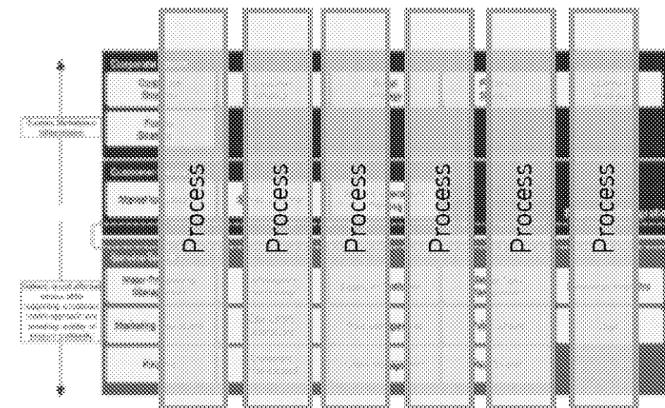
Approach – we have started to elaborate on the conceptual target operating to inform our sourcing & implementation activities





Approach – we will source a prime strategic partner to help us design, deliver and integrate our target operating model

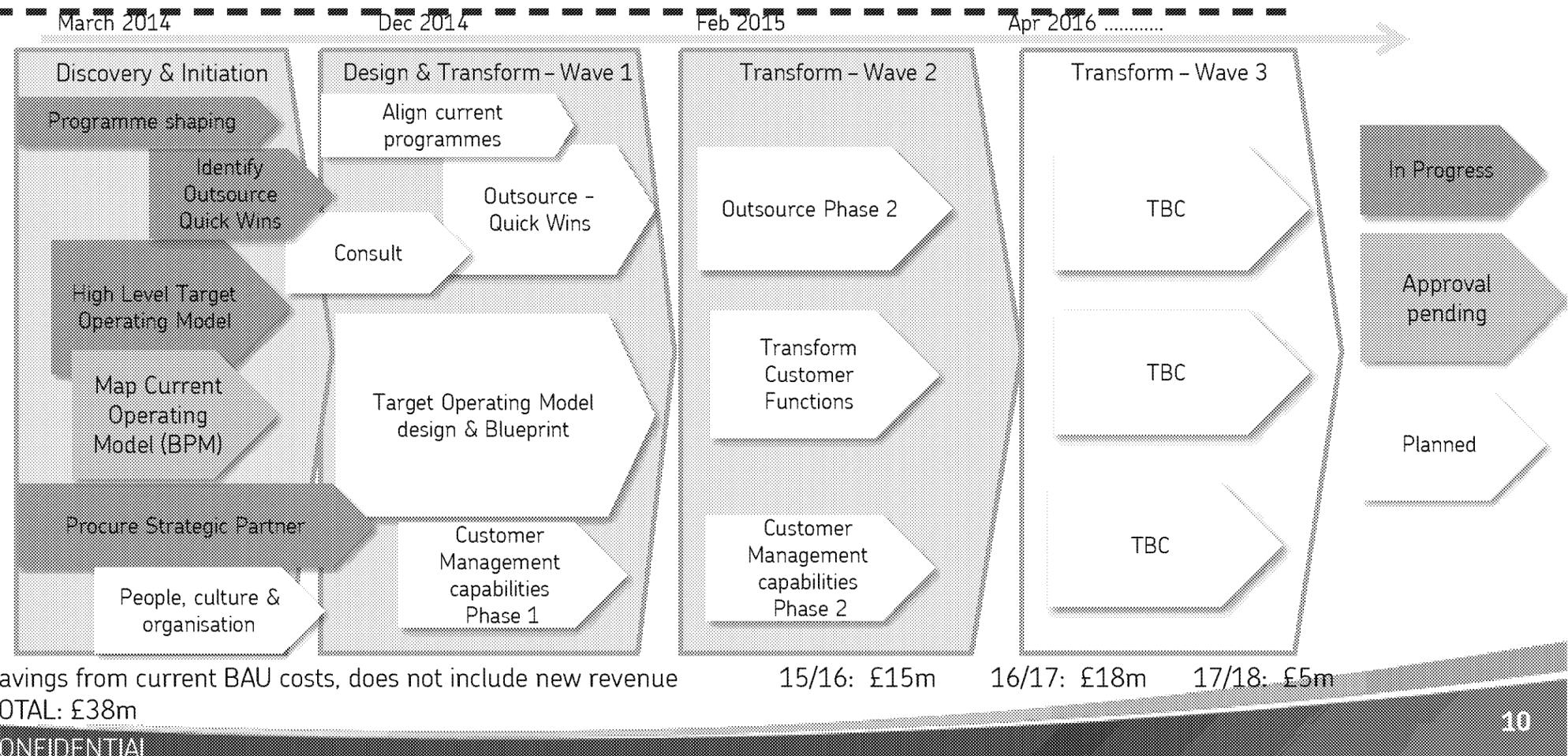
- The programme will source a strategic delivery partner
- We will ask them to invest in return for benefits share
- They will be contracted for business outcomes
- They will work across our Operating Model
 - Collaborate with PO to design the To-Be
 - Deliver phased transition from As-Is to To-Be
 - Take a complete End-To-End view including clients
 - Outcome – a Customer focused digital business
- The partner will work in collaboration with:
 - Post Office lines of business
 - New best of breed subcontractors
 - Our IT services providers – sourced separately
 - Our clients and product providers



Operating Model design will start with the customer and take an end-to-end view, including our product provider ecosystem for a complete customer focused digital business transformation



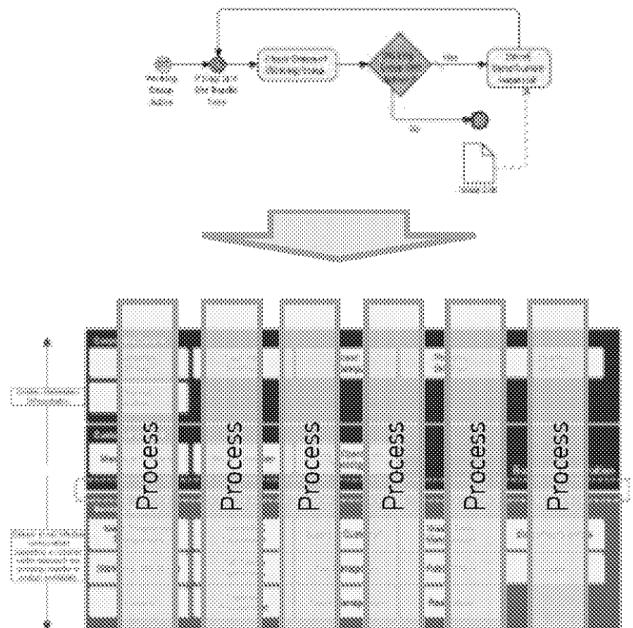
Approach – Timelines will consist of waves of activity to deliver a phased business transformation from 2014-20





Approach - BPM SCOPE & Output

- We need to understand the As-Is in order to design the To-Be Operating Model
- A Business Process Mapping activity is proposed to achieve that
- This will inform candidates for automation, centralisation or outsource
- Previous work carried out by PA consulting identified 17 level 0 processes
- Our intention is to complete level 2 mapping on 7 of these clustered around:
 - Product Design and Introduction
 - Product Sales and Support
 - Supply Chain (Not Cash)
 - Financial and IT support
- This work will be carried out by an independent partner and will provide the following:
 - Accelerated benefits from transformation partner (circa 3 months)
 - High level Transformation plan for comparison with final plan from our partner
 - More robust input into the procurement dialogue process for more contractual certainty



The Proposal is to use the Government Framework and complete BPM in March



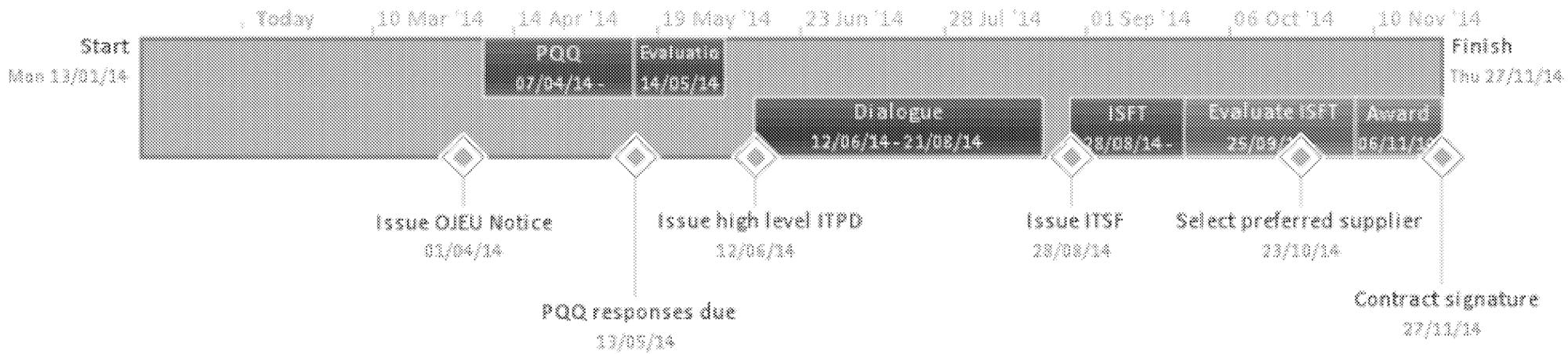
Approach - BPM SCOPE will be the processes in the white boxes

Post Office Level 0 Processes , v1.

