



**EXECUTIVE COMMITTEE
AGENDA**
for the meeting to be held on 20 November 2014 in Room 501

Present: Paula Vennells (Chair), Gavin Lambert, Mark Davies, Lesley Sewell, Chris Day, Neil Hayward, Nick Kennett, Martin George, Chris Aujard, Alwen Lyons, Kevin Gilliland, Henk Van Hulle

In Attendance: Dave Hulbert, Nick Sambridge, Geoff Smyth, Angela Van-Den-Bogerd, Fay Healey, Aidan Alston

Apologies: David Ryan

Start time : 09.30hrs
End: 16.45hrs

Time	Item	ExCo Sponsor/Presenter
09.30 – 10.30	Finance Performance Pack	Chris Day
10.30 – 11.00	IT Investment Decisions	Dave Hulbert / Nick Sambridge
11.00 – 11.10	BREAK	
11.10 – 11.40	Update on the Bol / Post Office Long Term Contract, taking into consideration Projects Titan and Hawk	Nick Kennett
11.40 – 12.40	Telephony deep dive	Geoff Smyth
12.40 – 13.10	LUNCH	
13.10 – 13.25	Funeral Plan	Henk Van Hulle
13.25 – 13.40	Commercial Committee - Verbal update	Martin George
13.40 – 14.00	Industrial Relations - Verbal update	Neil Hayward
14.00 – 14.10	BREAK	
14.10 – 14.40	Verbal update on Sparrow, including Branch Support Improvements	Chris Aujard / Angela Van-Den-Bogerd
14.40 – 16.10	People update – SLT half year PDR performance review (incl. lunch break)	Fay Healey
	• What we have achieved so far – future timeline	



16.10 – 16.25	Women's Mentoring – Verbal update	Alwen Lyons / Aidan Alston
16.25 – 16.40	Actions Log	Alwen Lyons
16.40 – 16.45	AOB	
16.45	CLOSE	

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POST OFFICE LIMITED

Performance Report

October 2014

Produced By : Financial Control

For Queries & Comments Contact : Sarah Hall or Kam Bassra

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Headlines

October 2014

Headlines

Operating profit before exceptional items in the month was £5.5m, £4.8m adverse to budget, bringing year to date operating profit to £29.0m and increasing the YTD shortfall versus budget to £23.4m (£36.0m adverse year on year, including NSP decrease of £23.9m).

Net income in P6 is adverse to budget by £6.7m and flat with last year. This reflects the continuing shortfall in Mails and Retail (mainly labels and delayed rollout of ebay returns) of £3.9m. Telecoms was £2.9m adverse due primarily to lower customer numbers and lower average revenue per customer. Government Services was £0.7m behind budget mainly due to fewer active POCA accounts than budgeted. To achieve the FYF of £880m, net income for the remainder of the year needs to average no more than £2.7m adverse to budget each month (and £3.4m better than prior year each month).

Net income year to date has worsened to £31.5m behind budget and £3.5m below this time last year (excluding NSP).

Total expenditure (before project costs) in the month was £0.7m favourable driven by the favourable subpostmaster costs relating to lower income, but offset by higher staff and non staff costs.

Total expenditure (before project costs) year to date remains favourable to budget by £10.2m.

The £60m savings task remains challenging with £7.7m still to be underpinned and a further £1.5m still in the 'hopper' to be validated (see page 7).

- Subpostmasters' Costs are favourable by £25.5m reflecting lower sales volumes and improved VAT recovery.
- Staff Costs are adverse by £2.5m reflecting under-delivery of savings tasks primarily in Supply Chain and Commercial.
- Non Staff Costs are £12.8m adverse driven by a £10m provision for client compensation, £4.5m shortfall in savings delivery, £3.0m for the Mails Segregation penalty payment accrual and other increased costs including postage. This is partially offset by increased VAT recovery of £11.0m.
- Project One Off Costs are adverse to budget by £2.4m reflecting unbudgeted spend for Sparrow and the 'Journey to 2020' strategy work.

CFO Forecast

The P7 CFO forecast remains the same as the half year forecast and projects net income of £880m (£45m below budget) and EBIT pre exceptions of £85m (£14m below budget). This includes a profit contingency of £5m (see page 5 for further details). Work continues to identify and implement actions to recover the shortfall against target.

The task in the remaining 5 months is net income of £380m (compared to budget of £393m and prior year of £363m) and an EBITDAS loss of £8m (compared to budget loss of £18m and prior year loss of £38m).

Crown Profit

The YTD Crown profit is £8.8m adverse driven by lower Mails income and higher property costs due to the delayed savings for the new Facilities Management contract as shown on page 6. The Q2 CFO Crown forecast is a loss of £13.8m which is £4.9m behind budget. This is aligned to the assumptions used in the business CFO forecast but excludes the contingency.

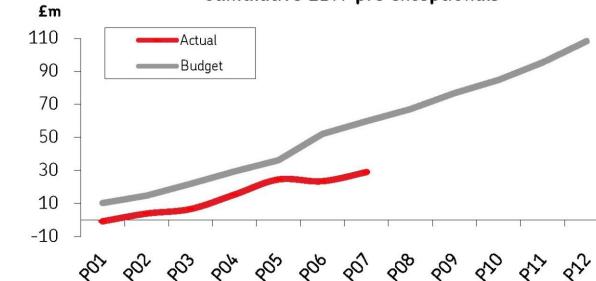
Network Transformation

The programme is ahead of plan at P7 both for contracts signed and branches transformed. The Mains model is performing well and the performance of the Locals model continues to improve steadily.

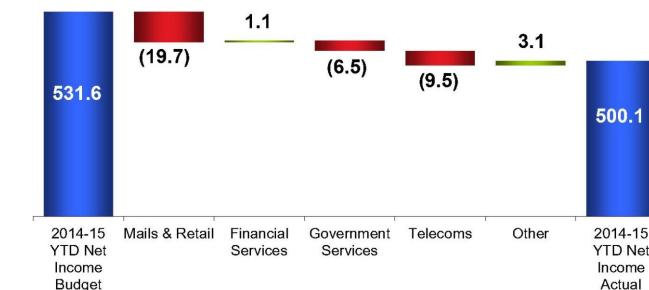
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Cumulative EBIT pre exceptions



Total Net Income - Budget to Actual Bridge



Financials

Total Net Income (excl NSP) £m (Bonus 20%)

Operating profit £m (Bonus 25%)

Crown Profit (Loss) £m (Bonus 12.5%)

Non Financials

Queue time % < 5 minutes - Top 1k branches

NT Branches Transformed In Year (Bonus 12.5%)

Year to Date		
Act	Target	Var
500.1	531.6	(31.5)
29.0	52.4	(23.4)
(14.2)	(5.4)	(8.8)

77.8%	83.1%	(5.3)%
1,076	996	80

Profit & Loss Statement

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£m	Current Month			Prior Year Period		Year to Date			Prior Year YTD		Full Year			Outturn
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q2 Forecast	Budget	Variance	
TOTAL GROSS INCOME	87.8	94.5	(6.7)	88.5	(0.7)	563.7	593.7	(30.1)	571.2	(7.5)	987.0	1,031.9	(44.9)	979.4
Cost of Sales	(9.9)	(9.9)	(0.0)	(10.9)	1.0	(63.6)	(62.2)	(1.4)	(67.5)	4.0	(106.8)	(106.8)	0.0	(112.7)
TOTAL NET INCOME	77.9	84.6	(6.7)	77.7	0.3	500.1	531.6	(31.5)	503.6	(3.5)	880.2	925.1	(44.9)	866.7
Staff Costs	(21.7)	(20.8)	(0.8)	(22.2)	0.5	(146.0)	(143.4)	(2.5)	(152.6)	6.6	(233.6)	(238.7)	5.1	(253.9)
Subpostmaster Costs	(41.5)	(46.6)	5.1	(44.3)	2.8	(262.3)	(287.7)	25.5	(264.1)	1.8	(455.6)	(491.0)	35.4	(447.6)
Non-Staff Costs	(25.7)	(23.6)	(2.1)	(18.2)	(7.5)	(171.0)	(158.2)	(12.8)	(147.6)	(23.4)	(280.6)	(273.5)	(7.1)	(264.8)
Depreciation	(0.0)	(0.1)	0.0	(0.0)	(0.0)	(0.3)	(0.4)	0.1	(0.2)	(0.0)	(0.6)	(0.6)	0.0	(0.4)
Total Expenditure (pre POOC)	(88.9)	(91.0)	2.2	(84.7)	(4.1)	(579.5)	(589.7)	10.2	(564.4)	(15.1)	(970.4)	(1,003.8)	33.4	(966.6)
FRES - Share Of Operating Profits	2.8	2.7	0.1	2.6	0.2	26.6	26.2	0.4	25.3	1.3	35.0	35.0	0.0	33.1
EBIT - BAU	(8.2)	(3.8)	(4.4)	(4.4)	(3.7)	(52.8)	(31.9)	(20.9)	(35.5)	(17.2)	(55.2)	(43.7)	(11.5)	(66.9)
One off Project costs (POOC)	(1.6)	(1.3)	(0.4)	(2.9)	1.3	(13.5)	(11.1)	(2.4)	(18.7)	5.1	(19.7)	(17.3)	(2.4)	(26.0)
EBIT - Post Project Costs	(9.8)	(5.0)	(4.8)	(7.3)	(2.5)	(66.3)	(43.0)	(23.3)	(54.2)	(12.1)	(74.9)	(61.0)	(13.9)	(92.9)
Network Payment	15.3	15.4	(0.1)	19.2	(3.9)	95.3	95.4	(0.1)	119.2	(23.9)	160.0	160.0	0.0	200.0
EBIT pre exceptional items	5.5	10.4	(4.8)	11.9	(6.4)	29.0	52.4	(23.4)	65.0	(36.0)	85.1	99.0	(13.9)	107.1
Interest	0.6	(0.3)	0.9	0.4	0.2	3.6	(1.2)	4.8	1.9	1.7	0.0	(3.0)	3.0	3.1
Impairment	(13.9)	(18.1)	4.2	(7.1)	(6.8)	(80.4)	(132.8)	52.4	(42.2)	(38.2)	(183.3)	(205.2)	21.9	(115.6)
Exceptionals (incl BT) & Redundancy & Severance Costs	(11.3)	(14.3)	3.0	(12.0)	0.7	(118.3)	(137.6)	19.3	25.4	(143.7)	(230.4)	(216.1)	(14.3)	(157.0)
Government Grant Utilisation	0.0	0.0	0.0	18.8	(18.8)	170.0	170.0	(0.0)	148.0	22.0	170.0	170.0	0.0	316.8
Profit/(Loss) On Asset Sale	(0.2)	0.0	(0.2)	0.0	(0.2)	0.0	0.0	0.0	2.5	(2.5)	0.0	0.0	0.0	3.4
Total Profit/(Loss) Before Tax	(19.2)	(22.3)	3.1	12.0	(31.3)	3.9	(49.2)	53.1	200.8	(196.8)	(158.6)	(155.3)	(3.3)	157.6

Period vs. Budget

Operating profit (EBIT) of £5.5m was £4.8m adverse to budget.

BAU was £5.9m adverse:

- Lower net income of £6.7m due primarily to lower Mails, POCA and Telecoms income.
- Higher staff costs of £0.8m in the month. This is mainly due to Crown pay award.
- Higher non staff costs of £2.1m, driven by IT savings task yet to be achieved.

Offset by:

- Lower Subpostmaster costs of £5.1m due primarily to lower sales/ product mix.

One-off Project Costs variance of £0.4m fav.

Below EBIT

The impairment favourable variance is mainly driven by lower than budgeted capex expenditure.

YTD vs. Budget

Operating profit (EBIT) of £29.0m was £23.4m adverse to budget.

BAU was £20.9m adverse:

- Lower net income of £31.5m due primarily to the continuing adverse income trend; Mails (£19.7m), specifically labels, Home Shopping Returns (HSR) and Lottery, Telecoms (£9.5m), Government Services (£6.5m), mainly POCA, offset by favourable FS income (£1.6m), specifically banking, Premium Bonds and MoneyGram.
- Higher staff costs of £2.5m mainly due to the savings task not being achieved (£2.4m from Supply Chain and £0.6m from Commercial), the Crown pay deal and the CMA pay award, offset by a lower bonus accrual.
- Higher non staff costs of £12.8m, driven by the £10m provision for client compensation, impact of the centrally held savings task of £4.5m not being achieved, £3.0m accrued for Mails Segregation penalty payment, It savings task yet to be achieved and higher postage costs offset by improved VAT recovery of £11m (relating to the prior year).

Offset by:

- Lower Subpostmaster costs of £25.5m due primarily to lower income and sales mix (£16.8m), VAT recovery (£3.7m) and other small variances relating to NT changes.

One-off Project Costs variance of £2.4m adverse mainly due to unbudgeted project Sparrow (FYF c. £7m) and unbudgeted strategy consultancy costs.

Below EBIT

Both impairment and exceptionals are under budget due to underspends in NT, CT and IT& Change. Although lower than budget, these are both twice last year's spend. The exceptionals budget also includes £8m ATOS contract set up payment incurred in 2013-14 but budgeted for 2014-15. Government grants have now been fully utilised.

YTD vs. Prior Year

Operating profit (EBIT) of £29.0m was £36.0m adverse to prior year.

Like for like BAU adverse variance of £17.2m was mainly due to:

- Lower Staff cost of £6.6m driven primarily by a lower productivity bonus and Crown savings.
- Lower Subpostmaster costs of £1.8m which are almost flat year on year.

Offset by:

- Lower net income of £3.5m. The variance versus prior year is driven primarily by lower Government Services income, mainly POCA and Telecoms offset by higher Financial Services (Moneygram, Mortgages, Savings and Insurance) revenue.

- Higher non staff costs of £23.4m due to £10m client compensation provision this year, increased IT costs (mainly Horizon and ATOS) and higher marketing spend (including some switched from POOC) offset by improved VAT recovery.

Non like for like adverse variance of £18.8m was due to:

- Lower Network payment of £23.9m, offset by
- Lower project costs of £5.1m.

Below EBIT

Included in grant utilisation this year is £77m of 2013-14 exceptional spend for which there was insufficient grant last year.

CFO High Level Profit Outlook At Period 7

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	£'m	Income	JV Income	Staff Costs	Agents Costs	Non-staff	POOC	Costs	NSP	EBIT	Comments
Budget		925	35	(239)	(491)	(274)	(17)	(1,021)	160	99	
Mails and Retail											
Mails		(31.0)				19.5		19.5		(11.5)	FYF of £345m including £2m uplift for Christmas campaign
Lottery and retail		(4.0)				2.5		2.5		(1.5)	Camelot volumes £3.2m; Health lottery fixed fee £0.4m; Retail £0.4m
Mails segregation penalty						(3.0)		(3.0)		(3.0)	Max penalty under MDA of £6m, assume negotiate down as in 13/14
Government Services											
POCA		(10.5)						0.0		(10.5)	Non-receipt of £10m one-off from DWP, £0.5m LIBOR
DVLA		2.3			(0.4)		(0.4)			1.9	Volume upsides on tax discs and AEI £1.3m; one-off change control for EVL's £1.0m
IDA		(1.0)			0.5		0.5			(0.5)	Delayed launch. Still reliant on Cabinet Office committing to volumes
Passports		(2.2)			0.9		0.9			(1.3)	Digital passports delay, partially offset by paper passports volumes and price increase
Telephony											
Homephone		(4.9)			0.3		0.3			(4.6)	Lower customer numbers and ARPU's, higher wholesale costs; partially offset by FJ claim
Mobile & Energy		(4.5)			2.3		2.3			(2.3)	Launch delayed and budget included 'stretch' volumes. Proposition not being launched this year
Financial Services					2.0	(0.1)	(0.1)		1.9		
Staff Costs											
Commercial				(1.5)				(1.5)			New Commercial structure does not deliver budgeted savings task
Supply Chain				(2.0)			(2.0)	(2.0)			£2m savings budgeted. IR delayed implementation of new ways of working
CTP franchising				(0.5)			(0.5)	(0.5)			Risk from delays to franchising
Non-staff cost savings											
Marketing					2.0		2.0		2.0		Updated October forecast which includes £3.8m for Christmas campaign
Official Mail					(3.0)		(3.0)	(3.0)			Cheque pouches not budgeted £2m; Passports check and send volumes £1m
Central											
Release of contingencies		9.0					0.0		9.0		Release all of income contingency
		(44.8)	0.0	(4.0)	25.5	(4.0)	0.0	17.5	0.0	(27.3)	
Trading forecast at P6		880	35	(243)	(466)	(278)	(17)	(1,004)	160	72	
Further 'Trading' risks						(10.3)		(10.3)		(10.3)	
Client Compensation						0.0		0.0			Max penalty under MDA is £6m, assume can negotiate down as in 13/14
Additional Mails segregation penalty											
Agents costs											
Locals				1.0			1.0		1.0		
NFSP members subs				0.8			0.8		0.8		
Staff Costs											
Central bonus release			7.6				7.6		7.6		Bonus provision reduced from 90% to 50% payout (assumes miss ETDBW, Income, Crown profit)
Non-staff											
Additional savings opps identified		1.0		4.9		5.9		5.9			Additional opps identified by the functions against the August cost target
VAT on RM IT charges				(0.5)		(0.5)		(0.5)			£2.5m budget challenge achieved except VAT impact not covered
New IT services not budgeted				(2.8)		(2.8)		(2.8)			SSK maintenance £0.9m; FRP support costs £0.6m; Fujitsu Tier 2/3 Helpdesk £0.6m; RM Projects PY depreciation charge £0.7m
IT Savings task					(3.0)		(3.0)		(3.0)		Savings task not underpinned in budget
IT Opportunities identified against task		0.5		5.3		5.8		5.8			£0.5m Staff Costs; £1.4m small change budget; £1.7m IT Services supplier opps; £0.8m ATOS savings
Homephone discount				0.8		0.8		0.8			£2m Horizon discount agreed as part of HPBB contract for POL not undertaking a competitive procurement. Agreed £800k 2014-15, £200k to applied to change works and £1m for 2015-16
HR costs & Communications costs			1.0			1.0		1.0			Savings identified from L&D budget £0.5m; offset by higher recruitment costs. Various savings identified from Comms budget
Central task not underpinned				(6.0)		(6.0)		(6.0)			Budget tasks included in Central, including £1m Official Mail. Included in Central budget, not underpinned by any initiatives
Bank charges				(2.0)		(2.0)		(2.0)			Run rate risk
Projects											
Sparrow					(5.0)		(5.0)		(5.0)		Full cost estimate £5.3m covering mediation on c.140 cases. Only £0.3m considered exceptional
Strategy consultancy					(1.5)		(1.5)		(1.5)		McKinsey's costs already incurred for Journey to 2020 work + £0.5m for FS strategy work
POOC savings (FS and Commercial)					3.7		3.7		3.7		Latest forecast from Commercial and FS. Assumes Project Wave delayed
Central											
VAT recovery rate - prior year				11.0		11.0		11.0			Taken in H1
VAT recovery rate - current year		8.0		4.0		12.0		12.0			Total VAT recoveries of c£30m, budget already included £7m
CONTINGENCY				(5.0)		(5.0)		(5.0)			
CFO Outlook at P6		880	35	(234)	(456)	(281)	(20)	(990)	160	85	

