
From: Alwen Lyons [GRO]
Sent: Sat 16/08/2014 1:17:39 PM (UTC)
To: aliceperkins [GRO]; Neil McCausland [GRO]; virginia.holmes [GRO]; 'timfranklin [GRO]; 'Alasdair Marnoch [GRO]; Callard Richard (ShEx) [GRO]
Cc: Paula Vennells [GRO]; Chris M Day [GRO]; Alwen Lyons [GRO]; Gavin Lambert [GRO]
Subject: A note fom Paula
Attachment: Period 4 financial results update for Board final.pdf
Attachment: P4 CFO Forecast Page final.pdf

Please find below a note from Paula

Thanks
Alwen

Dear all

As there hasn't been a Board meeting this month, I wanted to give you an update on various issues before I go on leave.

Firstly, I've asked Chris Day to summarise our **results to July** and his Period 4 financial report is attached. To maintain the focus we are holding our Quarter 1 forecast at budget but, as you'll see, the outlook remains unchanged from Period 3 and therefore there may be some shortfall against this. With a sustained focus there is time enough to pull much of this back and I am cautiously optimistic that the work which is underway will give us the best chance to succeed in our profit target and address the shortfall in income to around £910m, which remains Chris' estimate.

I recognise we need to change our approach and am putting in place new **actions to address our cost base**. I've set up a Cost Reduction Group comprised of a subset of ExCo, and will be leading the group each week to make sure we achieve the £53m of costs savings required for this year. The Group met for the first time on Wednesday and we have identified a long list of business-wide initiatives to plug the £14m gap to the target. Likewise, for the time being at least, I am chairing a period sales accelerator meeting (summary in Chris' report).

The **Business Transformation Programme** has concluded its first phase assessment of the business and is now beginning work on the future Target Operating Model. I have been pleased with the team's work so far and look forward to our detailed discussion on business transformation at the September Board.

Further to the discussion of accelerators at the July Board, a programme to "**win in mails**" has been established which integrates work on network extension, simplifying mails and digital capabilities. The team are making impressive progress at the Bishopsgate hub and have already

developed an initial trial solution for Home Shopping Returns which they aim to go live with in two locations next week. Verbal agreements have also now been confirmed with retailers for trials in 84 locations, as part of systematic engagement with target retailers.

Securing buy-in from Royal Mail to move at pace presents a significant risk, as does the NFSP and we are engaging at senior levels in both organisations to resolve. I have asked Martin and Kevin to provide a full update on the programme at the September Board when I also expect the team will be ready to demonstrate the new tablet-based solution.

Elsewhere in the business, you'll be interested to know that on **Project Sparrow** the complaint scheme is well established with all but 6 full applications submitted ahead of the end of August deadline. As expected a number of difficult issues relating to the Scheme are now coming to a head. At Tony Hooper's request the Working Group has suspended meetings over August, so we are working through issues to discuss when the Working Group calls resume on 28 August. Second Sight have produced a Draft Part Two report (essentially a briefing report for Applicants and mediators on 'thematic' issues arising from Scheme applications) which we believe is of a very poor quality. It lacks evidence and analysis and is therefore unhelpful in terms of assisting a resolution of applications. We have provided detailed comments to Second Sight along with a letter for the record setting out why we consider the Report to be lacking. We are working through our next steps and will provide a detailed update at the Board in September.

On **industrial relations**, the picture continues to be mixed. We have resolved the dispute with our Managers in Supply Chain following their acceptance of the pay deal we agreed with CMA Unite. The deal is similar to that approved by Crown managers and is fully affordable. However, CWU has refused our formal offer for Supply Chain & Admin and we have made a formal offer to the CWU to use Acas to conciliate a speedy resolution. On FS Incentives, the FS, Crown and IR teams are meeting the CWU next week and aim to introduce, ideally with union support, new schemes for Counter staff and FSs in mid-September.

Again building on the discussion of risk at the July Board, PWC have been supporting us to develop a **risk appetite statement and framework** for Post Office. Additionally, they are risk assuring our approach to the overall Business Transformation undertaking, and are working with David Ryan and the SPMO to ensure we will have the right resource, capability and importantly delivery dashboards. We have engaged Grant Thornton to do likewise for Titan. The risk team will be presenting a full update to the Board in November, including a CEO overview on the wider PO risk landscape. I intend to keep us vigilant.

Finally, I see the next 12 months as a 'game changer' for our business and I need our people to be fully engaged with both the opportunities and challenges. We held a **Team Talk Live event at the end of July** and for the first time we had staff attending from across the business. I gave a keynote address and chose to deliver unvarnished messages about the scale of the challenges we face and the changes we need to deliver. Despite this, feedback from the event has been very positive, with an increase in staff saying they are *proud to work for the Post Office* (up from 82% to 85%), a greater rise in staff who *support our strategy and direction* (73% to 85%), and an even more significant increase in staff who think that the *senior management team communicates a clear vision* (51% to 74%). This gives me real encouragement that we can achieve our goals. An edited version of my keynote address is available online should you wish to watch it over the summer: <https://vimeo.com/103499956> Password teamtalklive2014.

I will provide more information on all these issues when we meet at the Board on 25 September. In the meantime, I hope you all have an excellent summer.

Best wishes, Paula

Ps. Assuming it goes to plan, Mark's team have secured a good slot in tomorrow's Sunday Times - interview/profile in the business section.

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