Strategic Performance & Planning	Develop Post Office Vision & Strategy	Manage Business Planning	Manage Business Performance	Manage Improvement & Change
Core	Develop , Manage & Market Products and Services	Sell to Customers through Channels	Exchange Transaction Data for Settlement & Billing	
Infrastructure Support	Manage Facilities and Property	Manage the Supply Chain	Manage Security	Manage Information Technology
Support	Manage Financial Resources	Manage Public Relations & Comms	Manage Health & Safety	Develop & Manage Human Resources
				Manage Legal & Compliance

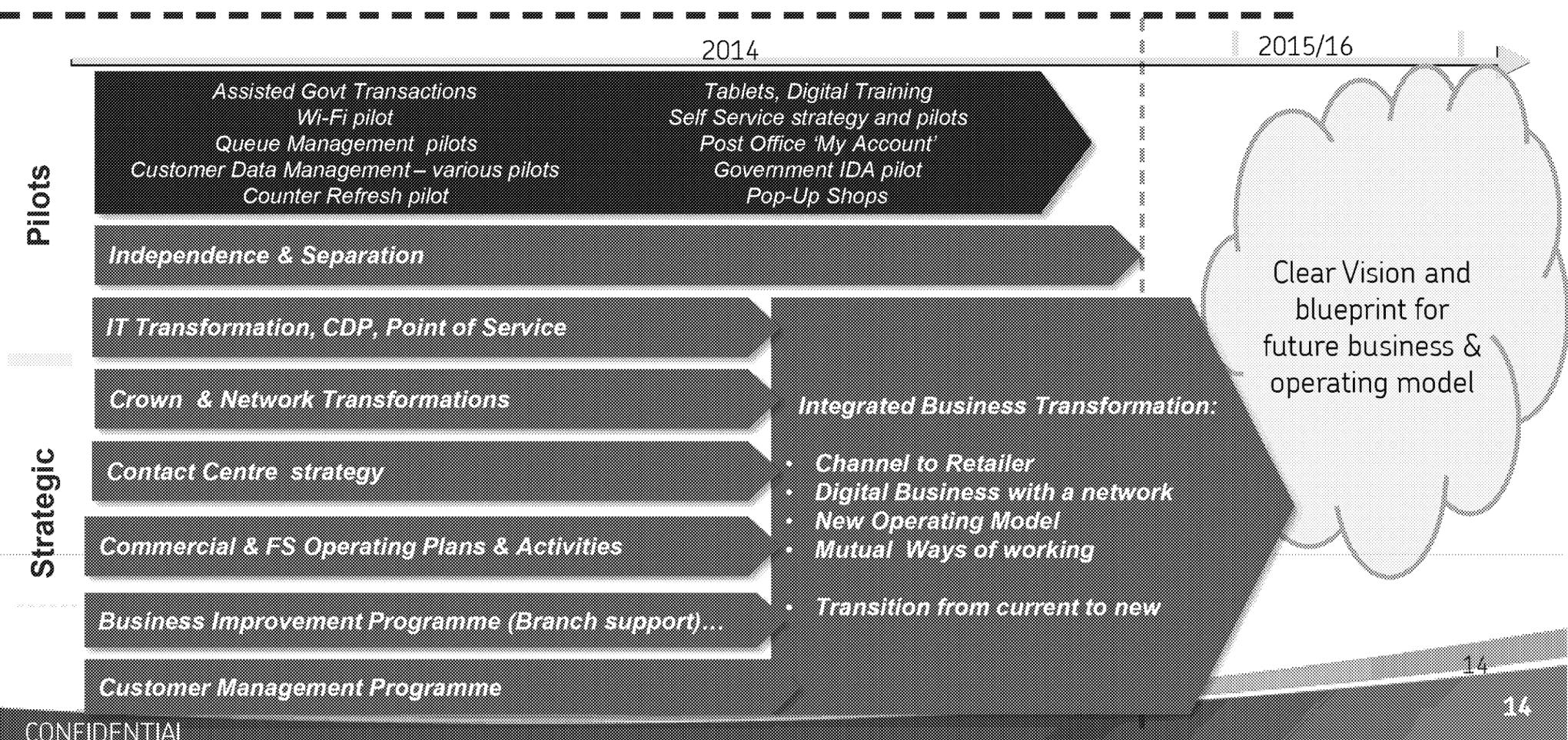


Approach – Strategic Partner procurement timelines & activity



Strategic partner procurement is planned to complete by mid-November 2014

Approach – Without urgent consolidation and realignment of programmes to an integrated transformation, we will not deliver the strategic plan





Approach – we need to be clear on how radical we need to be – an incremental approach will not deliver the required results

Case study: NS&I outsourced the majority of their operation to Atos, reducing headcount from 4,000 to 150

"Back in the 1990s we needed to take radical steps to get the business on track, which included finding a partner who could deliver an operational business and drive a change programme efficiently and effectively. This would leave the NS&I management team free to concentrate on its core business, the business of competing in a financial services market place."

Operations and Commercial Management Director, NS&I

What they did

- In 1999 NS&I outsourced its entire operations department, with 4,200 staff joining Siemens IT Solutions and Services* – now Atos – under TUPE regulations.
- This left ~150 'Corporate Centre' NS&I staff with all other activity being outsourced.

The result

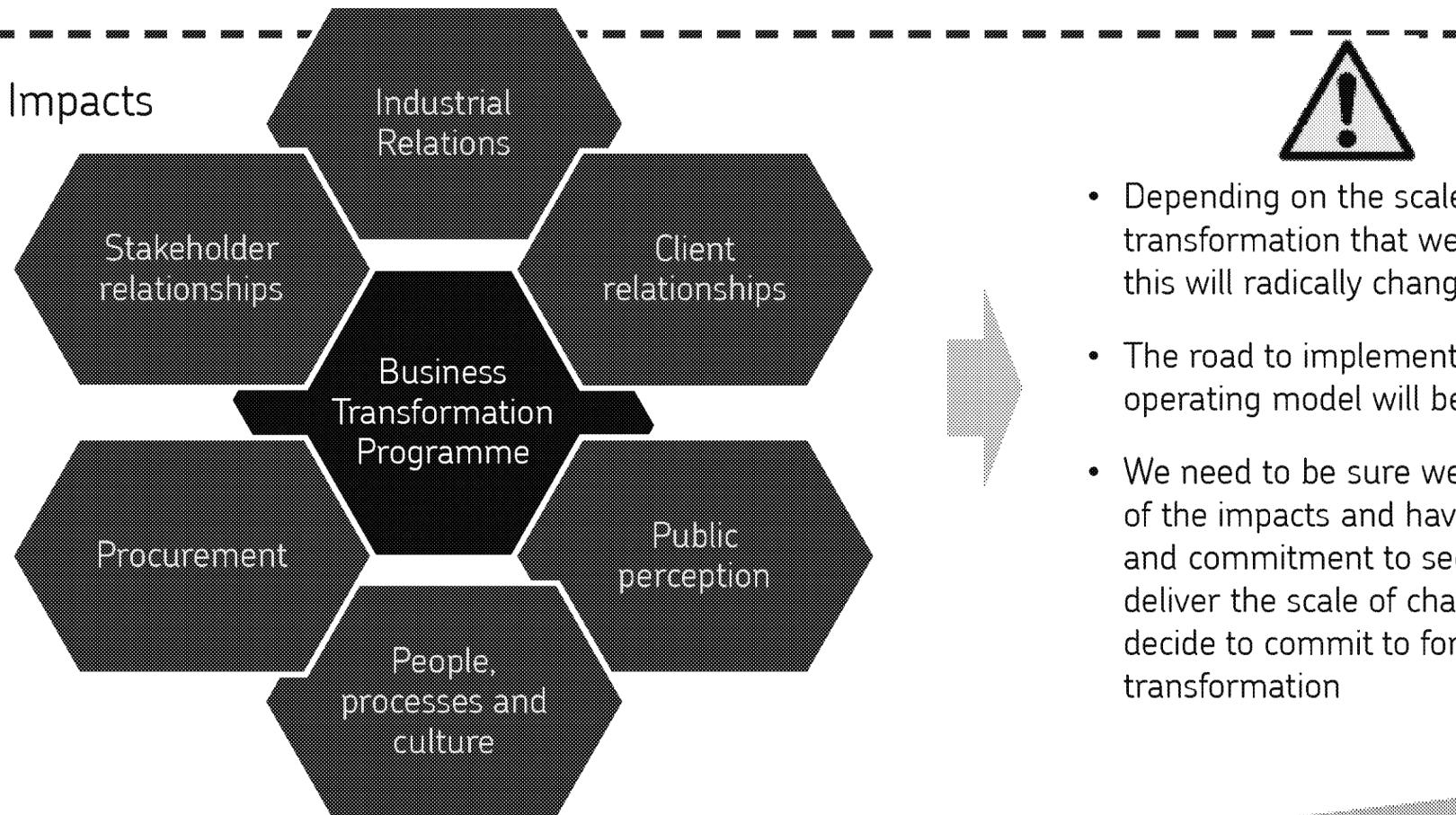
- Funds under management – from £63 billion to over £102 billion
- Telephone sales – from 0 per annum to £2.3 billion in 2011-12
- Internet sales – from zero per annum to £5.11 billion in 2011-12

~£530m claimed in cost savings

Most tellingly, NS&I are extended their contract in 2012 through to 2021.



Approach – we need to be ready for and committed to a radical transformation with full awareness of the potential impacts



- Depending on the scale of transformation that we decide upon, this will radically change the Post Office.
- The road to implementing a new operating model will be challenging.
- We need to be sure we are fully aware of the impacts and have the appetite and commitment to see through and deliver the scale of change that we decide to commit to for this transformation



Approach – we need to be ready for and committed to a radical transformation with full awareness of the potential impacts

Activity	Outsource	Improve Process	TUPE	Redundancy	Savings	Comments
Swindon Warehouse (Not Cash or Value Stock)	100%	No	Yes	Optional	£8m only	Options with building use
Marketing Engine (Admin & support roles)	60%	Yes	No	Yes	£3m	Retain core product managers only
Managed Service & Information Security	70%	Yes	Yes	Yes	£3m	Combination of improvements
Finance Service Centre	70%	Yes	Yes	Yes	£4m	Combination of improvements
HR Service Centre	60%	Yes	No	Yes	£1.5m	Unlikely to be on-shore outsource
Network Support	60%	Yes	No	Yes	£3m	Technology replaces people



What we need from you

- Key strategic inputs:
 - Brand, Customer & Product Strategy – Martin
 - Digital, Channel & Multi-Channel – Martin, Kevin
 - Communications & Engagement – Mark
 - People, culture & Organisation – Neil
- Alignment & Delivery
 - All activities will need to align to the TOM
 - We will need to shape and create an integrated programme
 - Approach to be proposed by 31 March 2014
- Commitment
 - Radical thinking, challenging everything and everyone
 - Time & Resource from you, your SLTs and their teams
 - Your proactivity in driving through this change and removing obstacles



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POST OFFICE LTD BOARD

Network & Sales

1. Purpose

- 1.1 To update the POL Board on progress with Network Transformation, discussions with the NFSP and Crown Transformation.