Crown Profit & Loss Statement

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October 2014

£m	Period			Prior Year Period		YTD			Prior Year YTD		Full Year			Prior Year
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q2 Forecast	Budget	Variance	Outturn
Income and Distributions														
Variable income														
- Mails	3.3	3.8	(0.5)	3.7	(0.5)	20.2	22.5	(2.3)	22.4	(2.2)	39.2	39.2	0.0	39.6
- Financial Services	2.9	3.2	(0.3)	2.7	0.2	19.3	20.3	(1.0)	17.6	1.8	32.0	32.0	0.0	28.2
- Government Services	2.0	1.7	0.3	2.0	(0.0)	12.6	11.7	1.0	13.0	(0.3)	18.1	18.1	0.0	21.9
- Telecoms	0.1	0.1	(0.0)	0.1	0.0	0.6	0.9	(0.3)	0.5	0.1	1.3	1.3	0.0	0.8
Fixed income	2.1	2.1	(0.0)	2.3	(0.2)	13.3	13.6	(0.3)	14.3	(1.1)	22.0	22.0	0.0	25.3
Gamma/ Other	0.7	0.6	0.1	1.0	(0.3)	3.5	4.7	(1.2)	5.9	(2.4)	9.3	9.3	0.0	12.8
Renewals and Retentions	1.2	1.8	(0.6)	1.4	(0.2)	9.7	10.6	(1.0)	11.3	(1.7)	17.5	17.5	0.0	16.9
Total Income including Gamma/other	12.3	13.4	(1.1)	13.2	(1.0)	79.2	84.3	(5.1)	85.0	(5.8)	132.5	139.5	(7.0)	145.5
Branch costs -														
- Staff	(8.8)	(7.9)	(0.9)	(10.3)	1.5	(58.4)	(56.8)	(1.6)	(64.4)	6.0	(88.8)	(90.0)	1.2	(106.0)
- Property	(2.3)	(2.3)	(0.0)	(3.4)	1.1	(18.4)	(17.3)	(1.1)	(25.5)	7.1	(29.5)	(30.1)	0.6	(34.4)
- Other branch costs	(0.1)	(0.2)	0.2	(0.4)	0.3	(1.3)	(1.5)	0.3	(2.4)	1.2	(2.4)	(2.4)	0.0	(4.3)
Infrastructure costs	(1.9)	(1.8)	(0.0)	(1.7)	(0.1)	(13.6)	(13.3)	(0.3)	(12.1)	(1.4)	(19.9)	(20.6)	0.7	(22.4)
Allocated central costs	(1.4)	(1.2)	(0.2)	(0.6)	(0.8)	(8.9)	(7.9)	(1.0)	(6.6)	(2.3)	(14.6)	(14.2)	(0.4)	(13.6)
Total Expenditure	(14.5)	(13.5)	(1.0)	(16.4)	1.9	(100.6)	(96.8)	(3.8)	(111.1)	10.5	(155.2)	(157.3)	2.1	(180.8)
JV Share of Profits	0.8	0.7	0.0	0.8	(0.0)	7.2	7.1	0.1	7.3	(0.1)	9.0	9.0	0.0	9.6
Statutory PBIT	(1.5)	0.5	(2.1)	(2.4)	0.9	(14.2)	(5.4)	(8.8)	(18.8)	4.6	(13.8)	(8.9)	(4.9)	(25.7)

Summary

Income:

Income is £5.1m less than plan.

At a business level this is predominantly driven by adverse variances in Mails, including Labels, Home Shopping Returns and Lottery, Government Services and Telecoms, with a favourable variance in Financial Services.

Line by Line variances are as follows:

- Variable sales income is £2.6m less than plan principally due to (i) Mails - Lower parcel volumes, Retail sales and Home Shopping Returns, (ii) Financial Services - shortfall from Life Insurance, Home Insurance and variable sales of Savings products. There is a corresponding upside in savings retention income due to the income guarantee with Bank of Ireland. Premium Bonds and Mortgages are also performing above target. (iii) Government Services - predominantly due to higher Passport check & send transactions. However, there is a variance in 'Other Income' that partially offsets this due to an element of the Passports target being held centrally in Other Income.
- Fixed income is adverse due to lower than planned LIBoR rates for Card Account commissions.
- Retention income is adverse due to a lower customer base and Averaged Revenue Per User for HomePhone, partially offset by favourable Savings retention income.
- Other income is adverse due to the delay or phasing of new products, predominantly Energy. Passport Check & Send (actual income in variable sales) is the other key driver. There was also a central Financial Services target that is held here and being delivered within Financial services variable income .

Costs:

Costs are £3.8m higher than plan.

- Staff costs £1.6m adverse primarily due to timing of the roll out of Franchising and the impact of the pay review settlement where associated efficiencies will be achieved in future months, this is partially offset by Crown branches vacancies, mainly Financial and Mortgage specialist.
- Other branch costs are favourable to plan due to lower than expected losses although these may reverse in the coming months.
- Property costs £1.1m adverse due to the delayed savings for the new Facilities Management contract, which started in October , however POL have not yet received an invoice from the new supplier.
- Central Costs are £1.0m adverse due to a provision for client compensation, impact of centrally held savings not being achieved, accrual for Mails Segregation penalty and higher postage cost, partially offset by improved VAT recovery rates.

Cost Management update

October 2014

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Progress since P6 update

Value and confidence

The Cost Reduction Group (CRG) has continued to drive focus on cost management and after further assessment of opportunities the gap between the in-year delivery of "line of sight" initiatives and the total cost reduction challenge has reduced to £9.2m (from P6 report of £14.9m).

Original Cost Management Programme	£34.2m
Additional Cost Challenge to achieve budget	£ 6.0m
Central Stretch to achieve budget	£ 5.9m
Total Budget Cost Challenge	£46.1m
Additional Challenge from Q1 EBITDAS gap	£ 7.0m
Q2 underperformance adjustment	£ 6.9m
Total Current Cost Challenge	£60.0m
Current "Line of Sight" forecast	£50.8m
Gap to £60.0m	£9.2m

Delivery and governance

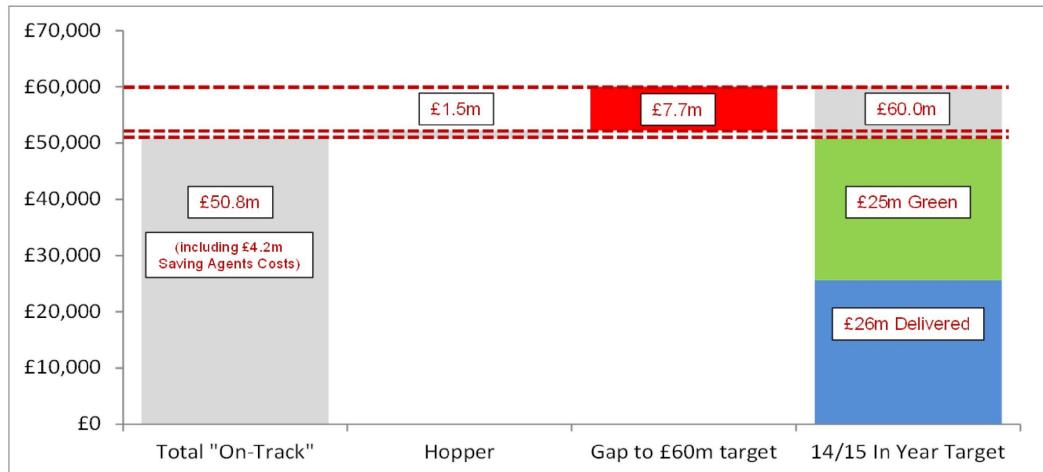
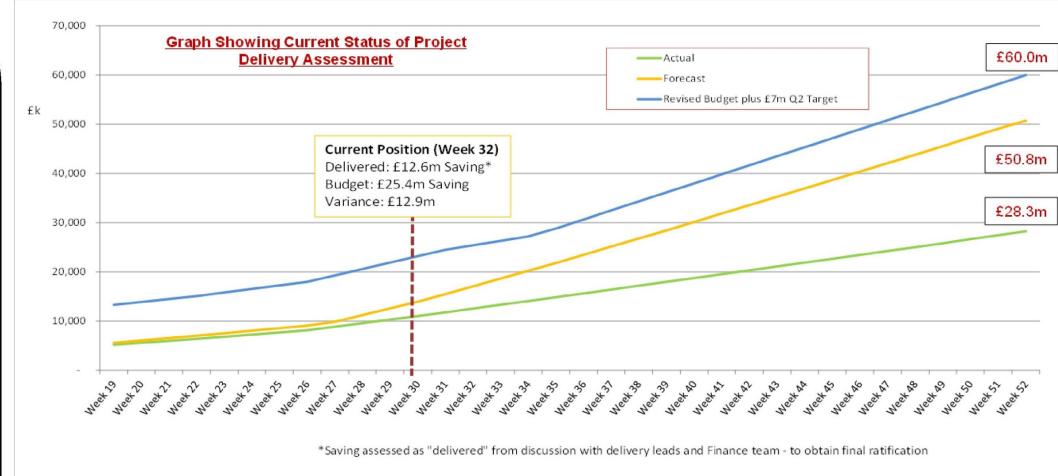
Regular 121 meetings continue to drive focus on in-year cost management opportunities and delivery of existing initiatives. Central business wide opportunities identified during September and October including the acceleration of McKinsey identified savings have provided further potential in-year value but more ideas are required to fill the current gap to target.

Strategic initiatives for FY15/16 and beyond

The overall Programme has progressed through Stage 3, designing the financial glidepath to 2020.

Work is ongoing to:

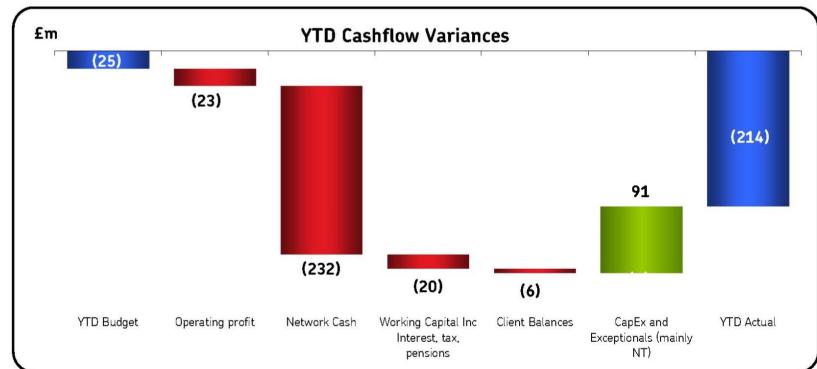
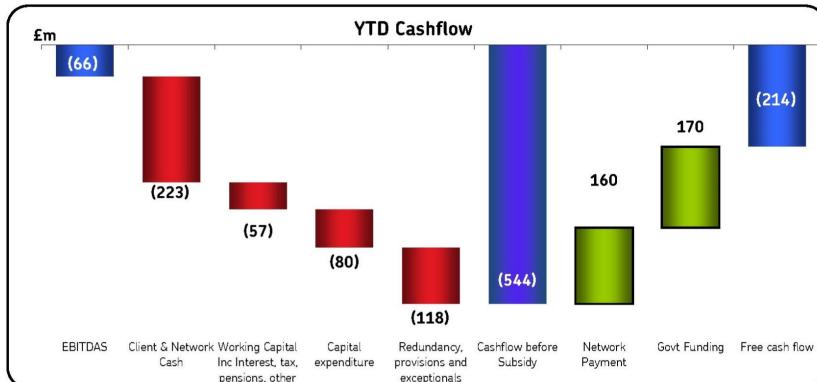
- 1) Identify a portfolio of incremental cost saving opportunities to achieve the £60m in-year improvement target placing all the cost saving initiatives under the scrutiny of the programme to ensure the expected improvement has the requisite effect on the 2014/15 EBITDAS outturn.
- 2) Ensure the benefits from these opportunities are sustainable in order to meet 2015/16 EBITDAS targets, moving towards £100m of sustainable run-rate saving by March 2016
- 3) Deliver the target operating model that will ensure the cost efficiency targets for the programme (to 2019/20) are realised;



Cashflow Analysis

October 2014

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Cashflow

The £330m of government grant was received on 1st April which is the last payment of the 2010 funding agreement with BIS.

P7 cash outflow of £214m is £189m adverse to budget of £25m outflow.

The adverse variance is mainly due to:

- Network Cash was £232m adverse mainly due to winter fuel payments being advanced into P7 (£133m adverse), Cash Centres and bureau (£83m adverse). The other large adverse variance is in cheques (£23m adverse).
- Operating profit is £23m adverse to budget.
- Working capital was £20m adverse.
- Client balances were £6m adverse.

Offset by:

- Capital and exceptionals continue to be favourable (capital £52m and exceptionals £39) due to lower than planned NT, CT and IT spend.

