

Date: September 2016
From: Michael Dollin - UKGI

Minister/SpAd	To Note/Comment	To Approve/Decide
Margot James		X
Name of Special Advisor	X	
Perm Sec	X	

OFFICIAL

MEETING WITH PAULA VENNELLS, CHIEF EXECUTIVE OF POST OFFICE LTD (POL)

Meeting purpose: An introductory meeting with Paula Vennells, to understand the business's recent achievements, the current opportunities and challenges facing POL especially on industrial relations.

Meeting attendees:

Paula Vennells, Chief Executive, POL (Biography attached at Annex A).

Tom Wechsler, Chief of Staff, POL

Laura Thompson from UKGI will also attend.

Timing: Routine; the meeting is scheduled for 1st September at 10 am.

Areas for discussion:

1. Paula's letter of 17th August sets out the changes the business is making, how her team is managing these and the positive effects they are having on the business. This is attached at Annex B and will form the basis of her meeting with you.

State of the business - achievements

2. Paula will likely set out the key successes of the business during her tenure:
 - The stability of the network, above the target of 11,500 branches and meeting all access criteria in the latest annual report;
 - the successful branch modernisation programme (heading towards 7,000 branches modernised by March); and
 - improvements in financial performance (leading to greatly reduced losses, which has enabled a significant reduction in taxpayer subsidy); and
 - The imminent announcement of the new banking framework which will allow 95% of bank customers to use post office branches for basic banking services.

State of the business – current challenges

3. She may also talk you through the current challenges:

- Changes to the Crown estate, especially franchising. This usually involves closing the old branch and relocating it to another store nearby and with the existing staff having the option to leave on voluntary redundancy which almost all do. While franchising is a well-established process and the new branches perform well, unions oppose them (due to staff leaving the business) and there can be local stakeholder opposition to the prospect of change (though there is almost no criticism once a new branch has gone live);
- Exiting the external customers for the cash supply chain (which gets cash and stock to post offices and about 1000 external customers like Mothercare). By focussing the supply chain just on the needs of the branches this will allow POL to reduce the operation by 9 depots and c600 jobs (out of a current 25 facilities and 1300 staff);
- The proposal to close the defined benefit pension scheme, which is unaffordable long term. POL is taking action now before it goes into deficit;
- How the business supports the SME community with its financial and mails offers. You could explore with Paula what further opportunities there are for POL to support SMEs and the Government's wider industrial strategy.

Industrial relations

4. Both the Communication Workers Union (CWU) and Unite object to proposed job losses (in the Crowns and supply chain especially) and the closure of the defined benefit pension and have called ballots for industrial action. The CWU ballot has closed and while, of the staff who voted, 83% were in favour of strike action it was a low turn out by recent CWU standards and at 50.3% it only just passed the 50% turnout threshold for strike action under the Trades Union Act. Unite's ballot closes on 5th September. Paula will explain some of the background to these strikes, POL's contingency planning and what to expect from the key CWU officials you will meet on 6th September.
5. Feedback from POL's direct engagement with staff is that there is no great appetite for strike action among CWU members (many of whom are looking to leave the business on its current generous redundancy terms and have already filled out preference forms to that effect). The Post Office Unite section is less prone to striking and POL has an agreement with the union to work constructively on change involving job losses, this is in return for a 1.9% pay deal and payment in lieu of notice as part of redundancies. Nevertheless there is still scope for Unite strike action as it opposes the proposed closure of the

defined benefit pension and their support may also be undermined by changes to redundancy through the exit pay cap coming in with the Enterprise Act.

Strategy

6. POL is preparing its strategy for the period up to March 2021 and Paula may take the opportunity to set out some of the business's emerging thinking on this. This strategy will form the basis for a new funding ask for the period after March 2018 when POL's existing funding agreement with Government comes to an end.
7. The points Paula might raise here include:
 - how POL will look to grow revenue in the future;
 - POL's approach to renegotiating key contracts with Royal Mail and Bank of Ireland; and
 - POL's plans to further reduce costs. This latter area is likely to include some challenging issues, such as further changes to Crowns which can be unpopular with unions (due to staff leaving the business) and, on a short-term basis, also with local stakeholders (i.e. there is usually opposition to change but acceptance thereafter).
8. Until POL has a full draft strategy to share with Government (expected in September/October) we recommend you offer support to POL for it to continue its work in line with recent progress the business has made to improve financial sustainability and reduce reliance on taxpayer subsidy.

Submission Checklist (please retain)

Please complete these boxes before sending up. If you don't, private office may return your submission.

SCS Lead: Richard Callard

Classification

Classification chosen (use dropdown at top of submission)

Special Advisors

Either Special advisors in copy (private office to coordinate)
or Special advisors previously consulted (include detail in cover email)

Finance

Either Financial implications: sub cleared with [enter name of finance lead]
or No financial implications

Legal

Either Legal consulted: sub cleared with [enter name of legal lead]
or Judged not applicable

Comms

Either Comms consulted: sub cleared with Josh Pettitt
or Judged not applicable

Analysis

Either Analysis consulted: [enter name of analysis lead]
or Judged not applicable

Devolution

Either Devolution relevant/devo team consulted: [enter name of devo lead]
or Judged not applicable

Family test

Impact on families considered (if applicable, please include details in the sub under a separate heading)

Equalities

Equalities impact considered (if applicable, please include details in the sub under a separate heading)

Better Regulation Impact

For advice email bis.better.regulation.unit [redacted] **GRO** [redacted] least 24 hours before submission.

Either Issues are in scope of the business impact target, and the following information is included in the sub:

- Net cost to business (£ EANDCB)
- BIS Business Impact Target balance
- BIS One-In, Three-Out balance

Or No regulatory impact

(For Private office use):

Title: Meeting with Paula Vennells, CEO of Post Office Ltd. Author: Michael Dollin – UKGI

ANNEX A: BIOGRAPHIES OF MEETING ATTENDEES

Paula Vennells – CEO, Post Office Limited

Paula has worked for Post Office Limited since 2007 in a number of senior roles, including Managing Director, becoming Chief Executive on 1 April 2012. Prior to Post Office, Paula spent five years with Whitbread plc, latterly as Group Commercial Director. She began her career with Unilever and L’Oreal and has held directorships in sales and marketing with a number of major retailers, including Dixons Stores Group and Argos.

Paula is a Non-Executive Director of Morrisons plc, a Trustee for the Hymns Ancient and Modern Group and a member of the Future High Street Forum.

(from POL’s website)

GRO

Alisdair Cameron - Chief Financial Officer

Alisdair joined Post Office as Chief Financial Officer in January 2015. Prior to this appointment, from 2002 to 2014 he worked in a variety of roles for Centrica plc, a FTSE 100 company, including Director of Audit and Risk, Group Financial Controller, Finance Director of British Gas and Managing Director of British Gas Enterprise. Previously he was a partner with Arthur Anderson and served as a trustee of the e-Learning Foundation.

Alisdair is a Non-Executive Director of Oxford University Hospitals NHS Foundation Trust.

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