2. Network Transformation

- 2.1 The programme is on target to meet this financial year's original targets, beating the reduced targets that were foreseen as result of the announcement of the revised strategy. At 31st January, there were 2730 contracts signed against a target of 2579. This includes the deal to convert 191 McColls branches to the local model, which is confirmation that the local model is attractive to good retailers. As well as the ongoing pipeline of new operator and independent converter contracts, further deals are under discussion with Blakemore and Tesco for their Locals, and One Stop and McColls for their remaining Mains.
- 2.2 At 31st January, there were 1577 Main and Local branches open. The programme is confident it can deliver the required beat rate of 47 a week to meet the year-end target of 1950. We have placed a very strong focus on openings this financial year, so a peak beat rate is now scheduled for late February and March of consistently over 60 a week, which would give us over 2000 openings.
- 2.3 As expected, there was a big increase in agents completing the retail surveys just before the deadline at the end of January. At survey close, over 8,000 agents submitted – a 96% response rate, which was at the upper end of expectations. A whole series of communications were used over the two month period; this included letters, Horizon alerts, Subspace online, branch focus articles, field engagement, workshops and repeated outbound calls as the deadline approached. A further period of one week is being used to try once more to contact the 300 or so agents who have not yet responded.
- 2.4 The programme is currently analysing the results of the survey in detail. Overall results are in line with expectations; the most positive outcome is that the number of branches whom we may need to advertise compulsorily is around half the number expected. This is both because new branches have come forward to convert, while also many branches with poor retail have recognised voluntarily that leaving the business with enhanced compensation is their best option.
- 2.5 Locals who the survey shows have limited retail but who have not volunteered to leave will either need to submit their plans to create a strong retail or Post Office will advertise their branches. Careful engagement is planned to handle these branches over the coming weeks, while the Communications team is prepared for the expected media and stakeholder interest.
- 2.6 As planned, the closure of the survey allows the programme to refine its estimates for future volumes – and therefore to refine the Stratplan targets with BIS. Following these conversations during February, targets will be set for the next financial year.

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3. Long term relationship with the NFSP

- 3.1 We are progressing completion of the MOU and the subsequent relationship agreement. We have had a series of meetings over the last couple of weeks and the main focus of these has been to resolve the main issue raised, namely pre-agreed parameters relating to NFSP's ability to maintain their independence and make challenges to Post Office.
- 3.2 The original draft MOU made reference to NFSP not engaging in activities which are actively detrimental to the Post Office. NFSP were looking to put some parameters around this, as would we. The key point here is that whilst we would not expect them to be silent on all issues, anything that undermines our commercial position and the implementation of NT would be deemed unacceptable.
- 3.3 It is clear that NFSP want to complete the deal and a revised form of words which addresses this issue has been drafted – this is now with the lawyers for review. This also addresses the board requirement to have a clear escalation/dispute resolution process that could enable termination of the agreement.
- 3.4 George Thomson seems committed to completing the rest of the discussions (primarily in conjunction with our respective lawyers) to enable signing by the end of February. Our current thinking is that the agreement will be launched publicly after NFSP conference – this minimises the possibility of challenges and tensions through the sensitive period around March and April.
- 3.5 As well as the long term agreement, George's main focus externally since special conference has been on ensuring that his team are delivering support to the Network Transformation workshops Post Office ran in December and January. Feedback from Post Office teams at these events is that this support from NFSP has been very strong – on message, proactive and prepared to stand up to challenges from attendees.
- 3.6 We are working through with them how we engage on other aspects of the implementation. This is primarily through: joint workshops to define their role in support for delivering non-viable exits; identification of potential new locations for volunteer exits; participation in community/commercial transfer/model type review panels; and working groups in refining model design, models product set and opening hours.
- 3.7 This is likely to take place in earnest now the retail survey is complete. NFSP are updated regularly on the statistics via the NT team. These workshops will also enable us to keep in dialogue around any issues they have (largely coming from specific offices and anecdotally) around the shape of the network (i.e. number of Mains vs. Locals) and model complexity (i.e. keeping them informed of our intent towards product simplification).
- 3.8 The new Network Transformation structure includes a dedicated team analysing data on each model's performance to refine and continue to develop our thinking. George has had an initial meeting with the new General Manager Network Transformation, Ian Kennedy. Model performance information will be reviewed as part of the programme and the NFSP will be able to input to and shape any action that is needed following analysis.

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4. Crown Transformation

- 4.1 The full programme of branch transformations to the new Crown branch blueprint got underway in September 2013. The programme delivered 46 completed transformations by the end of December (against a target of 45). The programme is confident that the target of 117 transformations by the end of the financial year will be met.
- 4.2 Staff training to support transition to new ways of working in transformed branches is well underway, with c750 staff trained as at 31st January, and an average of 80 staff a week currently going through CTP's two day off-site training programme.
- 4.3 Significant progress has been made in the process to deliver cost savings required in the 292 Crown branches that are being retained. A Voluntary Redundancy (VR) preference exercise was oversubscribed and we have used this to work with the CWU and select applicants for redundancy. All applicants have now been notified whether or not they have been selected for VR. Staff savings total 503 Full Time Equivalents, meeting our £12.7m target for counter staff savings.
- 4.4 Securing CWU support for the redundancy process required extensive engagement during the talks of the last two months. The programme's confidence in its required staff savings has increased significantly now that the VR offers have been issued, and that this has been done with CWU support.
- 4.5 A large proportion of the staff saving benefit is linked to the rollout of a new NCR Self Service kiosk which will replace the existing Wincor Post & Go kiosks in greater numbers and with a wider product offering. The first new kiosk has been in live operation in the Model Office since November. A small number of defects emerging from live proving and a small number of changes required by Royal Mail in order to secure their concurrence are being closed down before the rollout to branches begins.
- 4.6 Branch mergers and relocations at Houndsditch, Derby, Sheffield and Milton Keynes were successfully completed in May and June 2013. Five other mergers have entered the public consultation process since then (Brazennose, Stockwell, Kennington Park, Highbury / Islington, and Sutton). As consultations complete, feedback is reviewed and engagement made with Consumer Futures before any announcement is made.
- 4.7 The franchising project has moved on significantly since the last update, with 22 of the 70 branches in scope to franchise now forecast to 'go live' with new partners by the end of March. The first franchise branches under CTP (Cannock and Uckfield) opened to customers on 30th January. 32 franchise opportunities were re-advertised in November 2013, creating c150 new expressions of interest which the franchising team are working through.
- 4.8 We are seeing an unprecedented demand for detail from Consumer Futures on the design for each franchise branch, as well as formal requests for information used to justify the original decisions made as to which branches would be franchised versus retained. The programme is working with the Exco and legal

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teams to find a middle ground on information sharing with Consumer Futures, such that it does not introduce new programme risks, nor set onerous precedents for future programmes.

4.9 Despite the progress of the programme, the Crown P&L for FY13/14 is likely to outturn at around a £27m loss versus our target of a £23m loss.

- On income, performance has been lower than projected for this financial year. The £23m target was dependent on an increase in income of £2m, however we now forecast to see a decrease in income of c£2m, resulting in a net gap of c£4m against our start of year target.
- On costs, there have been a number movements on and off from the start of year plan. Although there have been delays to in-year staff savings, these have been mitigated by other cost savings that were not in the start of year plan

4.10 The programme remains high risk but our target of a break-even P&L run rate by the end of FY14/15 is still achievable. To achieve this will require income targets to be achieved in line with next year's income budget and with the strategic plan.

Kevin Gilliland

February 2014

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POST OFFICE LTD EXECUTIVE COMMITTEE

R&CC Policy Adoption Request

1. Purpose

The purpose of this paper is to request ExCo adoption of policies recently endorsed by the Risk & Compliance Committee.

2. Background

At the meeting on 20th January 2014 the Risk & Compliance Committee reviewed and approved the following policies for adoption by ExCo:

2.1 Anti-Bribery

This policy outlines the approach and responsibilities and sets out the expected standards of behaviour to minimise the risk of bribery for Post Office. The policy includes an updated gifts and hospitality procedure which identifies that the Risk & Compliance team will maintain a register of all gifts and hospitality given and received. The register will be regularly reviewed and an annual summary reported to the Risk & Compliance Committee

2.2 External Data Protection Policy (Information Security)

This policy outlines the approach and commitment to managing the personal information, whether provided to us directly by our customers or by our business partners, in a manner compatible with the obligation to comply with the Data Protection Act 1998. It sets out Post Office's mandatory expectations of all those persons who have access to personal information held by Post Office on how to handle such personal information.

2.3 Data Sharing Policy (Information Security)

This policy sets out Post Office's approach to sharing information with 3rd party organisations and where that shared data is personal information ensures this is shared in compliance with obligations under the Data Protection Act 1998.

3. Activities/Current Situation

These are new policies for the Post office and they are to be held centrally on the Post Office Intranet and will be subject to review on an annual basis.

4. Recommendations

ExCo is asked to formally adopt the policies listed above.

**Chris Aujard
27th January 2014**



Post Office

Anti-Bribery Policy

The purpose of this Policy is to set standards of behaviour that minimise the risk of bribery for Post Office. The principles underpinning this Policy are the same in every country in which we operate, regardless of business sector, local customs and practices. Anyone who is employed by, or performs services for, or on behalf of, Post Office anywhere in the world in any capacity (including contractors, agents and operators, and their assistants) is bound by this Policy.

Version History

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0.1	16/12/13	Georgina Blair	Draft
0.2	31/12/13	Georgina Blair	Draft
0.3	08/01/14	Georgina Blair	Draft
0.4	09/01/14	Georgina Blair	Draft
1.0	16/01/14	Rob Bolton	Final

Version History

Date	Version	Updated by	Change summary
16/01/2014	1.0	Rob Bolton	Amended to identify as final version
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Document Location

The latest version of this document can be found in the Post Office SharePoint Policy Library

For Sign-off - This document has been approved by the following people:

Name	Title - Department	Date of Sign off
David Mason	Head of Risk Governance	13/01/2014
Chris Aujard	General Counsel	16/01/2014
Risk & Compliance Committee		20/01/2014
ExCo		

For Information - This document will be distributed to the following people:

Name	Title - Department

This policy will be reviewed annually. Next review date January 2015.