£m	YTD			Full Year	
	Actual	Budget	Variance	Q2 Forecast	Budget
EBIT	(66.3)	(43.0)	(23.3)	85.0	(61.0)
Working Capital	(72.1)	(56.5)	(15.6)	49.5	27.0
Client Balances	11.3	17.0	(5.7)	(3.0)	17.0
Network Cash	(234.1)	(2.6)	(231.5)	(91.6)	(57.6)
Capital Expenditure	(80.4)	(132.8)	52.4	(145.0)	(205.2)
Government funding	330.0	330.0	0.0	170.0	330.0
Exceptional Items	(117.9)	(156.8)	38.9	(213.4)	(240.3)
Other (including interest and tax)	15.9	20.0	(4.1)	(9.9)	(9.9)
Operating Cashflow	(213.6)	(24.8)	(188.9)	(158.4)	(200.0)

Network Cash

£m	Prior Year	Mar-14		P7	
		Opening	Actual	Budget	var
Retail, Cash Centres	696	522	728	527	(201)
Bureau	70	58	68	53	(15)
Cheques, debit cards	119	129	146	131	(15)
Network Cash	885	708	942	711	(231)

	Opening	P7
Headroom (£m)	854	975

Business Scorecard

October 2014

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Key Performance Indicators	Current Month			YTD			YTD Prior Year	Full Year			2013-14 Outturn
	Act	Target	Var	Act	Target	Var		Q2 F'cast	Target	Var	
Growth											
Total Net Income (excl NSP) £m (Bonus 20%)	77.9	84.6	(6.7)	500.1	531.6	(31.5)	503.5	880.0	925.1	(45.1)	866.7
Operating profit £m (Bonus 25%)	5.5	10.4	(4.8)	29.0	52.4	(23.4)	65.0	85.0	99.0	(14.0)	107.1
Earnings before ITDA and Subsidy £m*	(9.7)	(5.0)	(4.8)	(66.0)	(42.6)	(23.4)	(54.0)	(74.4)	(60.4)	(14.0)	(92.5)
Free cashflow £m	(236.6)	39.4	(276.1)	(213.6)	(24.8)	(188.9)	196.8	(158.4)	(200.0)	41.6	179.7
Customer											
Customer Satisfaction**	86.1%	89.0%	(2.9)%	87.1%	89.0%	(1.9)%	88.0%	87.5%	89.0%	(1.5)%	87%
Easy to do business with (Bonus 15%)**	24%	47%	(23)%	26%	47%	(21)%	44.2%	26%	47%	(21)%	41%
Net Promoter score**	3	2	1	1	2	(1)	-2	0.5	2	(1.5)	(4)
Queue time % < 5 minutes - Top 1k branches	80.1%	87.0%	(6.9)%	77.8%	83.1%	(5.3)%	84.1%	77.5%	81.2%	(3.7)%	82.1%
Branch Compliance - Financial Services - basket of 11 measures	90	<=60	-	80	<=60	-	N/A	110=> <=60	<=60	-	N/A
Branch Compliance - Inland Dangerous Goods ****^	70.0%	80.0%	(10.0)%	70.0%	80.0%	(10.0)%	TBC	80.0%	80.0%	0.0%	TBC
Branch Compliance - International Dangerous Goods ****^	80.0%	85.0%	(5.0)%	80.0%	85.0%	(5.0)%	TBC	85.0%	85.0%	0.0%	TBC
People											
Engagement Index % (Once a year April) (Bonus 15%)^	TBC	58%	-	TBC	58%	-	55%	58%	58%	0%	57%
Subpostmaster Engagement Index % (Once a year)^	47%	48%	(1)%	47%	48%	(1)%	N/A	48%	48%	0%	45%
Post Office Values the diversity of the workforce (Once a year April)^	54%	66%	(12)%	54%	66%	(12)%	N/A	66%	66%	0%	52%
(No.) % of BME appointments over total recruits at senior leadership and senior manager	0%	7%	(7)%	9%	7%	2%	11.5%	7%	7%	0%	11%
(No.) % of Female appointments over total recruits at senior leadership and senior manager	33%	45%	(12)%	40%	45%	(5)%	53.8%	45%	45%	0%	46%
Modernisation											
Crown Profit (Loss) £m	(1.5)	0.5	(2.1)	(14.2)	(5.4)	(8.8)	(11.9)	(13.8)	(8.9)	(4.9)	(25.7)
Crown Profit (Loss) Run Rate £m (Bonus 12.5%)^	N/A	N/A	N/A	(11.7)	(6.7)	(5.0)	N/A	(2.0)	0.0	(2.0)	N/A
NT Transformations - contract signatures ***	0	144	(144)	4,168	3,944	224	2,113	4,800	4,800	0	3,246
NT Branches Transformed In Year (Bonus 12.5%)	0	140	(140)	1,076	996	80	295	1,650	1,650	0	1,551

Bonus worthy metrics

* ITDA Interest, Tax, Depreciation, Amortisation.

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

*** YTD and FY = cumulative including prior years.

**** POL are looking to hit 100%, and these target have been set for 2014-15 in recognition that marked improvement is required to reach 100%.

^ Target is the year end exit rate.

^^ Measured annually with some additional 'Pulse surveys'.



Metrics To Focus On

October 2014

Key metrics to focus on (YTD below target) include:

Net Income: (Martin/ Kevin) (Bonus)

Net income is £31.5m adverse and is driven primarily by Mails, Telecoms and POCA income. The Mails variance was driven by labels, Collections & Returns, Special Delivery, Dangerous Goods and lottery. This is partially offset by Financial Services being favourable.

Operating Profit: (All) (Bonus)

Operating Profit is £23.4m adverse due to lower income of £31.5m, higher non staff costs of £12.8m, higher POOC of £2.4m and higher staff of £2.5m offset by favourable subpostmaster costs of £25.5m.

Customer Satisfaction - Top 3 box (combination of those answering Extremely, Very, Fairly satisfied): (Martin)

Top 3 box remains stable in P7 at 86.1% - YTD performance below target at 87.1% (target of 89.0%)

Top 2 box satisfaction shows improvement up to 51.9% from 47.7% but the overall satisfaction is not moving as we lose more customers into neither satisfied or dissatisfied.

Easy To Do Business With (% think we are low effort minus % think we are high effort) 3 month rolling measure): (Martin) (Bonus)

P7 3 month rolling score at 24.0% (an improvement of 2.7 percentage points from P6) with an increase in the number of people who think we are low effort. However, there has been no decrease in the number of people who think we are high effort. The 1 month performance score in October has increased up to the level last seen in June this follows three lower performances in July, August and September and an improvement of 9 percentage points in October up to 28.4%. YTD score up to 26.0% is below target of 47.0%.

Crown branches have driven this uplift at an overall level, with a large improvement in the overall score, up from 2% in P6 to 25% in P7. (3 month rolling).

During October, we have seen improvement in performance across the drivers of ease:

Most notably for 'The time I have to wait is acceptable' and 'The queue moves quickly' (both +5 percentage points on P6) this ties with performance in mystery shopping which shows 3 consecutive months where over 80% have been served within 5 minutes.

Customer service measures also showing improvement with 'Staff provide a warm welcome at the counter' up by 4 percentage points in P7 and 'Going the extra mile to provide good service' up 3 percentage points and 'Genuinely interested in assisting customers' a 2 percentage point improvement.

Net Promoter Score: (Martin)

Looking at NPS, the month scores show 3 consecutive months of positive performance with a decrease in the number of detractors. For 1 month data in September and October, NPS was above the year end target.

Queue time % < 5 minutes - Top 1k branches: (Kevin)

The percentage that queued under 5 minutes down 0.6 percentage points in P7 however remains better than was recorded for the first 4 months of the year. Queue time in Crown is stable having fallen in P6, there was an improvement of 3 percentage points for Agency to the highest level this year but performance dropped by 6 percentage points in WHSmith branches.

Branch Compliance - FS: (Nick)

This is made up of 11 weighted metrics: Mystery Shopping, Significant upheld complaints, Customer validation calls, Financial promotions, Limits on staff permissions, Staff product knowledge, Life Insurance cancellations, Savings cancellations, Credit card usage, Complaints process knowledge, Suitability of mortgage advice. The measures that are not green are: Mystery Shopping (Red), Customer validation calls (Amber), Life Insurance cancellations (Amber) and Credit card usage (Amber).

Branch Compliance - Mails: (Martin/ Kevin)

The targets shown are the full year exit rates. Inland (exit target 80%) has decreased from 77% to 70%, and International (exit target 85%) has also decreased from 93% to 80%.

Measured annually with some additional 'Pulse surveys':

- **Engagement Index: (Neil) (Bonus)** - The Engagement Index target is 1% greater than prior year outturn of 57%. The November Pulse survey is tbc.
- **Subpostmaster Engagement Index: (Neil)** - The Subpostmaster Engagement Index was last taken in December 2013 at 45%. The 48% target is the aspiration for the current year driven by the expected impact of the Branch Support Programme. November Pulse score shown on scorecard of 47%.
- **Post Office values diversity: (Neil)** - Survey from April shows 52% and the target is to get this to 66% driven by the business spotlight on diversity through various programmes such as the Diversity Forum, Women in Leadership and the introduction of directorate level diversity objectives. November Pulse shows 54%.

Appointments: (Neil)

58 appointments YTD (5 April, 7 May, 14 June, 15 July, 7 August, 7 September, 3 October), 23 female appointments YTD - 49.7% (2 April, 2 May, 7 June, 9 July 1 August, 1 September, 1 October), 5 BME appointments YTD - 8.6% (3 June, 1 July, 1 August).

Crown Profit: (Kevin) (Bonus)

The Crown loss is primarily driven by the lower Mails income and higher property costs.

Crown Profit Run Rate: (Kevin) (Bonus)

The Crown profit Run Rate is a key metric for year end and has been updated for Q2. The variance is primarily driven by lower income.

Network Transformation Scorecard - Mains

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October 2014

Reporting prior months data (i.e. one month in arrears)



Key Performance Indicators		Current Month %		Ave £'s per branch	Actual Sample Size
		Actual	Control Group	Var	
POL	Finance Approved Investment per Mains £000	(42)	(42)	0	0
	Total Income: Post vs Pre Conversion				
	Branches live 6-12 months	4%	(1)%	5%	382
	Branches live 12-24 months	(1)%	(6)%	5%	388
Agent	Agents Remuneration: Post vs Pre Conversion				
	Branches live 6-12 months	4%	(4)%	8%	518
	Branches live 12-24 months	6%	(4)%	11%	812
	Customer Sessions				
	Branches live 6-12 months	1%	(3)%	5%	492
	Branches live 12-24 months	(0)%	(5)%	4%	466
	Operator Feedback on Retail Sales Performance	7%			155
	Operator Satisfaction	81%			73
Customer	Average Increase in Opening Hours	41%	20%	21%	1,550
	Customer Satisfaction	98%	90%	8%	30
	Queuing Times	1m 24s	< 5 mins	3m 36s	190

Mains

Branches that have been converted to a Mains model for more than 6 months have consistently outperformed the control group in delivering POL income. These agents receive a dedicated package and a renewed focus on sales targeting and performance at the point of conversion. This is having a significant impact on focus income for many branches.

The following products are performing particularly well:

- Travel insurance
- Passport check and send
- Cash withdrawals
- Growth bonds
- Insurance products

In addition, these agents have increased their POL earnings due to the improved sales and enhanced Mains pay rates.

Note: the control group is based on those branches of similar size that have not yet converted.

Customer

Customer Satisfaction, extended opening hours and queue times all remain positive.

Network Transformation Scorecard - Locals

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October 2014

Reporting prior months data (i.e. one month in arrears)



Key Performance Indicators		Current Month %		Ave £'s per branch	Actual Sample Size
		Actual	Control Group	Var	
LOCALS					
POL	Finance Approved Investment per Local £000	(11)	(11)	0	0
	Total Net Impact: Post vs Pre Conversion				
	Branches live 6-12 months				
	Income	(6)%	(5)%	(1)%	(16)
	Actual Fixed pay savings				930
	Actual Net impact				914
	Branches live 12-24 months				
	Income	(10)%	(11)%	1%	26
	Actual Fixed pay savings				919
	Actual Net impact				945
Agent	Customer Sessions				
	Branches live 6-12 months	10%	(2)%	12%	130
	Branches live 12-24 months	7%	(3)%	11%	190
	Operator Feedback on Retail Sales Performance	16%			52
	Operator Satisfaction	79%			56
Customer		Actual	Target	Var	Actual Sample Size
	Average Increase in Opening Hours	111%	80%	31%	1107
	Customer Satisfaction	95%	90%	5%	30
	Queuing Times	55s	< 5 mins	4m 05s	274

Locals

At the point of conversion there is an initial decline in performance; as the branches settle and embeds the operational changes. However this improves month on month and as they near the exit of the 6-12 month category the run rate of performance is now higher than the control group. This is partially as a result of the activities that have been put in place to limit the drop off in income and drive performance. Although the impact on the Locals due to NS&I is still having an adverse effect on performance the underlying trend of other products is showing an improvement.

As the better performing branches move through the categories this is reflected in the 1% increase in performance for the 12-24 category

Customer sessions/footfall continues to be strong so this should support the agents retail growth.

Note: the control group is based on those branches of similar size that have not yet converted less 5% to reflect lost products.

POL

- Products such as bill payments, etop ups, cash withdrawals and MoneyGram have delivered growth for these branches – with associated footfall. This has been offset in income terms by poorer performance on more complicated products.
- Fixed pay has been reduced to zero for all converted branches, in line with the strategic plan.
- On average Lottery income has reduced by c. £60k p.a in these branches. Corrective action on how we minimise future risk is now being looked at, principally by improving the sales messages and focus of the FCA's when signing up the retailer as well as the LRM's focussing on these messages for those already converted

Agent

- Customer sessions indicate that retailers are benefiting from greater footfall that should support their retail growth.
- The footfall is delivering quicker but lower value Post Office sales which in turn should allow the retailer to utilise their staff in different ways or reduce their staff costs.

Customer

- Customer Satisfaction, extended opening hours and queue times all remain positive.

Transformation Overview

October 2014

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- RAG, cost and benefits based on full programme life
- RAG in brackets indicates programmes view

- New Transformation Portfolio category added to show status of the delivery of the 2020 EBITDAS strategic plan proposed in Business Transformation Design phase. After we have implemented the Transition Plan this category will summarise the position across all programmes under the new Roadmap

Programme	Time	Cost	Benefit	Quality	Comment / Areas for Discussion
Business Transformation (Design Phase only)	G	G £7.5M 14-15	N/A (A)	A (G)	Design phase will be complete in November having delivered an 'end state' operating model design and transformation 'blueprint'. Proposals have been submitted to ExCo to review the affordability challenge and sequencing, with a further full day ExCo held on 13 th November to ensure alignment on all elements of Business Transformation. Transition business cases being prepared to manage the transition from a 'design' to a 'delivery' structure and operational efficiency accelerators. Final recommendations will be made to ExCo and the Board in November to secure approval for transition into delivery. Quality measures amber status as quality measures not yet achieved.
Winning in Mails	A	A (G)	R	A	Ivy pilots continue to roll out but with usage extremely low (digital marketing underway with more marketing planned). Currently have agreement with NFSP not to implement more than 200 Ivy access points prior to 19th January, with engagement with NFSP co-ordinated via P&E team. The programme plan to use CDP to develop the simplified customer journey with ability to project functionality via both Injenico handsets and EPOS (Tablet prototype will now feed future self-serve capability). Agreement with Royal Mail on product simplification, operational, technical and commercial solution (due on 14th November) and is key to deploying viable proposition and obtaining agreements with strategic partners. Amber status on costs due to current short term funding cover.
Network Transformation	A	A £956M	G	G	Programme remains ahead of target on both contracts and openings. Transitional locals are progressing without significant adverse stakeholder reaction though the workstream is time consuming as decisions need to be made on a case by case basis. Value for Money workstream has identified potential cost savings that require further investigation working with Business Transformation programme. Discussions on the cliff are starting with the NFSP and co-ordinated via P&E team. Analysis of the impact of the revised network strategy from Business Transformation has commenced and will be developed further during the 'Transition' stage of Business Transformation. Draft business case for current programme (NT2) produced and under review within the programme (will be used as baseline for any subsequent changes).
Crown Transformation	G	G £126M	R P&L Break Even	G	The programme continues to deliver in line with targets across branch transformations, training (>3000 staff trained), staff cost reductions (>470 FTE), SSK rollout (>480 rolled out), mergers and relocations - though current P&L run rate at year end is forecasting a £2M loss primarily due to a £7M income shortfall. Quality measure moved to green status as customer satisfaction continues to improve, with both overall satisfaction and queue time satisfaction meeting (or very close to) target. Communication due to commence mid November to branches that will not be Franchised this Financial Year, this will be on a branch by branch basis due to the differing circumstances.
Branch Support	A	G £8M	A £3M P/A	G	Enterprise Case Management recommendations yet to be agreed at Business Transformation Steering group, once outcome is known impact on Branch Support benefits will be recalculated. Activity to realise savings (C.£284K) from online training, brought forward from next financial year are in flight and are aligned with the HR1 processes across Business Transformation.
IT Transformation	A	R £53M	A £25M P/A	TBC	Fujitsu have informed Post Office that they are withdrawing from the Front Office procurement process, the programme has initiated a full impact assessment, with specific focus on managing the risk around continuity of service. Updated Business Case shows increase in transition costs, the programme is working with Finance to minimise the exposure and to agree the most appropriate way to secure the funding. The increase is largely due to more informed bidder responses to the procurements and flawed assumptions in the original estimates for the Network tower. Latest costs and assumptions have been used in Business Transformation Roadmap and financial glide path. Mobilisation of the EUC delivery team underway following contract award. Network and Back Office alignment with Business Transformation being finalised, way forward to be agreed by mid-November

Transformation Overview

October 2014

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- RAG, cost and benefits based on full programme life
- RAG in brackets indicates programmes view