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1. Purpose

The purpose of this Policy is to set standards of behaviour that minimise the risk of bribery for Post Office. The principles underpinning this Policy are the same in every country in which we operate, regardless of business sector, local customs and practices.

Business partners are expected to act ethically and may be required to comply with this Policy in all their dealings with or for Post Office.

2. Scope and definitions

This policy applies to anyone who is employed by, or performs services for, or on behalf of, Post Office anywhere in the world in any capacity (including agents, operators and contractors).

A bribe is any advantage (financial or non-financial) which is promised, offered or given and is intended to induce improper performance (even if ineffective). Improper performance means carrying out a function or activity in breach of an expectation of good faith, impartiality or trust.

3. Governing principles

Post Office has a zero tolerance policy on bribery. Anybody employed by or performing services for or on behalf of Post Office

- must never promise, offer or give a bribe
- must never request or accept a bribe.

No employee will suffer demotion, penalty or other adverse consequences for refusing to pay or receive bribes or for reporting the suspicion that bribes may have been offered or accepted to Post Office, even if the refusal may result in Post Office losing business

All employees must adhere to the standards contained within Post Office's Gifts and Hospitality Approvals Procedure and the Conflicts of Interest Policy.

Any breach of this Policy, or any procedure implementing it, will be treated as a very serious matter by the company and may result in disciplinary action, including termination of employment and reporting to the appropriate authorities.

4. Business dealings and contacts

All dealings with public officials or private individuals and enterprises must be open and transparent and conducted in a proper and appropriate way. This will ensure that no bribery or corruption takes place, and will also avoid any appearance or suggestion of improper activity.

Post Office only works with business partners who have been approved as required by Post Office's risk-based due diligence processes. Such third parties must agree contractually to comply with this Policy or have an equivalent Policy in place.

Contractors must be asked to ensure that any subcontractor will comply with the principles set out in this Policy and so on throughout any supply chain.

Any remuneration payable to agents, operators, contractors or other business partners acting on behalf of Post Office must be appropriate for the services carried out (which is to be determined objectively as far as possible). All payments must be paid through bona fide channels, must not be made in cash and must never be made through off-shore accounts.

5. Reporting concerns

Any Post Office employee with any knowledge of or suspicions that bribery or corruption has taken place or may do so, anywhere within (or related to) Post Office, must immediately report their concerns to

- their line manager in the first instance;
- the Risk & Compliance team if the line manager cannot be contacted or cannot resolve the query; or
- the external Speak Up line in complete confidence (Tel **GRO**).

All reports of suspected bribery must be passed to the Risk and Compliance team to log.

6. Roles and responsibilities

All Post Office employees are responsible for complying with this Policy and with the Gifts and Hospitality approvals procedure at Appendix A.

The Risk and Compliance team maintains a register of gifts and hospitality, and of suspected incidents of bribery, and this is reviewed regularly and an annual summary provided to the Risk and Compliance Committee and to the Post Office Board.

Any serious incidents of bribery will be escalated by the Head of Risk Governance to the Chairman of the Audit and Risk Committee.

7. Risk

Post Office has zero tolerance for bribery and all processes and procedures are designed to minimise the risk of bribery occurring. A risk assessment has been completed and the areas of the business at highest risk of bribery have been identified as Commercial, Procurement and the branch network. This policy is designed to target those areas but also applies throughout the rest of the business.

8. Contact

For further information about this policy contact the Risk and Compliance team on
riskandcompliance@ GRO

Appendix A

Post Office Limited Gifts and Hospitality Approvals Procedure

Gifts

No gift should be offered or accepted if it is intended to induce improper behaviour. In general the giving and receiving of gifts is not permitted with the exception of low value promotional items costing under £25 each, such as pens, calendars, diaries, notepads and paperweights.

- In a situation where refusal to give or accept a gift would cause embarrassment or offence, such as when giving or receiving a gift from an overseas postal administration in an official capacity as a representative of Post Office, the gift must not appear lavish or extravagant and should not cost more than £200.
- Before giving any gift costing more than £25, written approval must be obtained from your line manager and forwarded to the Risk & Compliance team at riskandcompliance@GRO
- If you receive a gift worth more than £25 you must notify your line manager in writing, and forward the details to the Risk & Compliance team at riskandcompliance@GRO
- The Risk & Compliance team will maintain a Register of all Gifts given and received.

Hospitality

Hospitality may only be given and accepted where it has a clear and demonstrable link with a legitimate business purpose, e.g. an organised event or a meal at which business is to be discussed. In relation to offers of hospitality, numbers on both sides should be limited to those whose presence is necessary to progress the business in hand. The giving and receiving of hospitality and entertainment is subject to the following rules:

- You must obtain prior permission from your line manager before accepting or giving hospitality.
- The hospitality must be reasonable (not lavish or extravagant), proportionate to its purpose and must ordinarily be below £100 per person in value.
- You must send details of all hospitality offered and accepted, including details of the host business (if not Post Office Limited), the number of people attending and the businesses they represent (if Post Office Limited is the host), with details of the location of the hospitality and the cost per person, along with written approval from your line manager, to the Risk & Compliance team at riskandcompliance@GRO
- The Risk & Compliance team will maintain a Register of all Hospitality given and received.

You must beware of accepting any hospitality and entertainment which might compromise your performance of official business, or which might reasonably appear to have improperly influenced a business decision. Any attempt at entrapment, blackmail, or any suggestion that preferential treatment or divulgence of confidential information is expected in return for hospitality and entertainment, must be reported to your line manager and the Risk & Compliance team.



EXTERNAL DATA PROTECTION POLICY

Document Control

1. Overview

Owner:	CIO	Enquiry Point:	Head of Information Security
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Last updated:	December 2013	Last review date:	02/12/2013
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2. Revision History

Version	Date	Author	Amendment Details
V1	Sep 2013	Jacqueline Gazey	Initial Draft
V2	Dec 2013	Michael Hall	Minor corrections and version history added

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**Post Office Limited
External Data Protection Policy**

1 Introduction

The processing and protection of personal information is of paramount importance to Post Office Limited (**Post Office**) in order to safeguard its reputation as one of the countries most trusted brands.

This Policy documents our approach and commitment to managing the personal information in our care, whether provided to us directly by our customers or by our business partners, in a manner compatible with our and our business partners' obligations to comply with the Data Protection Act 1998. It sets out Post Office's mandatory expectations of all those persons who have access to personal information held by Post Office on how to handle such personal information.

Adherence to this policy and associated standards is a mandatory requirement for all Post Office Representatives). Failure to comply with this policy may affect our reputation and cause our business partners not to trust our ability to manage the personal information which we hold. Compliance with this policy is essential to maintaining the confidence in our brand and our service.

2 Purpose

This Policy is aimed at all Post Office Representatives that handle personal information

The purpose of this policy is to outline the manner in which Post Office should process personal information. It sets out Post Office's expectations of its employees, sub-postmasters, agents, contractors, consultants, suppliers, partners and other contracted third parties (**Post Office Representatives**) when processing personal information entrusted to Post Office, in meeting its governing principles (set out below in section 6) relating to the use of personal information across Post Office, whether the information relates to Post Office Representatives, customers or other individuals.

3 Scope

This policy addresses all processing of personal information by Post Office Representatives whether this is information we hold directly on our customers or information we hold on behalf of our business partners.

Personal information includes all information, whether processed in electronic or structured paper form, relating to a living individual who can be identified from that information.

Processing of personal information includes the collection, use, processing, transmitting, disclosure or storage and retention of personal information. Post Office, its suppliers and contracted third must adopt procedures necessary to comply with this policy.

4 Status of this policy

This policy has been approved by the Post Office Board. It is managed and maintained on behalf of the Board and the Executive Team by Post Office's Privacy Team.

5 Responsibility for compliance

Post Office handles personal information on its own behalf as well as that of its business partners. The controller of the information is the party who is legally responsible for complying with the Data Protection Act 1998.

Post Office is the controller of personal information relating to individuals such as its employees, customers and prospective customers. In some cases this responsibility for customer information is shared with our Joint Venture partners who are the providers of the products and services we offer.

Where Post Office handles personal information on behalf of its business partners as a Data Processor, such as our Front Office of Government proposition, the compliance requirements will be dictated to Post Office by the appropriate Data Controller.

6 Governing principles

Personal information must always be handled by Post Office Representatives in accordance with the obligations placed on us by the Data Protection Act 1998 whether directly or through contract. This means that personal information must be:

- processed fairly and lawfully
- processed solely for the purposes it was collected for or where Post Office processes personal information on their behalf as instructed to Post Office by our business partners
- kept relevant, accurate and, where necessary, up to date
- Retained only for as long as it is necessary for the purposes it was collected, or as instructed by our business partners
- Processed in accordance with the rights granted to individuals by the Act
 - The right to access personal information about the individual
 - The right to demand the data controller cease processing likely to cause unwarranted damage or distress
 - The right to stop direct marketing
 - Rights in respect of fully automated decisions that significantly affect the individual
 - Right to claim compensation for damage (or damage or distress) caused by a failure to comply with the Data Protection Act.
- be kept secure against unauthorised or unlawful access and against accidental loss, destruction or damage by using appropriate technical and organisational measures – this includes the following:

- the processing of personal information should not be outsourced to agents or processors of Post Office without proper controls and contract clauses in place as established by Post Office's Privacy Manager (and the permission of the relevant business partner, where necessary).
- personal information should not be disclosed to any 3rd parties without consideration to the privacy and confidentiality commitment we have or where Post Office processes personal information on behalf of its business partners, the prior consent of that relevant business partner where required.
- Managed in accordance with Post Office's policies and procedures and where Post Office is a Data Processor, with any specific instructions provided to Post Office by the relevant Data Controller business partner.
- Not transferred overseas without additional controls being adopted to protect the rights and freedoms of the individuals as agreed with Post Office's Privacy Manager or where Post Office processes personal information on behalf of its business partners the prior consent of the relevant business partner where required

7 Accountability

Each member of the Executive Committee is responsible for compliance within their area of responsibility. Post Office's Privacy Team has responsibility for supporting the delivery of this policy and monitoring compliance with it. However, each Post Office Representative has responsibility for ensuring that they adhere to the policy.