Programme	Time	Cost	Benefit	Quality	Comment / Areas for Discussion
Separation	G	A £44M	N/A (G)	G	Programme is delivering against the revised timeline within the MSA Extension Letter, with significant milestones approaching before the end of the financial year for ebusiness, Networks and Contact Centres. There is an increased licensing risk from Oracle who have issued a 'management' letter to Royal Mail highlighting that the usage of Oracle products for divested/separated organisations (e.g. Post Office) has a one year expiry. This has now passed, and a 30 day consultation period has been invoked. The programme team continue to work with Procurement, Legal and Royal Mail to mitigate any financial exposure and to secure an acceptable outcome.
Titan	A	G	G	TBC	Update reflects whole programme but will move to Post Office only deliverables (rather than POMS) from December to ensure clear lines of governance. Contractual relationships with third parties for distribution and servicing progressing slightly behind plan but programme anticipate all will be completed within timescales. Key risks that PO board do not give authority to trade due to concerns over readiness, and FCA do not provide authorisation within required timescales. Contingency plans being developed for both to enable uninterrupted Travel Insurance sales. Costs and benefits forecast inline with business case.
Hawk					Post Office and Bank of Ireland have agreed to appoint an independent expert to provide a valuation of the insurance business as there is significant variation between Post Office and Bank of Ireland valuations. FS will not be able to confirm if anticipated benefits are achievable until independent expert valuation is received and there is a risk that the valuation may be higher than Post Office are prepared to pay. Supported is being provided by both KPMG and Linklaters.
Investments and Savings Negotiations					Negotiations with Bol continue with Bol rejecting Post Office's proposal on investments, with escalation through recent executive discussions. The key points under discussion are; need for market soundings, agreeing a delivery model, alternative structure for Insurance (linked to Hawk) and exclusivity & contractual control over Investments. FS are also waiting for Bank of Ireland to respond on Savings negotiations.
FS Sales Effectiveness	A	G £1.5M 14-15	A	TBC	Programme consists of five workstreams to improve the overall effectiveness of FS sales team, with the target of increasing sales volumes to 15 per specialist per week by 2020. Progress is behind plan as a result of delays in approvals for business cases and resourcing challenges, which puts at risk achieving planned benefits in subsequent years. Phase 1 Post Office Money Academy due to go-live in support of broader Post Office Money sub-brand launch. Quality metrics are to be confirmed with the project.
Post Office Card Account (POca)	A	G £0.28M	A	TBC	The Public Procurement project is currently on track. POL and DWP are working to conclude the BAFO (commercial discussions on the content of the extended POca service) in support of the Ministerial announcement (end of November). The OJEU will commence shortly after this decision. Contract award and implementation commencement are scheduled for end of Q3 15/16. However, the overall RAG status for the continuation of the POca service is Amber for Time (the impact of slippage to the Ministerial announcement causes a potential risk to the start of the new supplier service in April 2017). Benefits are Amber due to the uncertainty regarding DWP decision to either extend the existing contract for 2 years or commit to a 7 year continuation. Quality metrics are to be confirmed with the project.
Mobile Proposition (Wave)	G	R £4.5M	A	TBC	Cost challenge has impacted on original timescales/benefits and has led to re-planning of key milestones and re-phasing of benefits. 'Friendly user trials' are currently on track for January 2015 and the National launch of pre-paid and pay monthly is now scheduled for Q2 and Q3 2015 respectively. Cost status is Red due to the enforced delay which has extended the programme timelines and increased overall costs - an increase of £300k is currently forecast. Benefits status is Amber as income generation is delayed until 15/16. Quality metrics are to be confirmed with the project.
People & Engagement					The People and Engagement strategy and detailed actions for the next 12-18 months have been agreed by ExCo and the Board. The actions within the plan are aligned to the accelerators and are underpinned by the business approach to risk management. Short term focus will be on: 1, Stakeholder management (inc. NFSP, TUs, RMG, BIS) 2, Supply Chain strike ballot closing on 18th November 3, Business Transformation Wave 1 activity and management OD

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Appendices

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Income Report

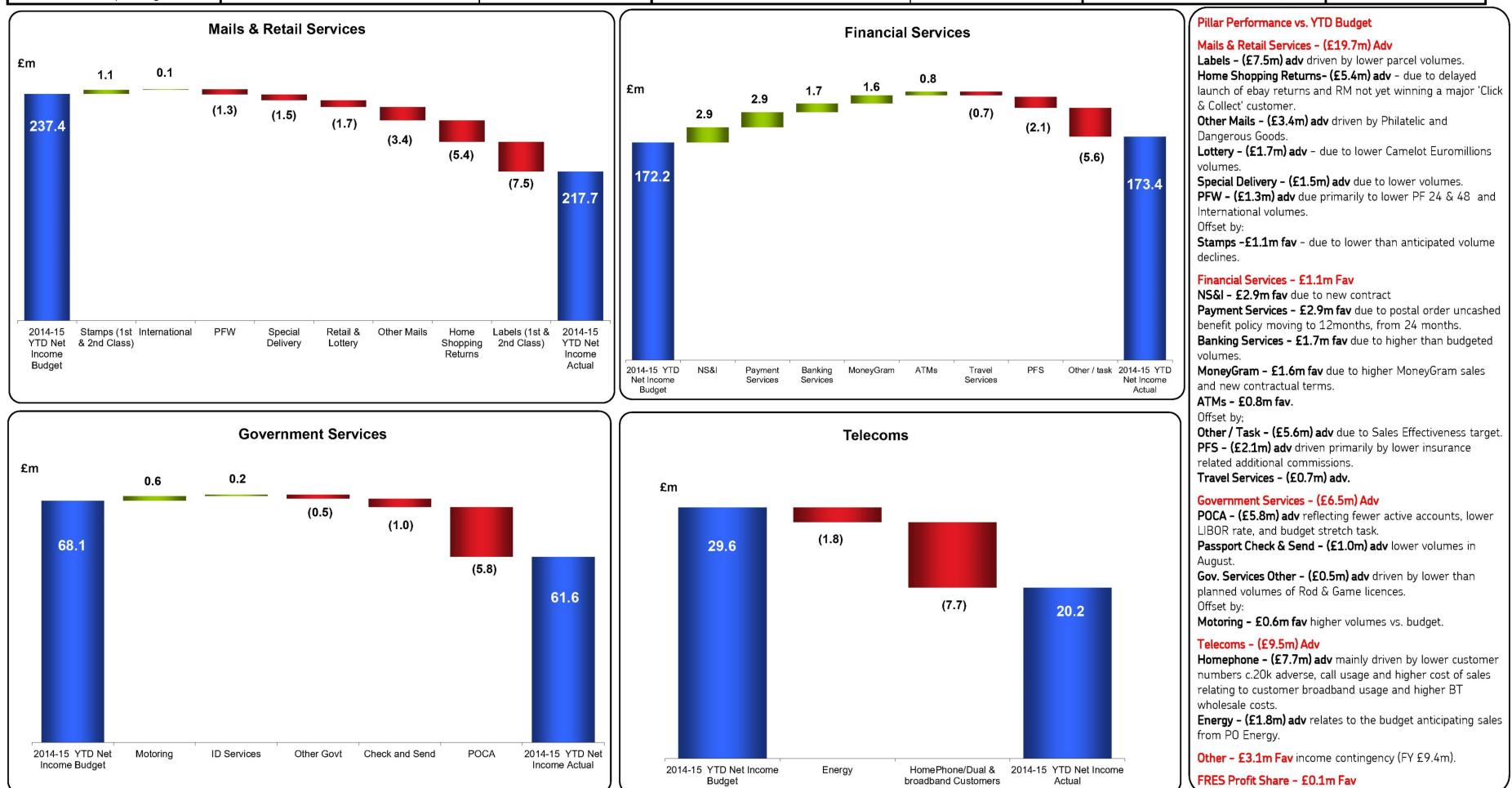
Net Income By Pillar vs Budget

October 2014

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Net Income (£m)	Period			Prior Year Period		YTD			Prior Year		Full Year			Prior Year	
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q2 Forecast	Budget	Variance	Outturn	Variance
Mails & Retail	36.2	40.1	(3.9)	35.9	0.2	217.7	237.4	(19.7)	218.7	(1.0)	389.1	424.1	(35.0)	386.0	3.1
Financial Services	26.8	26.9	(0.1)	24.9	2.0	173.4	172.2	1.1	164.0	9.3	297.1	295.2	2.0	278.6	18.6
Government Services	8.5	9.2	(0.7)	8.9	(0.4)	61.6	68.1	(6.5)	67.9	(6.4)	105.2	116.6	(11.4)	116.1	(10.9)
Telecoms	2.9	5.8	(2.9)	3.9	(1.1)	25.9	35.4	(9.5)	29.1	(3.1)	52.5	61.9	(9.4)	46.0	6.5
Other	3.6	2.6	1.0	4.0	(0.4)	21.5	18.5	3.1	23.9	(2.4)	36.1	27.3	8.8	40.1	(4.0)
TOTAL NET INCOME	77.9	84.6	(6.7)	77.7	0.3	500.1	531.6	(31.5)	503.6	(3.5)	880.0	925.0	(45.1)	866.7	13.2
FRES - Share Of Operating Profits	2.8	2.7	0.1	2.6	0.1	26.6	26.2	0.1	25.3	0.9	35.0	35.0	0.0	33.1	1.9



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Cost Report

Staff Cost By Function

October 2014

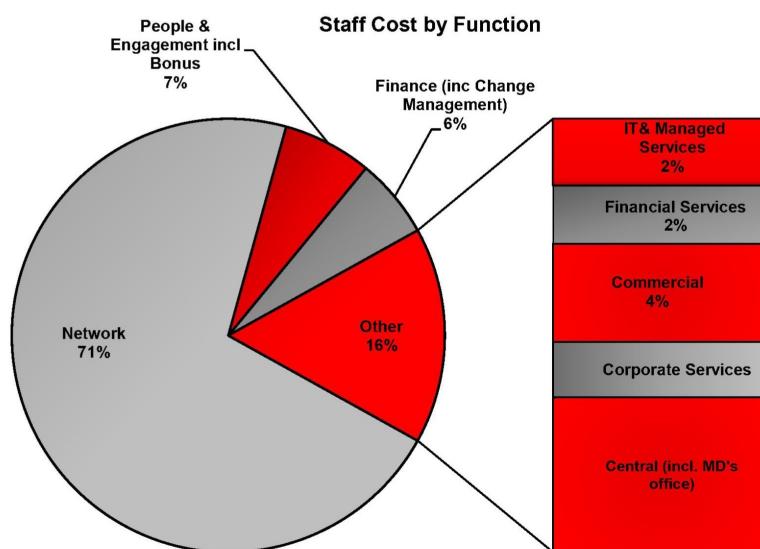
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£m	YTD			Prior Year		Full Year			YTD Headcount			Total NT & CTP Heads Memorandum	
	Actual	Budget	Variance	Outturn	Variance	Q2 Forecast	Budget	Variance	%	Actual	Budget	Variance	
Staff Cost by Function													
Central (incl. MD's office)	(8.4)	(7.3)	(1.1)	(6.3)	(2.1)	(11.5)	(12.5)	1.0	0%	12	15	3	
Commercial	(5.3)	(4.0)	(1.4)	(4.4)	(0.9)	(8.9)	(7.4)	(1.5)	2%	116	127	11	1
People & Engagement	(5.1)	(4.7)	(0.4)	(4.8)	(0.3)	(8.2)	(8.2)	0.0	3%	192	174	(18)	33
HR - Centrally Held Bonus Payments	(4.6)	(8.8)	4.3	(10.5)	6.0	(7.7)	(15.3)	7.6	-	-	-	-	
Finance (inc Change Management)	(8.7)	(8.4)	(0.4)	(10.0)	1.3	(14.3)	(14.3)	0.0	4%	305	310	5	8
IT& Managed Services	(3.6)	(4.1)	0.5	(4.4)	0.7	(6.7)	(7.2)	0.5	1%	95	114	19	2
Financial Services	(3.2)	(3.4)	0.2	(2.7)	(0.4)	(6.3)	(6.3)	0.0	2%	119	118	(1)	
Network	(104.0)	(99.5)	(4.4)	(106.3)	2.3	(164.9)	(162.4)	(2.5)	87%	6,320	6,196	(124)	607
Corporate Services	(3.0)	(3.2)	0.2	(3.1)	0.1	(5.2)	(5.2)	0.0	1%	77	88	11	3
Total Staff Costs	(146.0)	(143.4)	(2.5)	(152.6)	6.6	(233.6)	(238.7)	5.1	100%	7,236	7,142	(94)	654

PY Actual
PY Variance

8,028
792



YTD Staff Costs are £2.5m adverse.

Higher staff costs of £2.5m are mainly due to the savings task not being achieved (£2.4m from Supply Chain and £0.6m from Commercial), the Crown pay deal and the CMA pay award, offset by a lower bonus accrual.

Vs. Prior Year

The staff costs are £6.6m favourable to prior year driven by the lower bonus accruals this year, lower Crown costs and IT Outsourcing.

Headcount

of 7,236 is 94 adverse to budget. The adverse variance is driven by Crowns as the headcount budget reflects the savings headcount profile expected.

Vs. prior year headcount has decreased by 792 primarily due to the Crown efficiency savings.

Non Staff Cost by Type

October 2014

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£m	YTD			Prior Year		Full Year		
	Actual	Budget	Variance	Outturn	Variance	Q2 Forecast	Budget	Variance
Non- Staff Cost by Type								
Legal Costs	(0.9)	(1.6)	0.7	(1.4)	0.5	(2.4)	(2.4)	0
Staff & Agent Related Costs	(6.5)	(7.5)	1.0	(6.9)	0.5	(11.3)	(12.3)	1.0
Consultancy and Advisory Services	0.3	(0.8)	1.1	0.9	(0.6)	(1.6)	(1.6)	0
Skills Group Offcharge	4.2	1.0	3.2	9.8	(5.6)	1.6	1.9	0
Consultancy and Advisory Services	(3.9)	(1.8)	(2.1)	(9.0)	5.0	(3.2)	(3.5)	0
Brand & Marketing	(17.3)	(19.7)	2.5	(7.8)	(9.4)	(28.1)	(30.9)	2.8
Property & Facilities	(37.5)	(35.9)	(1.6)	(38.3)	0.7	(61.0)	(61.0)	0
Vehicles	(4.0)	(4.6)	0.7	(4.8)	0.8	(7.8)	(7.8)	0
IT Infrastructure & IT services	(53.3)	(53.3)	0.0	(44.6)	(8.7)	(90.9)	(89.9)	(1.0)
Finance & Losses	(1.1)	(6.8)	5.7	(9.5)	8.3	(5.2)	(18.2)	13.0
Other Operating Costs	(50.7)	(36.3)	(14.4)	(35.2)	(15.5)	(77.6)	(60.9)	(16.7)
Non-Staff Costs Efficiency Target	0.0	8.5	(8.5)	0.0	0	5.5	11.6	(6.1)
Total Non Staff Costs	(171.0)	(158.2)	(12.8)	(146.7)	(24.3)	(280.5)	(273.5)	(7.0)

Variance

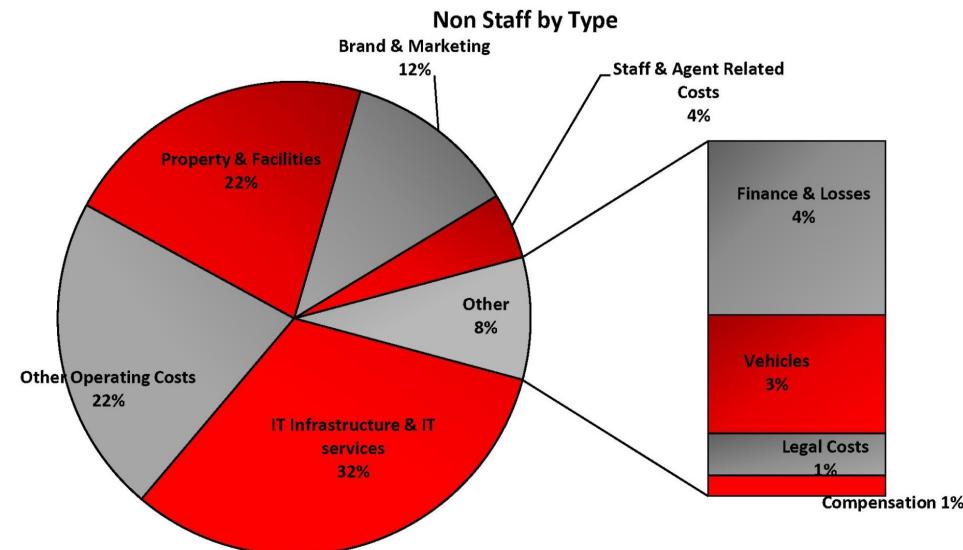
YTD non people costs were £12.8m adverse to budget and £24.3m adverse to prior year.

Vs. Budget

Higher non staff costs of £12.8m driven primarily the £10m provision for client compensation, impact of the centrally held savings task of £4.5m not being achieved, £3.0m accrued for Mails Segregation penalty payment and higher postage costs offset by improved VAT recovery of £11m (relating to the prior year).

Vs. Prior Year

Higher non staff costs of £24.3m due primarily to £10m client compensation provision this year, IT costs (mainly Horizon and ATOS) and the marketing fees have also been moved from POOC to non staff this year with a FY impact of £9m. This is partly offset by staff savings following the outsourcing and the improved VAT recovery this year.
Note: PY POOC offset against other operating costs.



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Transformation Report

Project Costs (OpEx)

October 2014

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The overall expenditure is £2.4m higher than budget, due primarily to unbudgeted cost, specifically Sparrow and Commercial Strategy, which was partially budgeted.