Any Post Office Representative who considers that this policy has not been followed should raise this matter with the Privacy Team.

8 Post Office's Privacy Governance Structure

This needs to be appended once POL Exco have agreed approach

9 Further advice

Further advice may be obtained from your Post Office's Privacy Team who can be contacted by email at dataprotection@

10 Policy Review

This policy is scheduled for review December 2014.

Appendix (i) Supporting Information

Requests for access to personal information

Any individual is entitled to make a subject access request for details of personal information held about them. Where Post Office receives such requests for personal information belonging to our business partners, the process for meeting such a request sits with that business partner and Post Office will handle such requests in accordance with the instructions from our business partner.

Responsibilities of Post Office Representatives

If any Post Office Representative has access to or uses personal information about other people (e.g. customer or employee personal information) he or she must comply with this policy and the requirements set out in all other Post Office data protection standards, policies and procedures (see below).

Each Post Office Representative is responsible for ensuring that any personal information which he or she accesses or uses is kept securely and not disclosed in any way to any unauthorised third party.

Training

Where appropriate, training will be provided to Post Office Representatives on data protection issues and the handling of our business partner's personal information. Where required by our business partner to deliver specific training, such as the business partners own data protection training, Post Office will ensure that appropriate staff receive such training.

Risk assessments and audits

Periodic data protection risk assessments and audits may be carried out to assess compliance with this policy and data protection laws.

Other Post Office standards, policies and procedures relating to data protection

- Post Office Data Protection Policy (Internal)
- Code of Business Standards
- Conduct Code
- Information Security Policy & Guidance



Data Protection – Data Sharing Policy

Document Control

1. Overview

Owner:	CIO	Enquiry Point:	Head of Information Security
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Version	Date	Author	Amendment Details
V1	Sep 2013	Jacqueline Gazey	Initial Draft
V2	Nov 2013	Ole Christensen	Draft with corrections
V3	Dec 2013	Michael Hall	Minor corrections and version history added

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Introduction

This Policy sets out Post Office's approach to sharing information with 3rd party organisations (Recipient Organisations) and where that shared data is personal information ensures this is shared in compliance with obligations under the Data Protection Act 1998. Post Office will share information in connection with:

- The Prevention & detection of crime and prosecution of offenders
- The prevention and recovery of any loss to Post Office or one of its business partners
- National Security matters
- Anti-Money Laundering
- The protection and safety of missing or vulnerable people

Any sharing by Post Office of information to 3rd party organisations will be subject to considerations of sensitivity, confidentiality, privacy, ownership and copyright. In becoming a recipient of Post Office information, 3rd party organisations agree to process that information in line with this Policy.

Post Office information consists of personal information and business sensitive information – together referred to in this policy as "Shared Data"

Background

The Data Protection Act 1998 covers the processing of personal information and establishes rules to protect individuals in respect of the security and use of their personal information.

Post Office shares information with a number of 3rd party organisations in its endeavours to protect its business, staff, customers, other individuals and its associates.

Data Sharing

Data sharing involves the disclosure of information from one or more organisations to a third party organisation or organisations. Specifically for Post Office, data sharing can take the form of:

- a systematic disclosure of information collected by Post Office to its key contacts on a regular basis such as text blasts and reports
- Post Office and other organisations pooling information and making it available to each other for a common purpose
- exceptional, one-off disclosures of personal data by Post Office in unexpected or emergency situations
- exceptional, one-off requests by 3rd party organisations, such as solicitors, for information held by Post Office

Scope

This Policy covers all Post Office departments and 3rd party organisations that share Post Office personal information and business data for the purposes highlighted in section 1 below.

For the purposes of this Policy, personal information is considered to be any information that relates to a living individual who can be identified directly from the information, or from the information and other information, which is in the possession of, or is likely to come into the possession of, Post Office or the recipient organisation. This includes any expression of opinion about the individual(s) and any indication of the intentions of the Post Office or any other organisation in respect of the individual(s).

Responsibility

It is the responsibility of the signatories to this Policy to ensure it is followed in respect of the processing of shared data.

Policy.

1. Limitations on use of the data

Post Office will share information for the following purposes:

- The Prevention & detection of crime and prosecution of offenders
- The prevention, investigation and recovery of any loss to Post Office or one of its business partners
- National Security matters
- Anti-Money Laundering
- The protection and safety of missing or vulnerable people

By accepting shared data from Post Office, 3rd party recipients agree to limit their use of the shared data to these purposes only.

Where the shared data is sensitive personal information relating to:

- health information,
- racial or ethnic origin,
- religious or other similar belief,
- trade union membership,
- sexual orientation or
- offences or proceedings for an offence

the 3rd party recipient understands that the information may only be processed for:

- the prevention and detection of crime where such processing is in the significant public interest where such processing must necessarily be carried out without the explicit consent of the individual;
- meeting obligations placed on the organisations by way of S68 of the Serious Crime Act 2007¹;
- any legal proceedings (including prospective legal proceedings).
- The protection and safety of missing or vulnerable people where the processing is in the vital interest of the individual (or another person) in the case where consent is not available;

For shared data coming in to Post Office from one of its business partners, the same restrictions will apply.

Where a recipient of Post Office shared data wish to use the information for other purposes, Post Office's prior permission should be sought on a case-by-case basis.

2. Obligation to ensure proportionality

Post Office recognises that it is likely to be reasonable and necessary to share data in its aim to protect its staff, customers and business. Post Office will ensure that the nature of the data it shares is proportional to the above aims and will not share identifiable personal information when other methods that respect individuals' rights to privacy are viable.

3. Obligations on the parties in respect of data quality

Post Office will only share data where it is satisfied that the information is relevant to the purpose of the sharing and, to the best of our knowledge, accurate.

Where there is a requirement to keep shared data up to date on an on-going basis, the 3rd party recipient must make provisions for updates to the data on a case-by-case basis or agree its update requirements with Post Office through a bespoke data sharing arrangement

Post Office recognises that there is a requirement for information to be retained only as long as it is necessary for the purposes outlined in section 1. All recipients of Post Office shared data should have a documented retention policy outlining its intentions in respect of the archiving and destruction of this information once it has served its purpose.

4. Rights of the individual

The Data Protection Act gives rights to individuals in respect of the processing of their personal information and those key to a data sharing initiative are:

- Right of access to information;
- Right to demand an organisation cease processing personal information about them on the grounds that it will cause (unwarranted) damage or distress;

¹ Please note - S68 of the Serious Crime Act makes it an offence to further disclose information covered by this obligation.

- Right to object to any fully automated decisions that significantly affect the individual;
- Right to claim compensation for any damage or distress caused through a breach of the Act.

In accepting personal information from Post Office, the recipient organisations accept that they will be responsible for handling any requests they receive directly from individuals in compliance with the requirements of the Data Protection Act 1998 and will adopt suitable procedures to react to individuals exercising their rights.

5. Security

Post Office takes the security of shared data very seriously. It will ensure that any information it shares with recipient organisations is transferred in a manner that protects the information, such protection being appropriate to the nature of the information and any resultant harm that could come from inappropriate disclosure, loss or destruction to that information.

Recipient organisations must ensure that shared data they receive from Post Office is adequately protected by:

- Adopting an Information Security Policy that recognises the controls required to protect this information
- Taking physical, technical and organisation security measures to protect the information
- Providing training to staff that have access to this information on the importance of keeping the information secure
- Checking the reliability of staff that are granted access to the information through formal vetting procedures appropriate to the nature of the data the staff member can see.

The recipient organisation agrees to advise Post Office immediately if, as the recipient of information, your contact information changes, your role changes or the need for sharing Post Office information stops or changes

6. Overseas Transfers

Post Office's written permission is required where Post Office shared data, disclosed to a recipient organisation that is likely to hold or allow access to the data from overseas locations. Such permission may be refused after considering the nature of the data, purpose of the processing and Post Office's obligations under the Data Protection Act 1998

7. Data Sharing using Data Protection Act 1998 exemptions

Where Post Office is approached by a 3rd party organisation that is making a request for Post Office's Personal Information that may fall within the scope of an exemption within the Data Protection Act 1998, these requests will be considered on a case by case basis.

Post Office will apply the same considerations when using these exemptions to request other organisations for personal information.

8. Status of this Policy

This policy has been approved by the Post Office Executive Committee and is managed and maintained on their behalf by Post Office's Data Protection and Privacy Team.

Appendix (i): Obligations on Recipient Organisations

In accepting shared data from Post Office, the recipient organisation understands that it must:

- a) Comply with its own obligations under the current and future Data Protection and Privacy legislation in respect of the processing of any personal data being disclosed or shared.
- b) Only use the shared data for the purposes established in this Policy and not to use it for any other purpose without the prior written consent of Post Office.
- c) Adopt adequate technical and organisational security measures to protect the shared data from unauthorised or unlawful processing and accidental loss, destruction or damage.
- d) Advise Post Office immediately if, as the recipient of information, the contact information changes, recipients role changes or the need for sharing Post Office shared data stops or changes
- e) Ensure the reliability of staff that have access to the shared data and agree that only those individuals that have a genuine business need to see that data will have access to it.
- f) Only retain the shared data while there is a business need to process it and securely destroy the data in line with a documented retention schedule, as required by this Policy.
- g) With regard to shared data that is personal information, respect the rights granted to individuals under the Data Protection Act 1998, adopting procedures to react to individuals exercising their rights in order to comply with the requirements of the Act.
- h) Take appropriate steps to maintain the quality of the shared data.
- i) Not transfer shared data outside the European Economic Area without Post Office's prior written permission as outlined in section 6 of this Policy.
- j) The recipient of shared data understand that Post Office Limited is subject to the Freedom of Information Act 2000 and as such this Policy and information about those organisation that share data may be subject to disclosure under this Act.