OpEx	£m	Current Month			YTD			Full Year		
		Actual	Budget	Var	Actual	Budget	Var	Outlook	FY Budget	POLIC Approved
Function	Programme									
Commercial	Digital & Multi Channel	(0.0)	(0.1)	0.0	(0.3)	(0.8)	0.5	(0.4)	(1.1)	(0.5)
	Mails	(0.5)	(0.2)	(0.2)	(0.7)	(1.9)	1.2	(1.7)	(3.5)	(2.4)
	Telecoms	(0.5)	(0.1)	(0.4)	(2.8)	(1.7)	(1.1)	(3.3)	(3.4)	(3.1)
	Government Services	(0.1)	(0.2)	0.1	(1.3)	(1.7)	0.4	(1.2)	(2.1)	(0.5)
	Customer Engagement	(0.0)	0.0	(0.0)	(0.1)	0.0	(0.1)	(0.4)	0.0	(0.4)
	Brand Marketing	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0
	Commercial Strategy	0.0	0.0	0.0	(0.8)	0.0	(0.8)	(0.9)	0.0	(0.1)
Financial Services	Financial Services	(0.4)	(0.6)	0.3	(3.9)	(6.4)	2.5	(7.4)	(8.7)	(2.5)
Corporate Services	Compliance	(0.0)	0.0	(0.0)	(0.2)	0.0	(0.2)	(0.1)	0.0	0.0
	Mutualisation	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.0)	0.0	0.0
Finance	Finance	(0.0)	0.0	(0.0)	(0.1)	0.0	(0.1)	(0.1)	0.0	0.0
	Business Transformation	(0.2)	(0.1)	(0.1)	(1.8)	(0.5)	(1.3)	(0.6)	(0.8)	(5.8)
Network	Network Other	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.0)	0.0	0.0
	Property	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.2)
	Supply Chain	(0.0)	0.0	(0.0)	(0.1)	0.0	(0.1)	(0.1)	0.0	(0.0)
IT & Managed Services	Independence & Separation	0.0	0.0	0.0	(0.1)	0.0	(0.1)	(0.2)	0.0	(0.0)
People & Engagement	IT	0.1	0.0	0.1	(0.4)	0.0	(0.4)	(0.6)	0.0	0.0
	Communications	0.0	0.0	0.0	(0.0)	0.0	(0.0)	(0.0)	0.0	0.0
	HR (including Sparrow)	0.1	0.0	0.1	(2.4)	0.0	(2.4)	(5.0)	0.0	0.0
	Flow Through Projects	(0.1)	0.0	(0.1)	1.3	0.0	1.3	(0.0)	0.0	0.0
Centrally Held	Centrally Held	0.0	0.1	(0.1)	0.0	1.8	(1.8)	0.0	2.4	0.0
Opex Total		(1.6)	(1.3)	(0.4)	(13.5)	(11.1)	(2.4)	(21.9)	(17.3)	(15.6)

OpEx - £2.4m Over Spend YTD

Headlines: The overspend of £2.4m is driven by the unbudgeted projects; Sparrow and Commercial Strategy. The projects which are behind planned activities are FS & Mails, and their YTD underspend is off setting the overspend in other areas.

Digital & Multi Channel: £0.5m favourable projects tracking behind plan.

Mails: £1.2m favourable, projects tracking behind plan.

Telecoms: £1.1m adverse. Set up costs are under review and an element may be capitalised.

Commercial Strategy: development £0.8m adverse due to this being an unbudgeted activity.

Financial Services: £2.5m favourable due to various projects being behind planned activities.

IT: £0.4m adverse, £0.1m relates to unplanned spend against projects which had flowed through from the previous year.

Sparrow: (Horizon Litigation) £2.3m adverse. £0.2m of cost have been exceptionalised. £2.1m was under classification review and will now remain in OpEx.

Centrally Held: £1.8m adverse, this is the overlay required to achieve the overall Target of £17.3m excluding unbudgeted projects which is yet to be allocated out to programmes, work in progress.

FY Outlook of £21.9m includes Sparrow unbudgeted spend of £5m. Work is underway to review and stop projects which do not deliver an in year benefit or significant benefit in 2015-16.

Project Costs (CapEx)

October 2014

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Capital Expenditure is £52.4 underspent, driven by FS, IT and Network projects.

CapEx		£m			Current Month			YTD			Full Year		
Function	Programme	Actual	Budget Rebased	Var	Actual	Budget Rebased	Var	Outlook	FY Budget Rebased	Board Approved Budget	POLIC Approved		
Commercial	Digital & Multi Channel	(0.0)	(0.8)	0.8	(0.6)	(5.5)	5.0	(1.9)	(9.5)	(9.5)	(1.2)		
	Mails	(0.3)	(0.0)	(0.3)	(1.2)	(1.0)	(0.1)	(1.9)	(1.3)	(1.0)	(3.3)		
	Telephony	0.0	(0.6)	0.6	(1.3)	(1.4)	0.1	(1.8)	(1.8)	(2.0)	(1.4)		
	Government Services	(0.3)	(0.3)	0.0	(1.1)	(1.8)	0.7	(1.3)	(2.4)	(2.4)	(0.5)		
	Customer Engagement	(0.1)	0.0	(0.0)	(0.7)	0.0	(0.6)	(2.3)	0.0	0.0	(0.9)		
Corporate Services	Compliance	0.0	(0.1)	0.1	0.0	(0.4)	0.4	(0.7)	(0.9)	(0.9)	0.0		
	Security	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0		
Finance	Finance	0.0	(0.1)	0.1	(0.2)	(0.6)	0.4	(1.1)	(1.2)	(1.2)	(0.4)		
Financial Services	Financial Services	0.0	(2.9)	2.9	(1.9)	(13.8)	12.0	(5.0)	(27.8)	(27.8)	(2.8)		
IT & Managed Services	Independence & Separation	(3.0)	(1.0)	(2.0)	(13.1)	(15.8)	2.7	(23.6)	(19.9)	(18.9)	(14.6)		
	IT Transformation	0.0	0.0	0.0	2.0	0.0	2.0	2.1	0.0	0.0	0.0		
	IT	(4.8)	(4.5)	(0.3)	(16.8)	(31.5)	14.6	(39.7)	(53.7)	(54.5)	(21.0)		
Network	Crown Transformation	(2.7)	(2.8)	0.1	(23.1)	(25.4)	2.3	(20.9)	(30.4)	(30.4)	(30.4)		
	Network Other	(0.0)	(0.1)	0.1	(0.9)	(0.7)	(0.2)	(1.2)	(1.2)	(1.2)	0.0		
	Network Transformation	(1.3)	(2.7)	1.4	(18.2)	(23.3)	5.1	(27.8)	(35.0)	(46.9)	(32.5)		
	Property	(1.7)	(1.4)	(0.3)	(2.1)	(5.8)	3.7	(10.9)	(11.2)	(11.2)	(5.0)		
	Supply Chain	(0.0)	(1.2)	1.2	(1.0)	(7.9)	6.9	(12.6)	(12.6)	(12.7)	(0.1)		
People & Engagement	HR	(0.0)	0.0	(0.0)	(0.2)	(0.3)	0.1	(0.1)	(0.3)	(0.8)	(0.1)		
Centrally Held	Centrally Held	0.0	0.3	(0.3)	0.0	2.3	(2.3)	0.0	4.0	18.2	0.0		
Old Projects	Old Projects	0.2	0.0	0.2	(0.2)	0.0	(0.2)	(0.2)	0.0	0.0	0.0		
Capex Total		(13.9)	(18.1)	4.2	(80.4)	(132.8)	52.4	(151.2)	(205.2)	(205.2)	(114.2)		

CapEx £52.4m underspend YTD

Commercial: The £5.6m favourable variance year to date is mainly driven by Digital & Multi Channel £5.0m and Government £0.7m favourable due to changes in activity profile and timings since the plan was presented.

Customer Engagement: is £0.6m adverse due to capital investment activity around the Customer Management Programme having been planned under Digital.

Financial Services: £12.0m favourable, various projects behind planned activities.

Crown Transformation: £2.3m favourable this is mainly due to property related costs being taken into the previous year. The forecast has been adjusted to reflect this.

Network Transformation: £5.1m favourable mainly as a result of re-categorising planned spend to Exceptional.

Property: £3.7m favourable, various projects behind planned activities.

Supply Chain: £6.9m favourable, various projects have slipped and have been re-forecast.

Independence & Separation: £2.7m favourable, mainly due to a combination of projects being behind schedule.

IT: £14.6m favourable due to numerous large capital projects being behind plan.

Centrally Held: £2.3m adverse, £4m savings overlay to be allocated out to programmes in due course to achieve full year target.

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Supplementary Information

Cashflow Statement & Balance Sheet Summary

October 2014

Balance Sheet

£m	P7			
	Mar-14	Actual	Budget	Variance
Fixed Assets	71	68	62	5
Debtors	154	157	135	22
Cash	708	942	711	231
Client Balances	(279)	(290)	(296)	6
Trade Creditors	(303)	(310)	(310)	(0)
Pension (deficit)/surplus	148	163	143	20
Provisions	(78)	(79)	(59)	(20)
Investments, Funding	(18)	22	45	(23)
Loan	0	(251)	(88)	(163)
Net Assets	403	422	343	79
Reserves	Mar-14	Actual	Budget	Variance
Capital and Reserves	(403)	(422)	(392)	(30)
	(403)	(422)	(392)	(30)

Cash Management Table

£m	Prior Year	Mar-13	P7		
	P7	Opening	Actual	Budget	var
Retail, Cash Centres	696	522	728	527	(201)
Bureau	70	58	68	53	(15)
Cheques, debit cards	119	129	146	131	(15)
Network Cash	885	708	942	711	(231)
	Opening	P7			
Headroom (£m)	854	831			

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Cashflow Statement

£m	YTD			Full Year			Board Approved Budget	Variance
	Actual	Budget	Variance	Forecast	Budget*	Variance		
Operating Profit	29.0	52.4	(23.4)	85.0	99.0	(14.0)	99.0	14.0
Depreciation	0.3	0.4	(0.1)	0.6	0.6	0.0	0.6	0.0
Working Capital	(72.1)	(56.5)	(15.6)	49.5	27.0	22.5	18.7	30.8
Client Balances	11.3	17.0	(5.7)	(3.0)	17.0	(20.0)	(9.0)	6.0
Network Cash	(234.1)	(2.6)	(231.5)	(91.6)	(57.6)	(34.0)	(10.0)	(81.6)
Dividends	3.4	8.8	(5.4)	0.0	0.0	0.0	(4.5)	4.5
Capital Expenditure	(80.4)	(132.8)	52.4	(145.0)	(205.2)	60.2	(205.2)	60.2
Government funding	170.0	170.0	0.0	170.0	170.0	0.0	170.0	0.0
NSP in advance	64.6	64.6	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Items	(117.9)	(156.8)	38.9	(213.4)	(240.3)	26.9	(216.1)	2.7
Pensions	3.6	2.3	1.3	3.0	3.0	0.0	3.0	0.0
Proceeds from asset sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business transformation	0.0	0.0	0.0	(10.5)	(10.5)	0.0	(10.5)	0.0
Operating Cashflow	(222.3)	(33.3)	(189.1)	(155.4)	(197.0)	41.6	(164.0)	8.6
Interest	(1.3)	(1.5)	0.2	(3.0)	(3.0)	0.0	(3.0)	0.0
Tax	9.9	10.0	(0.1)	0.0	0.0	0.0	0.0	0.0
Free Cashflow	(213.7)	(24.7)	(189.0)	(158.4)	(200.0)	41.6	(167.0)	8.6

* Budget has been updated to reflect year end outturn and a reconciliation is shown in the final two columns and explained below.

Cashflow budget

The 2014-15 budget was approved by the Board at £167m outflow, prior to the 2013-14 year end and noting the year end outturn may result in changes being required. The budget of £200m shown in this pack reflects the year end outturn impacts, namely:

- higher provision balances at March 2014 than anticipated (£24m),
- lower network cash outturn at March 2014 than expected and not assumed to repeat at March 2015 due to Easter timing (£48m),
- refinement to client creditor budget reflecting timing of Easter 2015 £26m, and
- other minor rebalancing £13m.

Income By Product Groups & Pillar

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October 2014

 Adverse; Mails is £19.7m, Telecoms is £9.5m and Government Services is £6.5m adverse
 Favourable; Financial Services is £1.1m, and other income is £3.0m favourable.


Net Income £m	Current Month			Prior Year		YTD			Prior Year		Full Year			Prior Year
	Actuals	Budget	Variance	Period Actual	Month (Yr On Yr)	Actual	Budget	Variance	Outturn	YTD (Yr On Yr)	Q2 Forecast	Budget	Variance	2013/14 Outturn
Parcelforce	1.9	2.2	(0.2)	2.1	(0.2)	12.0	13.3	(1.3)	12.9	(0.9)	23.8	23.8	0.0	22.8
Special Delivery	4.8	5.0	(0.2)	5.0	(0.2)	29.1	30.5	(1.5)	30.3	(1.2)	51.8	51.8	0.0	51.4
International Priority & Standard	2.9	2.9	0.1	3.0	(0.1)	17.6	17.4	0.1	18.6	(1.0)	34.6	34.6	0.0	34.1
Stamps (1st & 2nd Class plus other stamps)	2.3	2.1	0.1	2.5	(0.2)	13.6	12.5	1.1	14.6	(1.0)	26.2	26.2	0.0	30.6
Labels (1st & 2nd Class)	8.2	9.8	(1.6)	8.5	(0.2)	50.4	57.9	(7.5)	53.0	(2.7)	103.3	103.3	0.0	92.4
RM Mail Fixed	5.5	5.5	0.02	5.5	0.01	34.0	33.9	0.1	33.2	0.8	56.9	56.9	0.0	56.7
Retail & Lottery	4.6	4.5	0.1	4.4	0.1	26.6	28.3	(1.7)	25.9	0.7	44.0	48.0	(4.0)	43.7
Home Shopping Returns	0.8	2.7	(1.9)	0.8	0.1	5.2	10.7	(5.4)	4.5	0.7	22.7	22.7	0.0	7.7
Mails Other	5.1	5.4	(0.3)	4.2	0.9	29.3	32.8	(3.5)	25.7	3.6	25.8	56.8	(31.0)	46.5
Total Mails & Retail	36.2	40.1	(3.9)	35.9	0.2	217.7	237.4	(19.7)	218.7	(1.0)	389.1	424.1	(35.0)	386.0
Energy	0.0	0.3	(0.3)	0.0	0.0	0.0	1.8	(1.8)	0.0	0.0	0	3.0	(3.0)	0.0
HomePhone /Dual & Broadband Customers	2.9	5.5	(2.7)	3.9	(1.1)	25.9	33.7	(7.7)	29.1	(2.1)	52.5	58.9	(6.4)	46.0
Total Telecoms Services	2.9	5.8	(2.9)	3.9	(1.1)	25.9	35.4	(9.5)	29.1	(3.1)	52.5	61.9	(9.4)	46.0
Motoring Services	1.2	1.3	(0.0)	1.6	(0.4)	10.3	9.8	0.6	11.6	(1.3)	17.6	15.3	2.3	19.9
Card Account	4.4	5.3	(1.0)	4.5	(0.1)	29.8	35.6	(5.8)	33.4	(3.6)	49.7	60.2	(10.5)	59.2
Check and Send	1.3	1.2	0.1	1.3	(0.1)	13.1	14.0	(1.0)	14.0	(0.9)	23.6	25.8	(2.2)	23.0
AEI (DVLA & UKBA)	1.1	0.9	0.2	1.1	0.0	5.5	5.3	0.2	5.8	(0.3)	8.5	9.5	(1.0)	8.3
Other Government Services	0.5	0.4	0.0	0.4	0.1	2.9	3.4	(0.5)	3.2	(0.3)	5.7	5.8	(0.0)	5.8
Total Government Services	8.5	9.2	(0.7)	8.9	(0.4)	61.6	68.1	(6.5)	67.9	(6.4)	105.2	116.6	(11.4)	116.1
Bill Payment Services Direct	1.0	1.0	(0.0)	1.2	(0.2)	5.6	5.6	0.0	6.3	(0.7)	9.8	9.8	0.0	10.9
Bill Payment Services Reseller	2.3	2.3	0.0	2.7	(0.4)	15.1	15.5	(0.3)	16.8	(1.6)	24.5	24.5	0.0	26.9
Postal Orders	2.2	2.1	0.1	2.4	(0.1)	15.7	12.7	3.0	14.3	1.4	20.7	20.7	0.0	20.8
Payment Services	0.8	0.8	0.0	0.9	(0.1)	4.8	4.9	(0.1)	5.4	(0.7)	8.8	8.8	0.0	7.4
Personal Banking Clients	2.9	2.6	0.3	3.0	(0.1)	16.9	15.6	1.3	16.3	0.6	26.8	26.8	0.0	28.4
DWP Exceptions	0.0	0.0	0.0	(0.0)	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0	0.03
Business Banking	2.6	2.5	0.1	3.1	(0.5)	15.7	15.3	0.4	18.2	(2.5)	26.8	26.8	0.0	28.1
ATM	3.3	3.1	0.2	2.6	0.7	19.8	19.0	0.8	18.1	1.7	32.7	32.7	0.0	31.4
PFS-Savings	4.3	4.5	(0.3)	4.4	(0.2)	29.5	29.8	(0.3)	29.4	0.1	52.6	52.6	0.0	50.0
PFS-Insurance	1.1	1.5	(0.4)	0.5	0.6	6.6	8.8	(2.2)	3.7	2.9	17.2	17.2	0.0	9.0
PFS-Lending	1.0	1.0	(0.0)	0.6	0.3	5.9	5.5	0.4	3.2	2.6	11.1	11.1	0.0	6.0
Bureau (excl profit share) (incl Travel Money Card)	2.2	2.1	0.1	1.7	0.5	16.6	16.8	(0.3)	16.1	0.5	25.1	25.1	0.0	24.3
Travel Insurance	0.6	0.6	(0.1)	0.3	0.2	6.1	6.5	(0.5)	6.9	(0.8)	8.9	8.9	0.0	9.6
MoneyGram	2.3	1.9	0.3	1.5	0.7	13.2	11.6	1.6	9.6	3.5	20.1	20.1	0.0	16.3
NS&I	0.8	0.3	0.5	0.5	0.4	5.0	2.1	2.9	2.5	2.5	3.1	3.1	0.0	6.7
Other	(0.5)	0.5	(1.0)	(0.5)	(0.0)	(3.1)	2.5	(5.6)	(2.8)	(0.3)	8.9	6.9	2.0	2.5
Total Financial Services	26.8	26.9	(0.1)	24.9	2.0	173.4	172.2	1.1	164.0	9.3	297.1	295.2	2.0	278.6
Other Income	0.5	(0.4)	0.8	1.0	(0.5)	2.9	(0.3)	3.1	6.1	(3.2)	4.1	(4.7)	8.8	9.2
Supply Chain	3.1	3.0	0.1	3.1	0.1	18.7	18.7	(0.1)	17.9	0.8	32.0	32.0	0.0	30.9
Net Income	77.9	84.6	(6.7)	77.7	0.3	500.1	531.6	(31.5)	503.6	(3.5)	880.0	925.0	(45.1)	866.7