Appendix (ii): Recipient Organisations

Post Office will share information with organisations, such as those that fall into the following categories:

- Law enforcement agencies
- Government bodies and agencies
- Public authorities
- Post Office product providers, for example the Bank of Ireland
- Post Office business Associates, for example Transport for London.
- Financial Services institutions, for example High Street Banks
- Sub-Post Masters
- Royal Mail
- Credit reference and fraud prevention agencies
- Financial Conduct Authority
- Legal advisors



Name of Organisation:

Nominated Signatory Name:

In accepting personal information from Post Office, the recipient organisation named above understands that it must:

- a) Comply with its own obligations under the current and future Data Protection and Privacy legislation in respect of the processing of any personal data being disclosed or shared.
- b) Only use the shared data for the purposes established in this Policy and not to use it for any other purpose without the prior written consent of Post Office.
- c) Adopt adequate technical and organisational security measures to protect the shared data from unauthorised or unlawful processing and accidental loss, destruction or damage.
- d) Advise Post Office immediately if, as the recipient of information, the contact information changes, recipients role changes or the need for sharing Post Office shared data stops or changes
- e) Ensure the reliability of staff that have access to the shared data and agree that only those individuals that have a genuine business need to see that data will have access to it.
- f) Only retain the shared data while there is a business need to process it and securely destroy the data in line with a documented retention schedule, as required by this Policy.
- g) With regard to shared data that is personal information, respect the rights granted to individuals under the Data Protection Act 1998, adopting procedures to react to individuals exercising their rights in order to comply with the requirements of the Act.
- h) Take appropriate steps to maintain the quality of the shared data.
- i) Not transfer shared data outside the European Economic Area without Post Office's prior written permission as outlined in section 6 of this Policy.
- j) The recipient of shared data understand that Post Office Limited is subject to the Freedom of Information Act 2000 and as such this Policy and information about those organisation that share data may be subject to disclosure under this Act

I acknowledge receipt of Post Office's Data Sharing Policy V1 and agree to process Post Office information in accordance with the standards recorded in this Policy.

Signed:

Dated:

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POST OFFICE LTD EXECUTIVE COMMITTEE

Information Security and Assurance
IS03 - Acceptable Use Policy

1. Purpose

The purpose of this paper is to:

- 1.1 Update ExCo on the progress to gain approval, by all decision making parties, of the Acceptable Use Policy (Appendix 1).
- 1.2 Seek approval of the Acceptable Use Policy from the ExCo.

2. Background

- 2.1 Risks to Post Office information are often mitigated by Policy. The Acceptable Use Policy ensures that:
 - Colleagues are aware of what is considered acceptable behaviour when using Post Office Information Systems.
 - Colleagues are aware of the consequences for failing to follow this policy.
 - The risks associated with inappropriate use of Post Office Information Systems are effectively managed.

3. Risks

- 3.1 Specific risks that have been highlighted during the sign-off process have been predominantly around the communication of sensitive Post Office information via personal email addresses and to personal web storage. An example of such risks are that many email addresses result in information being taken outside the European Economic Area, and in some cases email content is stored in US which will put information in scope for Federal access.

4. Activities/Current Situation

- 4.1 When establishing the Acceptable Use Policy a number of factors have been considered:
 - Previous Policies were created by Royal Mail Group and therefore Post Office had to establish appropriate Policies for the newly separated organisation.
 - The Board and ExCo, due to their existing ways of working and their access to significant and highly sensitive company information will have to change their current communication practices to comply with this Post Office Policy.
 - Non-Executive Directors (NED's) often have to comply with a raft of Policies from various companies they are associated with.
 - Not all of the NED's have a Post Office email account, or Post Office mobile/iPad or Laptop.
 - Not all of the NED's want additional devices to carry around.

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- Board Pad is a secure application for distributing and annotating Board level information. It is available to all Board members, irrespective of whether they have a Post Office device or Post Office email account.

4.2 The challenge has been to ensure that existing activity is not unduly restricted, and can be tailored to comply with the Policy without being too onerous.

4.3 The Policy has been reflected in the Training and Awareness Programme as well as in HR materials and guidance and this activity is on-going.

5. Solution and Action Points

The proposal and actions are as follows:

- 5.1 All the NEDs to have Post Office email Accounts so that communications complies with the user access policy
- 5.2 Board and ExCo where required to be offered a way to print documents from their iPads if they require
- 5.3 If NEDs do not have printers and still want this facility Post Office will offer to supply printers
- 5.4 Provide guidance to NED's on accessing their email accounts via Web Mail if required
- 5.5 Provide guidance or support to set up access to email account on Personal Mobile Device if required

6. Summary Action

The Company Secretary, Chief Information Officer and the Head of Information Security and Assurance, have started to engage with the NEDs to ensure that they are each comfortable with the solution, actions, equipment and that their individual requirements are met in line with the Policy.

7. Recommendations

The ExCo is asked to:

- 7.1 Note the update and actions set out above
- 7.2 Accept the Policy on the basis that the actions listed in sections 4 and 5 will be completed under the guidance of the Head of Information Security.

**Lesley Sewell
05 February 2014**

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Information Security and Assurance Group

IS03 – Acceptable Use Policy

Document Control

Overview

Owner	CIO	Enquiry point	Head of Information Security
Version	1.3	Effective from	
Last updated	10 th Jan 2014	Last review date	10 th Jan 2014
Review period	Annually or major change		

Revision History

Version	Date	Author	Changes
1.3	10/01/2014	Moyn Uddin	Minor revision to insert new section 5.9.
1.2	30/05/2013	Duncan Godfrey	Updates with comments from stakeholders. Issued for ISPRC.
1.1	22/04/2013	Mark Pearce	Consistency corrections
1.0	03/04/2013	Duncan Godfrey	Updated with external review comments from Post Office Legal department. For approval.
0.4	13/02/2013	Duncan Godfrey	Minor formatting and grammar changes. Ready for approval by ISPRC.
0.3	28/12/2012	Mark Pearce	Review.
0.2	27/12/2012	Duncan Godfrey	New IS policy. Added comments from Mark Pearce and Dave King
0.1	21/12/2012	Duncan Godfrey	Reformatted from original HR release

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1 Purpose and Statement

The purpose of this policy is to present what is acceptable use of Post Office Information Systems.

All employees of Post Office are responsible for using Post Office information resources responsibly and securely. The resources are primarily provided to support business activities.

This policy does not form part of employees' contracts and may be amended at any time.

2 Goals

The goals of this policy are to:

- Communicate what is acceptable behaviour when using Post Office Information Systems.
- Communicate the repercussions for failing to follow this policy.
- Manage the impact of the risks associated with inappropriate use of Post Office Information Systems, including: confidentiality breaches, legal claims, reputational damage, and adverse impact to the availability and/or integrity of Post Office Information Systems and loss of revenue.

3 Scope

The policy applies to all Post Office employees, agents, contractors, suppliers and consultants of Post Office.

4 Roles and Responsibilities

4.1 Information Security and Assurance Group

The Information Security and Assurance Group (ISAG) will review this policy at least annually and update accordingly to reflect changes to business objectives or risks.

4.2 Users

It is the responsibility of each user irrespective of their terms of employment or engagement to adhere to this policy.

All managers are directly responsible for implementing Post Office policies within their business areas and for their staff's adherence to them.

5 Policy Statement

The use of Post Office Information Systems is governed by relevant Information Security and company policies. It is the responsibility of each user to comply with these policies at all times.

5.1 General System Use

Post Office Information Systems and all the information contained within are the property of Post Office. Users are provided access to these systems for appropriate business use only.

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Users may only use resources for which they have authorisation. Users may only access systems via their individual accounts and must not use another individual's colleague's account to access Post Office Information Systems.

Users are individually responsible for the resources assigned to them and are accountable to Post Office for the use of such resources.

It is the responsibility of the user to protect their passwords or any other credentials. Do not write down, display or disclose your user identity or password, or any other access code to any other individual.

Non-Post Office owned devices must not be directly connected to Post Office Information Systems (see IS16 Mobile Device Policy).

5.2 Misuse of Post Office Resources

Users must not intentionally attempt to alter the configuration of any Post Office Information System or interfere with any security control (for example anti-virus or patching updates). Users must not conduct any monitoring of Post Office Information Systems unless this has been defined as part of their role and the necessary impact assessments have been undertaken.

Users must not take any actions to anonymise their use of Post Office Information Systems.

Users shall not conduct any illegal or malicious activities using Post Office Information Systems. This includes installing any tools that could support such an activity.

5.3 Email and Instant Messaging Acceptable Use

Email and Instant Messaging (IM) are tools for conducting Post Office business and shall not be used for any other non-Post Office related business activity. All emails and IMs are archived and retained as permanent records and are subject to disclosure to outside parties including regulatory and legal authorities.

Users must not forward business information from business email accounts to their private non-Post Office accounts. All business emails remain the property of Post Office and must only be accessed via authorised channels.

The Email or IM facilities specifically must not be used for:

- Sending any message that others could consider indecent, offensive, threatening, insulting or derogatory
- Sending any messages that could be considered as bullying or harassing other employees, Post Office customers or any other third party;
- Sending a false and/or defamatory statement about any person or organisation;
- Sending discriminatory material;
- Distributing, disseminating or storing images, video, text or other materials that might be considered indecent, pornographic, obscene or illegal
- Creating or distributing chain letters or unsolicited advertisements (SPAM)

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- Any other material that is likely to create any liability (whether criminal or civil, whether for you or us).

Any conduct listed above is likely to be seen as gross misconduct and investigated under our disciplinary procedure. Any such action will be treated very seriously and is likely to lead to the summary dismissal of the user concerned (where the user is an employee) or termination of the user's contract (where the user is not an employee).

Only Post Office approved IM facilities shall be used for business messaging..

5.4 Web Acceptable Use

Access to the web has been provided to support business activities and must primarily be used for this purpose. A certain amount of personal use is permitted (see section 5.8) but users must not:

- Access any content relating to: gambling, illegal drugs, pornography, criminal skills, hate speech or any other indecent, obscene or offensive material
- Send offensive, bullying, harassing or discriminatory material or material which is derogatory to others
- Post or otherwise transmit false or derogatory material
- Access any material which infringes copyright
- Access any material that is likely to create any liability (whether criminal or civil, whether for you or Post Office).

Any conduct listed above is likely to be seen as gross misconduct and investigated under our disciplinary procedure. Any such action will be treated very seriously and is likely to lead to the summary dismissal of the user concerned (where the user is an employee) or termination of the user's contract (where the user is not an employee).

All web access is monitored and archived; this record will be audited for compliance with this policy.

5.5 Use of external file storage and synchronisation services

External unauthorised file storage services (such as Dropbox, Skydrive and Googledrive, Box etc.) must not be used for storing Post Office information..