Telecoms Deep Dive November 2015 Exco



Agenda

- Introduction
- The Numbers
- Customer Satisfaction and NPS
- Complaints
 - Elderly and Vulnerable Process
- Operations and Service levels
- Sales and Trading
- Product Road Map for 2015/16
- Compliance and Risk
- Fujitsu Relationship and Status
- Initial View of Strategic Options for the Business
- Questions



Telecoms 11/12 to 14/15

revenue £mil	11_12	12_13	13_14	14_15
HPBB	112	122	119	118
ETU& PC	8	7	5	4
total telephony	120	129	124	122
Gross margin £mil				
HPBB	33	38	40	45
ETU& PC&other	8	7	6	6
total telephony	41	45	46	51
HPBB Managed Services	12.5	12.165	16.7	14.4
Net Income	28.5	32.835	29.3	36.6
POL Telephony Staff Costs	1	1	1	1
contribution to overheads and profit	27.5	31.84	28.3	35.6
Base (mid year)	460k	479k	463k	450k
Monthly ARPU	£ 20.29	£ 21.22	£ 21.42	£ 21.85

Contribution to O/H and profit is EBITDA before overhead allocation



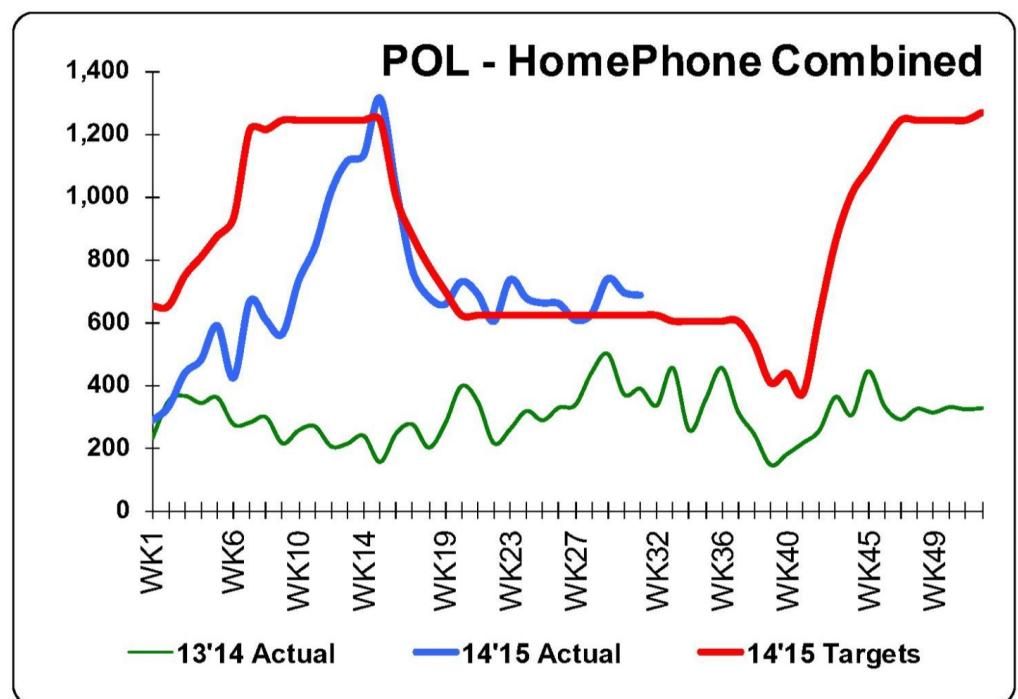


Telecoms - HomePhone Combined Sales Report

HomePhone Combined		YTD Actual			
% of Target	Network	Crown	WHS	Agency	Contact Centre
YoY	252%	236%	224%	274%	159%
RUN RATES		YTD Performance			
HomePhone Combined	POL	14'15 Avg	14'15 Target	13'14Avg	
	BRANCH NETWORK	319	376	127	
	CROWN	124	171	53	
	WHS	6	17	3	
	AGENCY	186	189	68	
	CONTACT CENTRE	222	393	140	
	WEB	160	89	31	

HomePhone Combined: £194k negative variance to target YTD

			28	29	30	31
Core Direct	Telesales	2013/14	219	303	249	156
		2014/15	195	213	207	219
		Vs Target	69%	75%	73%	77%
		YoY	89%	70%	83%	140%
	Web	2013/14	86	82	39	111
		2014/15	113	156	168	151
		Vs Target	175%	241%	260%	233%
		YoY	131%	190%	431%	136%
Network	Agency Branches	2013/14	61	53	42	67
		2014/15	184	229	189	175
		Vs Target	134%	167%	137%	127%
		YoY	302%	432%	450%	261%
	Crown Branches	2013/14	70	58	38	51
		2014/15	128	136	123	133
		Vs Target	104%	110%	100%	108%
		YoY	183%	234%	324%	261%
	WH Smith	2013/14	3	2	1	2
		2014/15	5	3	5	6
		Vs Target	41%	25%	41%	49%
		YoY	167%	150%	500%	300%



Sales and Trading Comments

- Very Mature Markets – HP/BB/Mobile – 86 % penetrated
- Lack of focus on “NET ADDITIONS”
- Poor Sales Performance and Higher Churn
 - Online performance encouraging
- Lack of a Trading mentality/rhythm – to be remedied by
 - Establish two new Trading Manager positions replacing product managers
 - Be on promotion “always”
- Broadband Product Range requires upgrading, and Broadband market extremely competitive
 - Introduce Fibre in 2015/16
- Home Phone surprisingly resilient and potential for growth as only BT as competition
 - Declining market, but over-indexes with our demographics
 - Only one competitor, and we have a price advantage
- Recent Good news 2,000 nets adds in last 6 weeks – Growth



Beaten.

Enjoy a BT busting
3 months free line
rental with our
HomePhone service.

Unlike BT customers - you get:
A free paper bill
No charge to pay in cash

Ask at the counter or call us on:

0800 121 7025



Broadband and Phone*

Free line rental for 3 months - then
£13 per month ongoing



Compare HomePhone prices for yourself and remember, these
savings are even before BT increases its prices on 1st December 2014!

	Post Office HomePhone with Evening and Weekend	BT Unlimited Evening and Weekend
Monthly fee	£4.25 (£3 line rental with £1.25 plan cost)	£8.99 (£5.99 ¹ line rental with £3.00 plan cost)
Call connection charge	10p	15p
UK daytime landline rate	15p	9p
Charging bands	Evening - 6pm - 8am Weekend - Friday 6pm to Monday 8am	Evening - 7pm - 7am Weekend - Midnight Friday to Midnight Sunday
Are there inclusive calls at the weekend to...		
UK landlines	✓	✓
UK mobiles	✓	✗
40 International landline destinations	✓	✗
Are there inclusive calls in the evening to...		
UK landlines	✓	✓
Is there a minimum term contract?		
12 month contract	✗	✓

Sign up at the counter today and enjoy
3 months free line rental for your
Post Office broadband and phone.

Offer available December 2014. Promotions do not apply to existing HomePhone customers who are upgrading to broadband and phone.

*Broadband and Phone is subject to a 12 month contract.

¹£1.00 line rental, if you pay 12 months in advance with annual pay month of £70.98 a month.

Comparing with BT Unlimited Evening and Weekend plan for 12 month contract with 12 month pay month by Direct Debit. £1.00 per month
additional charge for customers who don't pay by Direct Debit. 12 month pay month of £85.99. HomePhone 12 month £10.99.

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Competitive positioning Jan 1 2015

	POL	BT	TalkTalk	Plusnet
Line Rental	£ 15.00	£ 16.99	£ 16.45	£ 15.99
LRS (monthly)	£ 12.00	£ 14.08	£ 14.35	£ 12.99
Nat'l Day ppm	9.	9.58	11.5	9.58
Call set-up ppc	15	15.97	15	15
E&W calls	£ 1.50	£ 3.00	£ 5.00	£ 2.00
AT calls	£ 5.75	£ 7.50	£ 5.00	£ 5.00
BB Essential	£ 5.00	£ 10.00	n/a	n/a
BB Premium	£ 8.00	£ 16.00	£ 3.50	£ 9.99
Call Package included	free weekend national calls	free weekend national calls	NO free weekend calls	free weekend national calls
Dual Essential (LR & BB)	£ 20.00	£ 26.99	n/a	n/a
Dual Premium (LR & BB)	£ 23.00	£ 32.99	£ 19.95	£ 25.98

Post Office HomePhone – Better value



Inclusive Calls

Weekend Calls to 01, 02, 03 and
0845/0870 numbers (includes calls to
Channel Islands)

Weekend Calls to 01, 02, 03 and
0845/0870 numbers **excludes calls to
Channel Islands**

Weekend Time Period	6pm Friday – 6am Monday	Midnight Friday – Midnight Sunday
Call Connection Charge	15p per call	15p per call
Calls to UK Landlines	8.5p per minute	9p per minute
Calls to UK Mobiles	5p per minute (evening & weekends) 10p per minute (day)	12p per minute (all day)
Caller Display and 1571 Voicemail	Included at no extra charge (opt in required)	BT Answer 1571 – £1.75 a month extra Caller Display – £3.30 a month extra or BT Privacy at Home with Caller Display – £1.75 a month extra
Pay bill by cash?	Yes – no extra charge at any Post Office	Yes but £2 a month Payment Processing Fee applies
Contract term	No minimum term contract	12 month contract
Early Termination Charges	no Early termination Charge are payable – 14 days notice required	£5.75 per month remaining In contract
Line Rental	£15.00	£16.99

Broadband Competition : Everyone is on promotion – always !

Talk Talk example

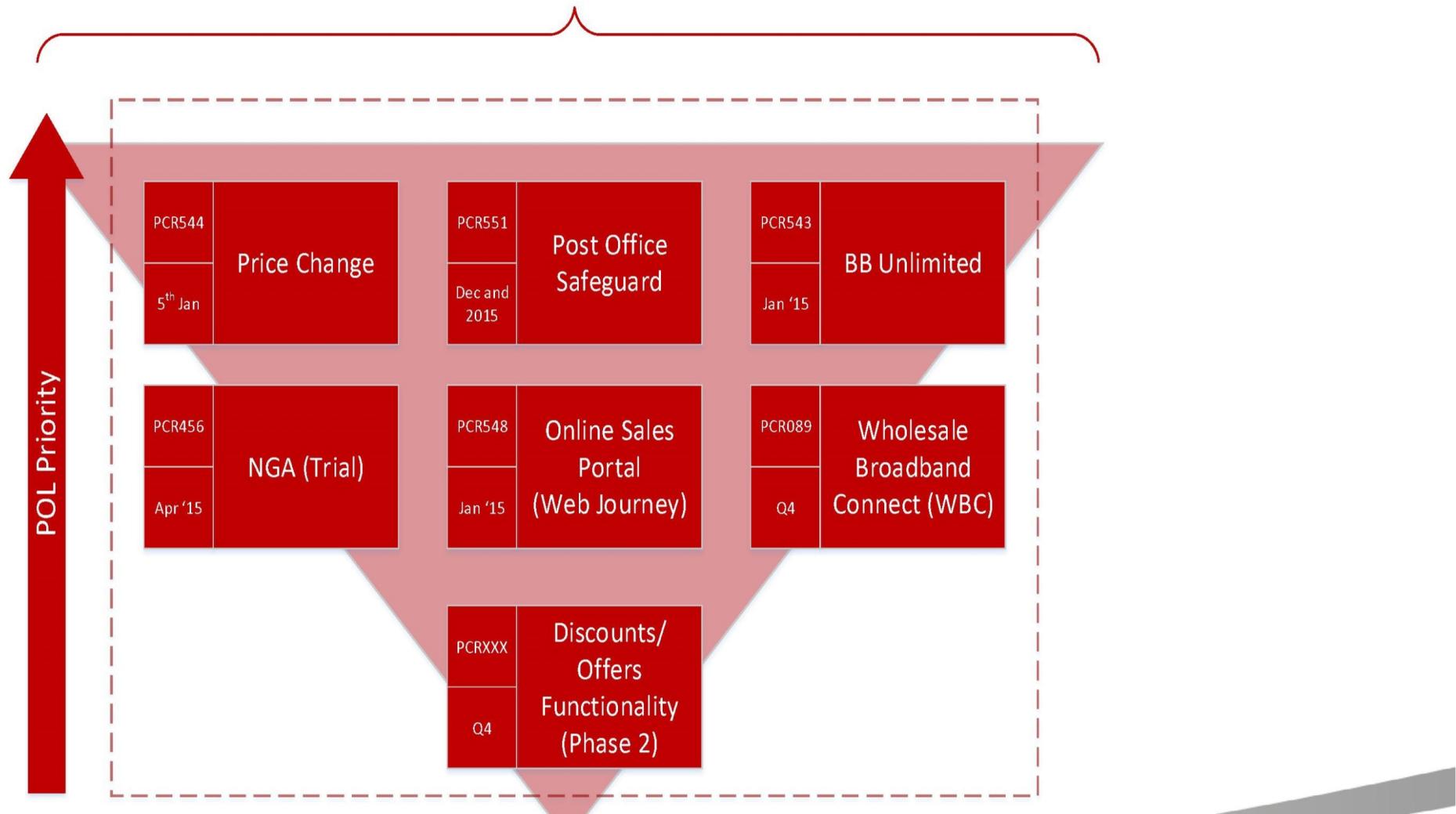
The image shows the homepage of the TalkTalk website. At the top, the TalkTalk logo is on the left, followed by a navigation bar with links for 'Order online for our best deals' and 'Or call 0800 049 1386'. To the right is a user icon with the text 'Already with TalkTalk?' and a 'View offers' link. Below the navigation bar are links for 'TV, Broadband & Calls', 'News & TV Guide', 'My Account', 'Mail', and 'Help'. A horizontal line of links includes 'SimplyBroadband', 'Essentials TV', 'Plus TV', 'Discover TV', 'Fibre Broadband', 'HomeSafe', 'Mobile', 'Move home', and 'Business Broadband'. The main content area features a large red banner with the text 'Totally unlimited broadband up to 17Mb'. To the right of the text is a large blue 3D-style Wi-Fi signal icon. Below the text, there is a yellow and white Love2shop voucher graphic with the text '£75 Love2shop VOUCHER ONLINE EXCLUSIVE'. To the left of the text, there is a promotional offer: '6 months HALF PRICE £2.50' followed by 'NOW £1.75' and the note 'a month + £1.95 monthly line rental'. A blue 'Buy now' button is located at the bottom left of the banner. At the bottom of the banner, a dashed red box contains the text 'HURRY! Love2shop voucher offer ends in...' followed by a '06 DAYS' timer. The background of the page is white with some decorative orange and grey swooshes at the bottom.

POST
OFFICE



Product Roadmap

Fujitsu Programme



Customer Satisfaction and NPS

- Very encouraging Trend in last 4 months
- Transactional NPS survey results surprising – 2,500 surveys 3 %
 - Post call survey
 - Statistically accurate
 - If translated to NPS +39
- NPS survey of 400 customers conducted Feb-Jun by Marketing
 - Home phone in-life 20
 - HP/Broadband in-life 3
 - Industry results BT – 10, Talk Talk -21
 - POL General Population 2
 - Telephony is POL brand “accretive”
- Ofcom complaints significantly reduced
- Edge cases now being managed pro-actively
- Open Reach escalation process introduced and working



CSAT/NPS Scoring

Customer Satisfaction

How satisfied were you with how your call was dealt with today?

The calculation for customer satisfaction = Customers who are satisfied through to extremely satisfied (3,4 and 5) / Total survey responses

Response	July	August	September
No. Surveys	2447	2588	2566
1	11%	9%	7%
2	3%	3%	3%
3	6%	6%	6%
4	8%	9%	9%
5	72%	72%	76%
CS Score	86.2%	87.4%	90.5%

Net Promoter Score®

Based on your recent contact with us, how likely are you to recommend us to a friend or colleague?