5.6 Authorised Software and Copyright Material

Users may only use the software provided to them by the Post Office IT service. No unauthorised software is permitted on Post Office Information Systems.

All users must comply with all intellectual property laws including copyright law. Any material which has a copyright must not be used on Post Office Post Office Information Systems without the correct licence. This includes: videos, audio files and any protected documents (such as restricted PDFs).

5.7 Use of social media

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Post Office recognises that many of our people enjoy using social networking sites in their own time. Comments we publish on these sites may reach a surprisingly wide audience, and so we must all protect our brand and avoid doing anything that might bring the reputation of Post Office into disrepute.

Everyone must be aware that information gained about Post Office as a result of your work for the business must never be discussed or shared on social media sites.

5.8 Personal use of Post Office resources

While Post Office Information Systems are intended for business use only, our policy does allow for reasonable and occasional personal use. Any personal use must be kept to a minimum and should not interfere with an employee's business responsibilities and the resources they are using.

Personal use remains a privilege and activity conducted on Post Office Information Systems is still owned by the Post Office. The Post Office is not responsible for the recovery of any non-business data on Post Office Information Systems and this data may be deleted at any time.

5.9 Use of Non-Post Office Equipment and Resources

Non-Post Office equipment (e.g. laptops, tablets, smartphones etc.) and or resources such as email systems (e.g. external consultancy email system, Gmail, Outlook.com (Hotmail), Yahoo Mail etc.) must not be used for Post Office business purposes unless explicitly authorised by the CIO. This includes forwarding Post Office information to non-Post Office email systems.

5.10 Reporting Incidents

It is the responsibility of the User to report any security incident or suspicious activity to the IT Service Desk. Advice can be sought from the ISAG.

5.11 Monitoring

Post Office Information Systems will be monitored and audited for compliance with this policy. Monitoring is only carried out to the extent permitted or as required by law and as necessary and justifiable for business purposes.

Where we have a reasonable suspicion that Post Office Information Systems have been used improperly, in breach of the law, or if we need to assist the legal authorities or are otherwise required to do so by law, we will extend this monitoring to the content of specific electronic transactions. Only authorised individuals can undertake this activity through the Disclosure and Access to Employee Information - the "P6 process".

If an employee is concerned about personal privacy, they are advised not to use Post Office Information Systems and equipment for personal correspondence or to store personally sensitive or confidential information.

6 Exceptions

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As per the standard policy process, a policy exception must be applied for by contacting the ISAG. These exceptions will be challenged and reviewed by the ISAG on an annual basis. Evidence must be retained for both the exception and the annual review.

7 Violations

Any failure to comply with this policy will be seen as a violation of the policy and may be dealt with as set out under Enforcement below.

8 Enforcement

The ISAG will regularly assess for compliance against this policy. Additionally, all Post Office people have a responsibility to report any concerns that there may have been a violation of the policy. Any violation of this policy will be investigated and is likely to be dealt with under our disciplinary procedures. In particular, any serious breach of this policy is likely to be seen as gross misconduct and could lead to the summary dismissal of the user (where the user is an employee) or termination of the user's contract (where the user is not an employee).

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9 References

This document has the following references:

IS16 Mobile Device Policy

APPENDIX A: Glossary

Definition	
Acceptable Use	The rules on the use of Post Office Information Systems in a way which protects the reputation of Post Office and the integrity of its Information Systems and equipment.
Instant Messaging (IM)	A system for real-time electronic messaging on the Internet or over networks. The approved Instant Messaging tool in Post Office is Microsoft Office Communicator.
Post Office Information Systems	Broadly defined and includes but is not limited to: computer networks, Internet facilities, Instant Messaging systems, tablets, laptops, desktops, Personal Digital Assistants (PDA), podcasts, forums, blogs, message boards, social communication websites, newsgroups, remote access facilities and all communications through such systems.

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POST OFFICE LTD Executive Committee

Cyber Security and Information Assurance

1. Purpose

The purpose of this paper is to:

- 1.1 Update the ExCo on UK Cyber Security industry initiatives;
- 1.2 Update the ExCo on key Information Security and Assurance Group (ISAG) activities;
- 1.3 Outline risk reduction activities being implemented at Post Office in Cyber Security.

2. Industry Initiatives

- 2.1 Since the inaugural Cyber Security noting paper dated 15 January 2014, Post Office has participated in a Government Consultation for a new Standard to address Cyber Security. The anticipated time to develop the Standard is 18 months. This is led by BIS with backing from all major Government Departments and aims to develop a Cyber Security Standard for adoption across Public and Private sectors. The consultation is in line with the intention set out in the National Cyber Security Strategy¹ paper to address the increasing threat to UK PLC.
- 2.2 The Consultation is in the early stages, but BIS are aware that Industry, including Post Office, is appealing for a Standard that will;
 - Not be too onerous to implement;
 - Be applicable to organisations who have outsourcing arrangements and have a reliance on supply chains;
 - Provide real value in terms of measuring success against on-going and emerging risks
 - Include Mobile technology, which has the potential for severe compromise if not managed adequately.
- 2.3 It is proposed, and supported by Post Office representation that the Cyber Security Standard will be interoperable with current 'good practice' standards such as ISO27001², rather than inventing something new, this will limit the impact on Post Office. ExCo will be updated on further developments that may affect Post Office regarding the proposed Standard.

3. Activities/Current Situation

Building on from last month's report on activities:

- 3.1 There are currently eleven active incidents or breaches that ISAG are aware of; at this time none are assessed by ISAG as being of significant risk to Post Office. These will be discussed at the next Information Security Committee.

¹ National Cyber Security Strategy 2011 and 2013 Published by Cabinet Office

² ISO27001: An International Standard covering the specification and management of an organisation's Information Security Management System.

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3.2 Incident Summary

Following on from January's noting paper; during the period of mid January 2014 to the end of January 2014, there have been three new reported incidents all of which are limited and contained.

Three of the eleven cases are on the Agenda for the next Information Security Committee meeting for formal closure.

3.3 Contractual Due Diligence

ISAG are working with the Company Secretariat to ensure that there is adherence by all parties to the sign-off process by ISAG (among other key teams) before contracts are signed with suppliers.

Work is continuing with the Sourcing team and a Pre-Qualification Questionnaire for Information Security has been introduced to tighten up the Information Security requirements of new product and service acquisitions. All future procurements will now include input from technical, data protection and compliance colleagues within ISAG (dependent on the nature of the project).

A formal project gating certificate has now been drafted and will ensure ISAG requirements are agreed prior to project sign-off.

3.4 Marketing Due Diligence

Regular engagement continues with Marketing due to the high level of reliance on processing personal information. This is proving to be successful and helps promote Post Office to our suppliers as an Information Security focussed company.

3.5 IT Supply Chain Transition to ATOS

Regular meetings continue with the Atos team across many disciplines and service categories, key areas include but are not limited to:

- Governance and Risk.
- Incident response and management.
- Business Continuity requirements.
- Segregation of responsibilities.
- Requirements and Controls are being assessed around data exports to non-European locations.

3.6 Risks

Risk and Compliance Tool

A suitable tool has been selected for ISAG, which will help calculate and manage risks in support of both internal policies and external certifications. This is being put in place as a result of an audit finding from 2013.

Reporting Risk

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All Information Security and Assurance unmitigated risks continue to be logged locally and escalated to the Risk and Compliance Committee as appropriate.

Assessing the Cyber Security Threat Landscape

The information Security and Assurance Group actively participates in industry events, providing valuable peer interaction and demonstrating Post Offices commitment to protecting its organisation.

ISAG also maintains contact with a number of external authorities to gain knowledge of known and emerging threats. These include but are not limited to:

- CPNI – Centre for the Protection of the National Infrastructure – access to their Secure Restricted Extranet for Cyber Security and guidance updates.
- CESG – Communications and Electronic Security Group – regular updates that are communicated to ISAG team members and other colleagues as appropriate.
- British Computer Society Forensic Forum for Cyber Security – regular updates are provided to ISAG team members.
- National Archives – Quarterly meetings for Senior Information Risk Owner (SIRO), regular information updates are received and communicated to appropriate colleagues.

3.7 Policies

All Information Security policies are now signed off, and have been communicated to all colleagues, save for the Acceptable Use Policy which is subject to additional supporting activity and is a paper for ExCo information and noting.

3.8 Training and Awareness

Key training and communication activities remain on schedule for April and July 2014 – rollouts to central and branch colleagues respectively.

ISAG are currently engaged with HR representatives to ensure ISAG Policies are reflected in colleague communications and HR policies.

4. Request

- 4.1 The ExCo is asked to note the update and actions set out above.
- 4.2 The ExCo is asked to approve the paper for presentation to the Post Office Board.

**Julie George/Lesley Sewell
05 February 2014**

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**Executive Committee
Data Centre Tower Procurement**

1. Purpose

The purpose of this paper is to:

- 1.1 Update the Executive Committee (ExCo) on the status of the procurement of a Data Centre Tower.
- 1.2 Seek approval for onward submission of this paper to the Board.

2. Background

- 2.1 As previously agreed by the Executive Committee and the Board, Post Office is re-procuring the IT supply chain to meet the demands of our business strategy and Royal Mail Group separation activities.
- 2.2 Following previous ExCo approval, OJEU compliant procurements were initiated (using a competitive dialogue process), for our whole IT supply chain, including a Services Integrator.
- 2.3 The market was engaged to provide Data Centre services to meet our strategic objectives; successful separation from RMG, improving timeliness and agility in change delivery, introducing more variability into the cost base, lowering the cost of IT service.
- 2.4 The Data Centre Tower services include the facilities, technology infrastructure and supporting operational service capability on which we run our business applications such as Horizon, core finance and HR systems.
- 2.5 To maximise efficiency providers typically offer services in a number of configurations, described as Public Cloud, Private Cloud, Hosting and Co-Location services. The key differences between them relate to the degree of exclusivity required and who supplies the technology infrastructure (the provider or the customer)¹.
- 2.6 Post Office requires a mix of all four configurations to support the range of technology and applications that are used across the business.