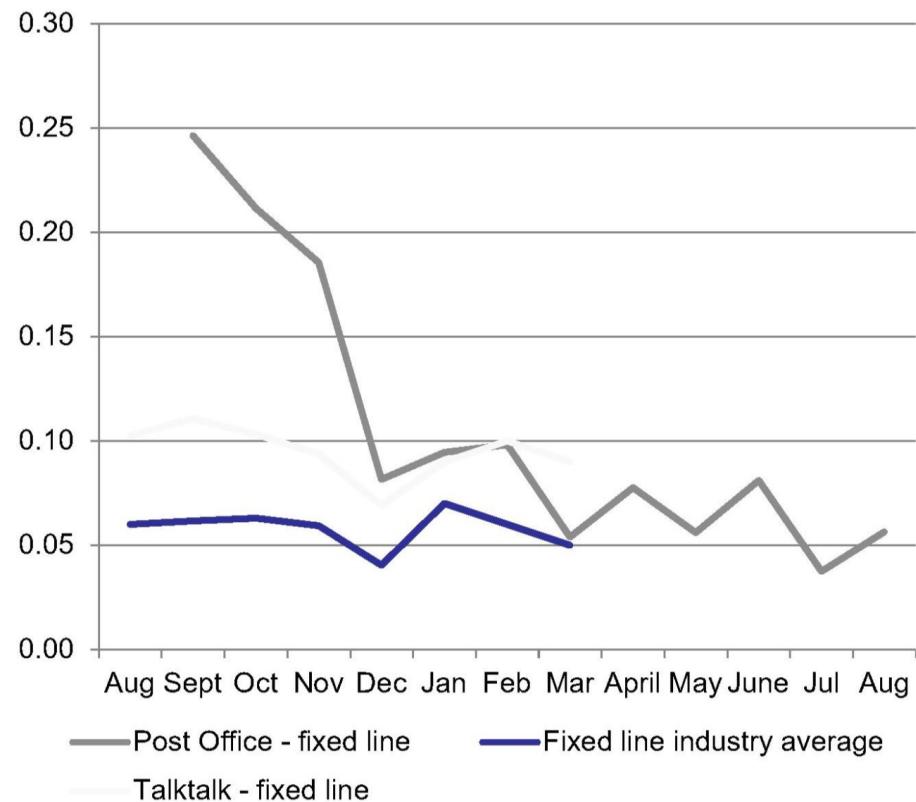
The calculation for NPS® = Promoters (Surveys scored 4 or 5) – Detractors (Surveys scored 1 or 2)

Response	July	August	September
No. Surveys	2398	2529	2505
1	10%	9%	7%
2	3%	4%	2%
3	9%	10%	11%
4	13%	14%	15%
5	65%	64%	66%
NPS® Score	64.7%	65.3%	71.9%

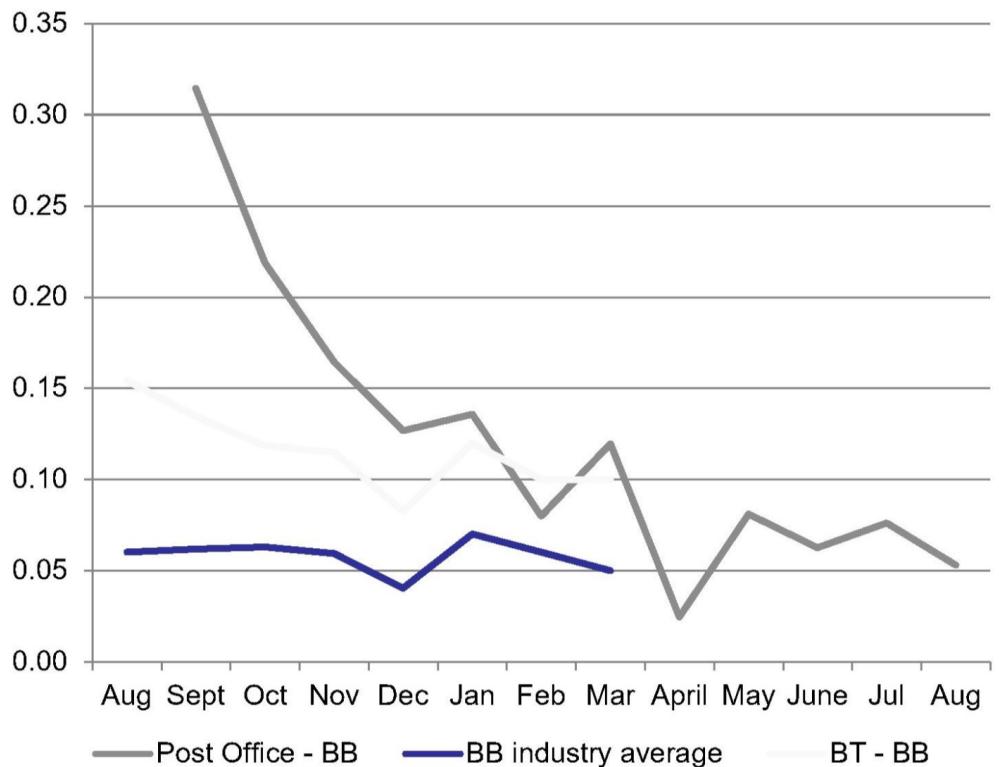
Data = Rant & Rave 01/07/2014 - 30/09/2014

OFCOM Complaints trend

OFCOM complaints per 1000 customers -
Fixed phone



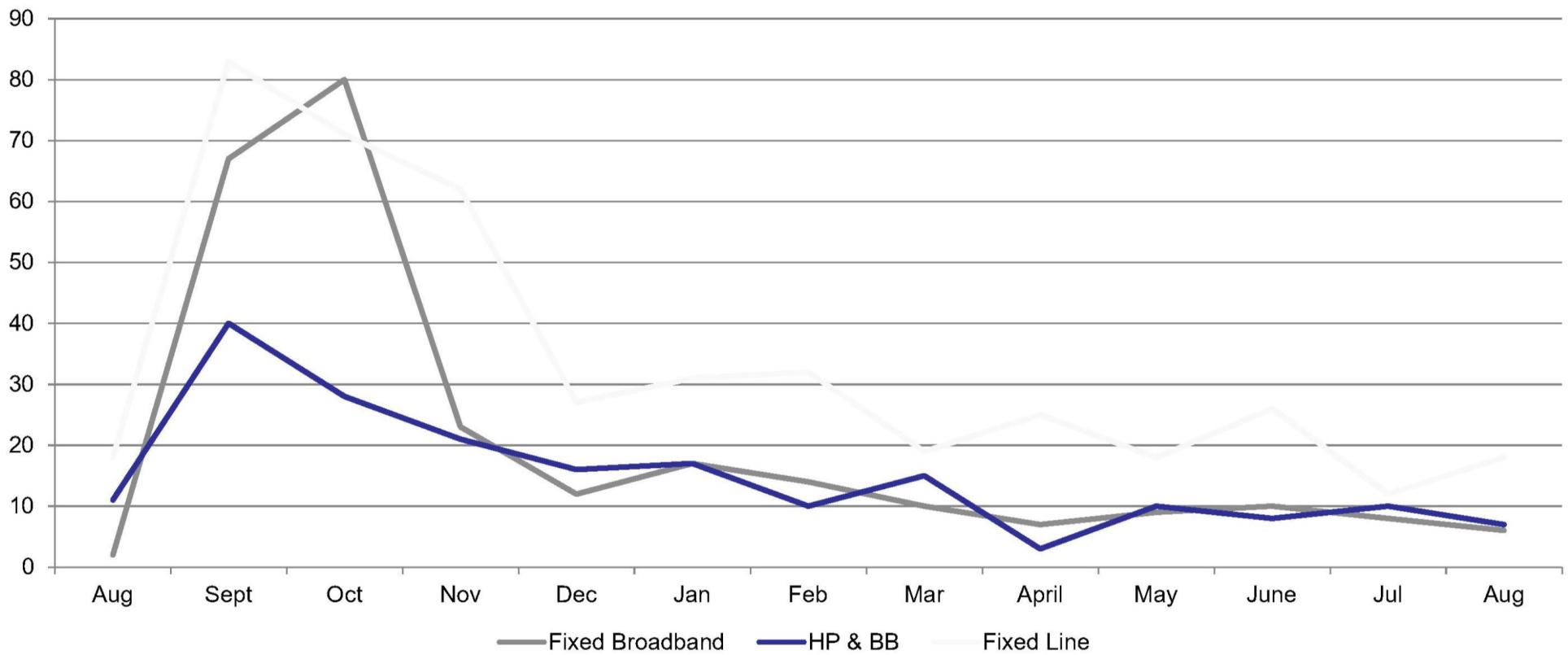
OFCOM complaints per 1000 customers - Fixed
BB



- Latest OFCOM Data for Q2 pending release

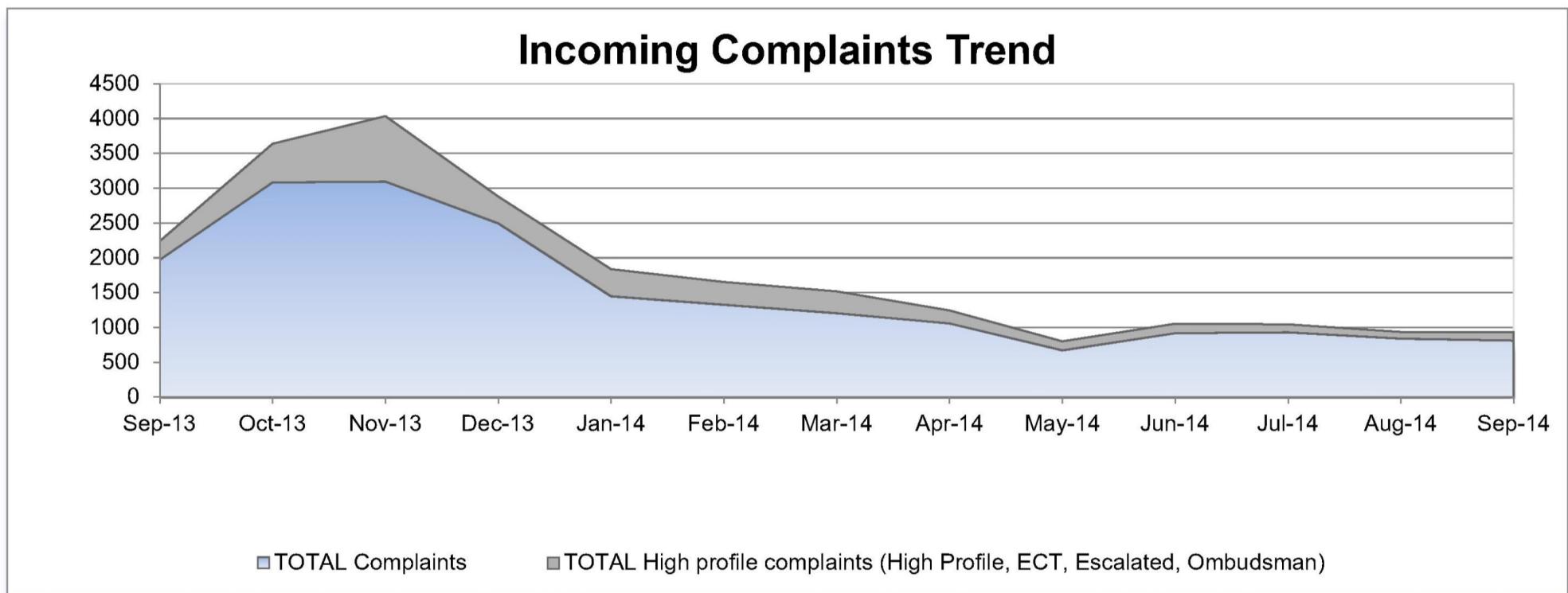
OFCOM Complaints trend

OFCOM complaints



- Count of consumer complaints made to OFCOM

Post Office Complaints to September 2014



Observations

- The number of complaints decreased 3% for September
- Driven by reduction in Billing and Technical complaints

Identifying and Managing Elderly and or Vulnerable Customers

- Clear Policy Statement, and Compliant explanation of POL process on Web Site
- All relevant Call Centre agents have been re-briefed on 'spotting' Vulnerable customer cases.
 - DOB, Tone of Voice, active listening
- Elderly and Vulnerable customers will be designated as such in all workflows
- All relevant Call Centre Team Leaders now DPA override authority.
 - All DPA overrides will generate the consideration to raise a E/V case
- All E/V Cases to be grouped and reported upon daily, with visibility at all levels
- Talk Talk and BT Open Reach Customer Service Teams have been re briefed to relevant teams.
 - Relevant to provision or repair
- CAPITA and FJ LOB owners can see customers DOB for all open E/V cases
- Design/Development to auto generate a E/V case during diagnostics



Christmas Plan – Elderly and Vulnerable Customers

- Operations Meetings established 10 am every day Dec 15- Jan 1,
 - POL, Fujitsu and Capita
- Elderly and Vulnerable customers identified in fault reporting and separately identified and managed
- Escalation management process in place to escalate to Open Reach (including CEO) for sensitive days – Christmas Day etc
- Senior POL Management Escalation Plan in place
- Web Site updated with Holiday instructions



Compliance and Risk

- Current Status
 - Fujitsu maintain a Risk Register
 - Operational Risks
 - Customer Communication Risks
 - Business Continuity Risks
 - Material Subcontractor Risks
 - Post Office Telephony Team add POL risks to Fujitsu Risk Register
 - Primary Contractor and Material Sub-contractors financial returns are well below minimum expectations
 - Mitigated by New Way of Working,
 - New “tone” of team engagement “our not they”
 - Close participation in relaxing the customer facing elements of the contract that deliver negative POL results
 - Sales and Retentions staffed and remunerated for success
 - Ofcom Regulatory Compliance - General Conditions
 - Government Policy Compliance
 - Internet Safety



Fujitsu Relationship and Status : Green

- Fujitsu relationship re-baselined and Fujitsu more comfortable
 - Established New “Ways of Working” to encourage greater innovation and lower costs
 - Submitted Historical claim for £5.6 million invoice/performance
 - Established Effective Governance Framework
 - New Fujitsu Account team, and organisation
 - £2,300,000 annual savings on broadband usage agreed
- Fujitsu/Capita Relationship remains challenging but good progress
 - Agreed to draw a line under the past 12 months
 - Review contract T and C's that to not reward Sales Performance
 - Developed a Plan B in event of failure to resolve differences
- Consideration of applying same Managed Services model to Mobile and integrating/sharing roles



Strategic Options for the Business

- Option 1 : Maintain and Grow Business
 - EBITDA – 10 % and growing in 2015/16
 - Gross Revenue £130 million in 2015/16
 - Capex spend of 5 % of Revenue
 - Consideration of TV but not essential to success
- Option 2 : Sell the Base of Customers to a Competitor and Exit the Business
 - Likely value less than £50 million *
 - Migration risk and lack of control over Brand damage
 - Write off of Technology investment in OSS/BSS Fujitsu solution estimated at £20 million
 - Reduce product range for Retail Network
- Option 3 : Sell business as Post Office Franchise
 - Post office earns a modest Franchise fee but growing over time
 - Fujitsu/Talk Talk is the natural buyer
 - Estimated value £60 - £70 million *

*Best guess estimates to be ratified

*Possible blend of Option 2/3 also negotiable



Questions



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POST OFFICE LTD EXECUTIVE COMMITTEE

Post Office Prepaid Funeral Plan

1 Purpose

- 1.1 The introduction of new products requires the approval of the POL Board. Ahead of that, this paper seeks the approval of the POL Executive Committee for the proposed introduction of a Prepaid Funeral Plan.

2 Background

- 2.1 Post Office has an aspiration to be the financial services destination of choice for our customer base of families, homeowners and people in the 50+ age range.
- 2.2 The Prepaid Funeral Plan offers the customers the investment opportunity of funding their funeral at today's prices. Funeral costs have risen by 71% over the last ten years.. A market for these products already exists, with premiums paid of c£400m. The market is strongly biased towards older customers, with more than 80% of customers being more than 65 years old at the time of purchase.
- 2.3 Our Over 50s Life Cover policy meets some customers' requirements in respect of funeral costs. However, purchases of our Over 50s Life policies fall off dramatically over the age of 75. Market data shows that 45% of funeral plans are sold to customers over the age of 75, which suggests that there is a customer need we currently do not meet. The proposed Prepaid Funeral Plan product would fill that gap and would fit with our strategic aspirations in the "end of life" market. The target is to capture a market share of 5%, and gross written premiums of £20m.
- 2.4 Financially, the initiative exceeds POL's financial hurdles, with an NPV of £5m and a payback period of 2 months. It has successfully passed through financial governance.