3. Activities/Current Situation

- 3.1 Four bidders (Fujitsu, Capita, CSC and HP) were invited to submit responses to an Invitation to Submit Proposed Solution (ISPS). Only one bidder, Fujitsu expressed an interest to bid, the remaining three bidders withdrew, predominantly due to the high degree of Co-Location services Post Office required.
- 3.2 The Programme Board reviewed the procurement and authorised continuing with a sole bidder, Fujitsu. Following completion of dialogue and approval at Programme Board an Invitation to Submit Final Tender (ISFT) was issued to Fujitsu in November 2013.

¹ In a Public Cloud configuration there is little or no exclusivity and the infrastructure is delivered by the provider. Private Cloud and Hosting provide different degrees of exclusivity, whilst, in a Co-Location configuration the provider delivers exclusive use of a dedicated area (secure space and power) and the customer provides the technology infrastructure.

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3.3 Fujitsu submitted a bid in December 2013 and a number of clarification requests were made and meetings held. The bid was evaluated against price and quality criteria, with scores moderated for consistency. To ensure price/value for money could be assessed against a sole bid, Gartner was engaged to provide a Market Price Assessment (MPA). The results of this evaluation indicated that the bid in its current form did not meet Post Office's objectives for a number of key reasons:-

- The solution proposed did not reflect the Post Office's requirement for a leveraged, outcome based solution as set out in the ISFT.
- The time and quality of the implementation plan does not meet Post Office's stated requirements in the ISFT and placed obligations on Post Office that cannot be met.
- It did not meet our value for money criteria based on the Gartner MPA. The additional costs of the bid over the Gartner MPA were between £16m and £18m over the term of the contract.
- It did not demonstrate a sufficient level of agility; there was no basis for forecasting implementation costs and timescales for future change.

3.4 A range of options was carefully considered in reviewing the procurement process and the risks and impacts to our strategic objectives, including consideration of the impact to our relationship with Fujitsu.

- **Accept the bid in its current form:** The bid was not aligned to our strategy; accepting it in its current form does not meet our delivery requirements or achieve the strategic objectives and does not demonstrate value for money.
- **Continue the process and propose a rebid:** Post Office has a low confidence in a revised bid meeting the required standard and Post Office objectives; the impact to our Separation timelines was untenable.
- **Cancel the procurement process and consider alternatives:** This was the preferred option; the current process was not meeting our strategic objectives.

3.5 The IT Transformation Programme Board reviewed the procurement process and considered whether to continue. It determined that the procurement, even if continued, does not meet our strategic objectives. This decision was endorsed by ExCo. The bidder was advised of Post Office's decision in a meeting held on the 31st January. The procurement was formally cancelled on the 7th of February 2014 without award of contract.

Next steps

3.6 A plan is now being considered and taken forward to procure Data Centre services through alternative methods; -

- Short term: Look at exploiting existing contracts to secure continuity of services, and to enable us to meet our Separation activities.
- Medium term: Secure Data Centre services from a supplier appointed through the Solutions Delivery Framework or through use of a framework contract such as G-Cloud.
- Strategic Term: Review our IT supply chain strategy to accelerate provision of hosting services within our existing Towers rather than through a single Data Centre Tower.

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- 3.7 An Independent internal review of the procurement including lessons learnt will be conducted in due course; the report and actions cascaded across our Transformation Programmes and Commercial Teams and will be shared with ExCo.
- 3.8 A detailed update of the changes to the IT Strategy and the impact of this decision will be presented to the Executive Committee and Post Office Board in April.

4. Options Considered

Covered in Section 3.4

5. Commercial Impact/Costs

- 5.1 Sunk costs associated with the Data Centre procurement are £1.1m for the resource and legal costs.
- 5.2 Securing medium term Data Centre services costs are estimated at £0.5m and legal costs £0.3m.
- 5.3 Cancelling the Data Centre procurement means that funding that was included in the Transition Programme business case for Data Centre transition, totalling £2.5m across 2013/14 and 2014/15, will not be utilised and can be used to offset costs for securing short and medium term Data Centre services. Therefore, the net impact on committed delivery plans in 2013/14 is a net saving of £0.9m, but in 2014/15 there is a net increase of £1.3m.
- 5.4 Funds for the above will come from IT Transformation repurposing £0.8m to secure Data Centre services and associated legal costs. In addition, it is estimated that there is a total requirement for £1.3m unbudgeted costs in 2014/15.
- 5.5 Benefit realisation in the IT Transformation Programme for Data Centre services are expected to materialise in 2016/17 and it is expected that these would still be realised.
- 5.6 In summary, the net impact on future cost is £1.3m in capital expenditure for FY 14/15. There is an anticipated cost of transitioning to our Strategic Data Centre in FY 15/16 and beyond of circa £2.4m. There is an estimated uplift to our operating costs in FY 15/16 of circa £850k to support the Data Centre services required for our Separation activities. For FY16/17 and beyond we are anticipating a potential £500k uplift due to the change in strategic approach. All of these costs are subject to challenge during a detailed planning phase.

6. Key Risks/Mitigation

- 6.1 Cancellation of the procurement process carries the risk that Fujitsu may be motivated to pursue a legal challenge to seek loss of profits and/or bid costs. Fujitsu's bid costs are estimated to be circa £1m. An award for damages may be higher. Risk mitigations include:
 - The ISFT documents issued by Post Office specifically allow Post Office to cancel the procurement process and preclude bidders from reclaiming costs; however this may not prevent Fujitsu from seeking a route to challenge.
 - Post Office engaged legal Counsel throughout the procurement to advise on the procurement, associated risks and take appropriate mitigating actions.

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6.2 Fujitsu may seek to link our current Intellectual Property Rights (IPR) position with the decision not to award a Data Centre contract. There is no commercial link, as this would contravene Public Procurement Regulations.

7. Long term considerations – horizon scan

7.1 Fujitsu may use its position to leverage value from Post Office at the termination or extension of current contracts.

7.2 Fujitsu are competing on other procurements and have responded with expressions of interest on future procurements. The Data Centre procurement decision does not impact our expectations or consideration of Fujitsu as a strategic partner to Post Office.

8. Communications Impact

8.1 Cancelling the procurement sends a clear message to the Market and to our key stakeholders that Post Office is a commercial organisation and mindful of the need to ensure that procurements fully satisfy key strategic and commercial objectives and extract maximum value for the 'Public Purse'

8.2 There was a requirement to communicate this decision across the current supply chain, to bidders involved in current and future procurements and to Royal Mail Group. Consideration of Post Office's longstanding relationship with Fujitsu has been managed in the key messages.

8.3 Post Office Board have been advised.

8.4 Cancelling the Data Centre procurement does not impact customers, colleagues, branches or unions.

9. Conclusion

9.1 Post Office has taken a decision to cancel a procurement process that does not meet its strategic objectives or demonstrate value for money for the 'public purse'.

9.2 Plans for an alternative Data Centre solution will be taken forward.

9.3 Associated risks to time and cost are tolerable.

10. Recommendations

The ExCo is asked to note that:

10.1 The Data Centre procurement has been cancelled without award.

10.2 There will be an update to the IT Strategy shared with ExCo and the Post Office Board in April 2014.

10.3 The impacts to the Benefits Case will be presented to the IT Transformation Programme Board, Post Office Investment Committee, Executive Committee, and Post Office Board in April 2014.

The ExCo is asked to approve this paper for onward submission to the Board.

Lesley Sewell
12 February 2014

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POST OFFICE LTD

Delegated Authorities for Remuneration Matters

1.0 Purpose

- 1.1 To delegate authorities for decisions relating to remuneration for Post Office employees below SLP level.

2.0 Background

- 2.1 Remuneration decisions need to be made company wide and delegated authorities therefore need to be updated to maintain fairness and to ensure that responsibilities are clear at all levels.
- 2.2 Post Office will uphold the principle that no individual should be able to determine his or her own remuneration.
- 2.3 For this reason, and in line with best practice in corporate governance, a remuneration sub-group of the Executive Committee known as the Pay and Reward Committee will be formed to recommend to the Executive Committee the remuneration strategy for the Post Office employees below SLP level.
- 2.4 The delegated authorities detailed in 3 and 4 below form part of the terms of reference to be agreed by the Pay and Reward Committee at their first meeting.
- 2.5 The Board will retain ultimate responsibility for approving the Post Office remuneration strategy.

3.0 Pay and Reward Committee structure

- 3.1 The Executive Committee will agree the authorities of the Pay and Reward Committee.
- 3.2 Membership of the Pay and Reward Committee shall be restricted to members of the Executive Committee so that the policy of no employee can determine their own remuneration shall be maintained.
- 3.3 The suggested members are Chris Day, Neil Hayward, Kevin Gilliland, Martin George and Nick Kennett. The Committee will be Chaired by Neil Hayward.
- 3.4 The Pay and Reward Committee shall meet as required to fulfill its commitment, normally quarterly and may consider urgent matters through correspondence.
- 3.5 Two members of the Committee shall be quorate.
- 3.6 The Secretariat function will be provided by the HR Team.

¹ The Senior Leadership is defined as those roles which are eligible to be invited to participate in the LTIP

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4.0 Pay and Reward Committee authorities:

4.1 The Pay and Reward Committee shall:

- 4.1.1 ensure compliance of all bonus and incentive scheme payments in line with legislative requirements and FCA guidelines.
- 4.1.2 agree the outturn of performance related pay arrangements for all employees below Senior Leadership Population and approve payments subject to normal Board, Remuneration Committee and Executive Committee processes.
- 4.1.3 approve the introduction and removal of material contractual and non-contractual benefit arrangements.
- 4.1.4 recommend, monitor and oversee the remuneration policy for all employees below the Senior Leadership.
- 4.1.5 recommend the settlement of pay mandates and collective bargaining arrangements to the Executive Committee.
- 4.1.6 recommend, monitor and oversee incentive plan design for employees below the SLP.
- 4.1.7 recommend pension scheme design to Pensions Committee.

5.0 Total Remuneration Package

5.1 The elements that typically form an individual's remuneration package include, but are not restricted to:

- Base salary
- Short term incentive plan (annual bonus)
- Pension provision
- Benefits such as car, private health, holidays
- Contractual terms such as notice periods

6.0 Recommendation

6.1 The Executive Committee is asked to agree the delegated authorities.

**Fay Healey
13 February 2014**

¹ The Senior Leadership is defined as those roles which are eligible to be invited to participate in the LTIP