3 The product and commercial arrangements

- 3.1 The product will be provided by an existing market player, Dignity, through the existing insurance joint venture arrangement with Bank of Ireland ("BOI")
- 3.2 Customers pay an initial upfront single premium in the range £3,300 to £3,900 depending on the level of cover. In return, the plan guarantees specified funeral arrangements, whilst allowing the customer to personalise through the choice of music, flowers, coffin, etc.
- 3.3 Sales opportunities will be generated:
 - (i) in branch via leaflets;
 - (ii) via direct marketing; and
 - (iii) increasingly, by our Financial Services advisers.
- 3.4 Post Office receives commissions based on the value of policies sold and a share of the profit made in the joint venture arrangement with BOI. In FY14/15 this commission is c£205 per policy, rising to £291 per policy in FY18/19. From this, payments will be made to agents generating sales at a rate of £60 per policy.
- 3.5 The product will be introduced as a pilot in 2014/15, in Crown, WH Smith and 500 Agency branches. Any decision to roll-out will be based on a formal compliance assessment of the pilot period and on performance.

Strictly Confidential**4 Financial Overview****4.1 Summary P&L and cash flow**

Incremental Profit & Loss (£000s)	14/15 (3 mths)	15/16	16/17	17/18	18/19	19/20 (9 mths)
Number of policies sold	1,050	6,000	6,000	6,000	6,000	3,450
Recurring commission and profit share on sales	145	1,349	1,470	1,602	1,747	1,094
Payments to agents	(10)	(54)	(54)	(54)	(54)	(31)
One-off costs (Opex) - Operating	(62)	-	-	-	-	-
Total Incremental PBIT	73	1,295	1,416	1,548	1,693	1,063

Incremental Cashflow (£000s)	14/15 (3 mths)	15/16	16/17	17/18	18/19	19/20 (9 mths)
Recurring PBITDA (as per above)	73	1,295	1,416	1,548	1,693	1,063
Capital Expenditure (Capex)	-	-	-	-	-	-
Total Incremental Cashflow	73	1,295	1,416	1,548	1,693	1,063

	Sensitivity applied	NPV (£m)	IRR (%)	Payback period
Case as presented	n/a	5.0	>100%	2 months
Key sensitivities:				
1. The initiative captures a lower market share than anticipated	Currently anticipate a 5% market share. Assume only 3%	3	>100	3 months
2. Agents sales represent a higher proportion of sales	Currently assume 15% through agents. Instead assume 30%	4.8	>100%	2 months

4.2 In the pilot period (FY14/15), target sales are 1,050 plans, generating net revenue of £212k. Launch costs are £62k. Agents' commissions are estimated to be £10k.

4.3 Thereafter, sales of 6,000 plans a year are targeted. The market cost of funeral plans is inflating c 8% a year and POL's total commissions are anticipated to grow at this rate, plus an element reflecting the increasing use of premium financing by customers. Marketing costs will be met by POL's insurance joint venture with BOI.

5 Risks and dependencies

Risk/Dependency	Mitigating Action
Brand damage from supplier actions	Supplier (Dignity) is an established market player with no history of issues On-going monitoring of complaints and wider market
Branch Miss-selling	Detailed branch communications Alignment of branch sales incentives Detailed Sales Controls and KPI's
Network Distraction	Limited number of branches (500) planned for launch
Product Unsuitable for Customer's needs	Clear brochure detailing different product options.

6 Recommendation

6.1 It is recommend that the Executive Committee approve the introduction of the Prepaid Funeral Plan and recommend authorisation to the POL Board.

Paul Havenhand
Head of Travel and Insurance

SLT PDR Ratings Mid Year 2014/2015 (excludes ExCo members and external int

Attached are the provisional ratings for the SLT as at HY 2014/15.
The average rating is 2.7, down from 3.25 at year end 2013/14
Ratings will be discussed at 20 November ExCo meeting

Sarah Malone
Head of OD

Strictly confidential

SLT PDR Ratings Mid Year

2014/2015

(excludes ExCo members and external interims)

Name	Surname	Directorate	Grade	12/13 Full	13/14	13/14 Full	14/15 Mid
Peter	Markey	Commercial	SLP	N/A	N/A	N/A	2
Kevin	Seller	Commercial	REMCO	3	3	4	2
Paul	Brown	Commercial	REMCO	4	4	3	2
Giles	Dunning	Commercial	SLP	3	N/A	N/A	2
Ian	Crumpton	Commercial	SLP	N/A	N/A	N/A	2
Alan	Smith	Financial Services	Band 4	3	3	3	3
Henk	Van-Hulle	Financial Services	SLP	5	4	4	4
Jeremy	Law	Financial Services	SLP	4	4	4	4
John	Wilcock	Financial Services	SLP	4	4	4	3
Jonathan	Hill	Financial Services	Band 4	4	4	4	3
Paul	Havenhand	Financial Services	SLP	3	3	3	3
Paul	White	Financial Services	Band 4	3	4	4	4
Angela	Van Den Bogerd	N&S	SLP	5	4	4	3
Andrew	Thompson	N&S	SLP	3	3	3	2
Julie	Thomas	N&S	SLP	5	4	3	3
↑Dave	Harcourt	N&S	Band 4	4	3	3	3
Drew	McBride	N&S	SLP	3	3	3	4
Harry	Clarke	N&S	REMCO	4	3	4	3
John	Dutton	N&S	SLP	3	3	4	3
Keith	Rann	N&S	REMCO	3	3	3	3
Martin	Rouse	N&S	SLP	3	3	3	2
Michael	Larkin	N&S	SLP	5	4	4	3
Nell	Ennis	N&S	REMCO	3	3	3	4
Roger	Gale	N&S	REMCO	5	4	4	2
↑Russell	Hancock	N&S	Band 4	3	3	3	2
Ian	Kennedy	N&S	REMCO	N/A	N/A	N/A	3
Pam	Heap	N&S	SLP	3	4	5	2
Brian	Deveney	Finance	SLP	3	3	3	3
Charles	Colquhoun	Finance	SLP	3	3	3	3
Colin	Stuart	Finance	SLP	3	4	4	3
Nick	Sambridge	Finance	SLP	3	3	3	4
Peter	Goodman	Finance	SLP	4	3	3	3
Rod	Ismay	Finance	SLP	3	3	3	3
Sarah	Hall	Finance	SLP	3	3	3	3
Sharon	Bull	Finance	SLP	4	4	3	3
Alison	Thompson	SPMO (Finance)	SLP	N/A	N/A	N/A	3
Alana	Renner	Comms (People & Engagement)	SLP	3	4	5	4
Mike	Granville	Comms (People & Engagement)	SLP	3	3	3	3
Nina	Arnott	Comms (People & Engagement)	SLP	N/A	3	2	2
Richard	Walden	Comms (People & Engagement)	Band 4	3	3	3	4
Jane	Hill	Comms (People & Engagement)	SLP	N/A	N/A	3	3
Hazel	Hudgell	Comms (People & Engagement)	Band 4	4		4	3
Andy	Garner	CIO	Band 4	4	4	3	3
Dave	Hulbert	CIO	SLP	5	4	4	3
Julie	George	CIO	Band 4	N/A	3	4	3
Malcolm	Zack	Corporate Services	SLP	3	3	2	3
↑ Dave	Mason	Corporate Services	Band 4	4	4	3	2
John	Scott	Corporate Services	SLP	2	3	2	3
↑ Piero	D'Agostino	Corporate Services	Band 4		4	3	4
↑ Jessica	Madron	Corporate Services	Band 4		4	3	3
Nick	Beal	Network Development (P&E)	SLP	3	4	4	3
Tom	Moran	Industrial Relations (P&E)	SLP	4	4	5	3
Sarah	Malone	HR (People & Engagement)	SLP	N/A	N/A	4	3
Joe	Connor	HR (People & Engagement)	SLP	4	3	3	3
Michelle	Ranger	HR (People & Engagement)	Band 4	N/A	N/A	3	3
Natalie	Wilkins	HR (People & Engagement)	Band 4	4	3	3	3
Diane	Ward	HR (People & Engagement)	Band 4	N/A	3	3	2
Deborah	Betts	HR (People & Engagement)	Band 4	N/A	N/A	2	2
Keith	Murdoch	HR (People & Engagement)	SLP	N/A	N/A	N/A	n/a
Ann	Miller	HR (People & Engagement)	SLP	3	3	3	3
Fay	Healey	HR (People & Engagement)	SLP				3

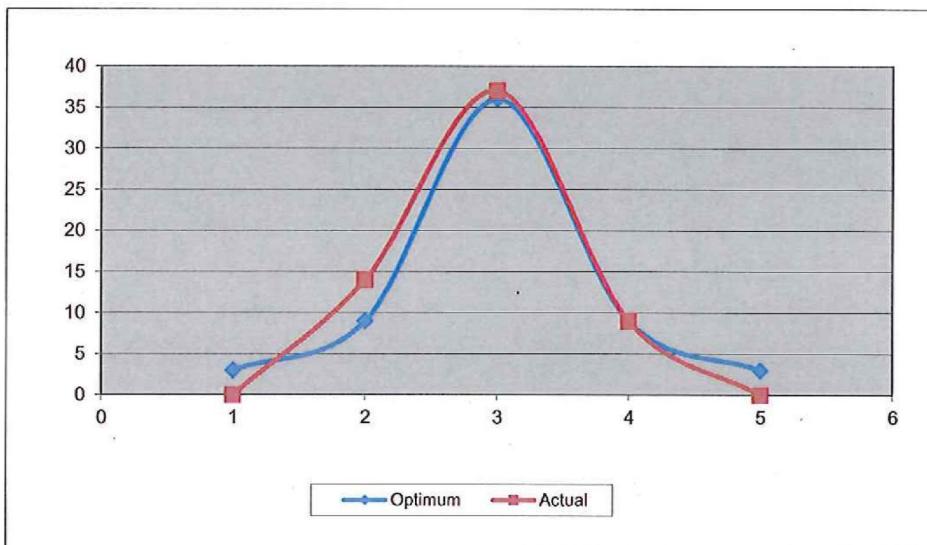
Trial period rating

↑ Acting up to SLT role

PDR RATING	Optimum	Actual
1	3	0
2	9	14
3	36	37
4	9	9
5	3	0
Total Ratings	60	60

SLT Distribution			PDR Ratings
14/15 HY	13/14 FY	13/14 HY	
14%	12%	4%	1 + 2
37%	54%	63%	3
9%	34%	33%	4 + 5

Average Rating 2.7 3.25 3.3



Current Actions and Decisions Log

ExCo Meeting 18 February - Actions and Decisions

Transformation Board

18/02/06	Action 1	Communicate to SLT the new Governance structure and their role in holding ExCo to account. <i>Update 13/06/14: RZW is progressing this action.</i> <i>AL: ON HOLD TOR AND DATES TO BE CIRCULATED TO SLT</i>	AL/AT/MD	End June On hold (Still)
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ExCo meeting 8 May - Actions and Decisions

Strategic Risk – Contingency Risk

08/05/16	Action 15	Chris Day to share the finance stress testing of the plan with the ExCo, to ensure contingencies are identified for the big programmes.	CD	In progress – due Nov/Dec
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TFL – Audit protocol guidance

08/05/34	Action 3	Put the policy on the intranet and ensure it is well communicated. <i>Updated 25/06/14: MD and CA meeting to progress</i>	CA/MD	In progress
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TFL – Audit protocol guidance

08/05/37	Action 6	Decide on the best approach to ensure the intranet is effective with the possible use of a super administrator. <i>Updated 13/06/14: MD to discuss at 1:1 with NH to progress.</i>	MD/NH	In progress
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[ExCo Meeting 9 June 2014 - Actions and Decisions](#)

Risk & Compliance

09/06/01	Action 1	Piece of communication needed to explain risk management and risk protocols particularly as we move into Business Transformation. <i>Updated 25/06/14: MD and CA met to progress further.</i>	MD/CA	Ongoing
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[ExCo Meeting 3 July - Actions and Decisions](#)

Significant Litigation

03/07/05	Action 1	Schedule an ExCo discussion on losses and prosecution policy	CA/AL	End Aug
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Cyber security noting paper

03/07/09	Action 2	Risk & Compliance Committee to consider Cyber Security on its next agenda	CA	21 July
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[ExCo Meeting 8 July 2014 - Actions and Decisions](#)

Finance Performance update at Q1 – Telephony

08/07/02	Action 2	Organise a deep dive for telephony for the Autumn to review the product profitability.	MG/AL	ExCo November
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[ExCo Meeting 19 August – Actions & Decisions](#)

148 Office Move

19/08/2014	Action 2	Provide technology training (i-clinics) to ensure people are capable of using the new technology.	AA	End Dec
19/08/2014	Action 3	Explore the option of using partner buildings in the lead team discussions.	AA	End Dec

[ExCo Meeting 16th October – Actions and Decisions](#)

Risk Appetite

16/10/2014	Action 1	6 + 3 Strategic Risks to be reviewed by the next R&CC and to come back into ExCo and the Board in January.	CA/DM	January 2015
16/10/2014	Action 2	Ensure that there is no conflict in PWC carrying out work on both execution and assurance for the TMO.	CA	November 2014
16/10/2014	Action 6	Produce a one page risk scorecard with metrics to monitor the business risks.	CA / DM	
16/10/2014	Action 8	Chris A to draft a note to Paula to send to the ARC to explain how the Risk Appetite statement will be operationalised.	CA	20 th October

Project Titan

16/10/2014	Action 1	Commercial Committee to discuss and agree ways of working with POMS.	CC	End October
16/10/2014	Action 2	Ensure that Project Titan does not compromise the ability to cross sell products including passports and bureau de change.	NK / MG	End October
16/10/2014	Action 3	Circulate to the ExCo, the neutral contractual paper being written by Colin Stuart.	NK	End October

16/10/2014	Action 4	Confirm the level of financial risk to the plan if POMS does not get FCA approval by 1 st December.	NK	End October
16/10/2014	Action 5	Update the ExCo on the Bol long term contract before the Board debate in November.	NK	November ExCo
16/10/2014	Action 6	Overlay the Risk Appetite framework and operational risk for POMS.	NK / CA	

P & E Strategy

16/10/2014	Action 3	Ensure that the FS 12-18 month strategy milestones are included in the plan.	FH / NK	This will be integrated as part of the presentation to the Board in Feb when Nick presents the milestones on FS.
16/10/2014	Action 4	Half day session to be arranged to consider how we engage with sub-postmasters (operators) to understand culture change.	KG / NK / N Beal / AR / FH	Meeting taking place on 21 st Nov

Business Transformation

16/10/2014	Action 1	Feedback on 15% cost reduction plans by 23 rd October – then w/c 27 th October talk to direct reports, w/c 3 rd November talk to direct reports + 1.	ExCo	23 rd October
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Digital

16/10/2014	Action 1	Digital slot at future ExCo to cover what digital developments mean for the Post Office. <i>Update 11/11/14 – The Digital update is now going to January ExCo and Board.</i>	MG / GD	January
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Network

16/10/2014	Action 2	Commercial Committee were asked to discuss the FS sales capability and the plan to get FS specialists to the required performance level.	CC	End October
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Funeral Plan

16/10/2014	Action 1	Produce a more detailed paper setting out the P&L financial position, costs, customer's proposition, effect on the network and risks and then return to the ExCo.	NK	November ExCo
16/10/2014	Action 2	Provide a template for future ExCo product authorisation.	CD / CA	End November

Sparrow

16/10/2014	Action 1	Invite Angela Van Den Bogerd to update the ExCo on the Branch Support improvements.	AL / AVDB	ExCo - 20 th November
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BREC

16/10/2014	Action 1	Pete Markey to discuss 'Easy to do Business with Measure' with AL, KG and DR, then return to ExCo with a specific proposal on the levers to pull to improve 'Easy to do Business with Measure' performance.	PM / KG / AL / DR	January 2015
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Information Security

16/10/2014	Action 1	Contact Julie George's team for advice if ExCo are concerned about Information Assurance as colleagues leave the business.	All	Ongoing
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Risk during Leaving Process

16/10/2014	Action 2	Email to ExCo on the risks inherent in the leavers process.	FH	End November
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ExCo meeting 21st October – Actions and Decisions

Crown P & L

21/10/2014	Action 1	Report to the ExCo on the DWP mediation for compensation for the over payment, to understand the possible timeline and its effect on this year.	MG	November ExCo
21/10/2014	Action 6	<p>Look at the methodology to ensure Q of S Scores are giving an accurate measure – including self service.</p> <p><i>Update 13/11/14 PM: Full and detailed review being undertaken between network and insight team to determine link between ease measures and revenue. This review which will be completed with recommendations by year end will also determine if our ways of measuring remain fit for purpose with a secondary aim to determine if expense savings can be delivered by adopting a different approach.</i></p>	MG / KG / P Markey	November ExCo

Business Transformation

21/10/2014	Action 2	<p>Provide a timeline and milestone of the events and decision points which form the critical path for the next 6 months.</p> <p>Update: now covered as part of the revised Transformation Committee fortnightly meeting</p>	DR / CA	Closed
21/10/2014	Action 4	<p>Consider how the scorecard would need to change to include Business Transformation metrics and bring back to ExCo for discussion.</p> <p>Update: will be addressed as part of the budgeting process for 2015/16 to conclude in Q4</p>	DR	Closed

MDA

21/10/2014	Action 1	Need to put in place financial governance and economic modelling for the MDA re-negotiation, what is the business trying to achieve short and long term.	MG / CD / ExCo	11 th November
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