

To Secretary of State  
From Annette Rusling, ShEx Ext **GRO**  
Date 20 November 2015

**Meeting with Tim Parker, Chair of Post Office Limited, 24<sup>th</sup> November 2015**

**Purpose**

- This is an introductory meeting with Tim Parker, who took up the post of Chair of Post Office Limited (POL) on 1<sup>st</sup> October 2015. This is the first time you have met Mr Parker in this role. The objective is to understand Tim's first impressions of the business, its challenges, and his ideas on future direction.

**Attendees**

- Tim Parker (POL, Chair)
- Richard Callard (ShEx, HMG representative on POL board)

**Topics likely to be raised by Tim**

- POL's freedom to operate commercially
- Banking framework and negotiations with the major banks
- Apprenticeships

**CC list**

- Baroness Neville-Rolfe, Perm Sec, George Freeman, SpAds, Richard Callard (ShEx), ShEx POL team.

**Annex A**

Tim Parker biography

**Annex B**

YTD performance information

## AGENDA FOR MEETING – NOTES ON LIKELY TOPICS RAISED

Likely subject	Points to note:
<b>Freedom for POL to operate commercially</b>	<ul style="list-style-type: none"> <li>As a publicly owned business POL faces constraints that prevent it operating as a purely commercial enterprise. These include: <ul style="list-style-type: none"> <li>Public Procurement processes</li> <li>Working capital / external borrowing arrangements</li> <li>Remuneration / appointments approval</li> </ul> </li> <li><u>We expect POL to operate commercially but there are certain constraints that all government owned businesses have to adhere to.</u></li> <li><b>Exit payments:</b> The Enterprise Bill includes provisions for government to introduce a cap of £95,000 on public sector exit payments. POL are expected to be within the scope of these regulations and are concerned that the rules may affect their ability to move quickly in making structural changes at senior management level if necessary. <u>We have advised POL that government expects all parts of the public sector to put these arrangements in place</u></li> </ul>
<b>Banking framework</b>	<ul style="list-style-type: none"> <li>High Street bank accounts can already be accessed at POL in one form or other.</li> <li>In the context of the closure of bank branches, POL has been working with the British Banking Association and leading High Street banks to develop a “standardised service” that can be offered to all High Street bank customers for common transactions on a more consistent basis. Commercial arrangements now need to be negotiated.</li> <li>POL is finding it difficult to progress negotiations, particularly regarding a change in fee arrangements, as this involves greater cost for the banks (reflecting the greater burden falling on POL).</li> <li>For this “standardised service” to deliver an economic return, POL needs a majority of the banks to sign up. However, some banks are reluctant to sign up to the new arrangements.</li> <li>POL might raise the possibility of government exerting influence on the banks to make progress. This is difficult – these are commercial decisions being made by independent businesses. <u>It is not clear what Ministers can reasonably do apart from encouraging progress.</u></li> </ul>

<p><b>Apprenticeships</b></p>	<ul style="list-style-type: none"> <li>• POL have been working on developing two new apprenticeship schemes. The first is for direct employees (e.g. those that work in POL's owned branches and its supply chain) while the second is for those that work in the agency network (e.g. sub-postmasters and their employees).</li> <li>• POL is now waiting for HMG's response to its consultation on the apprenticeship levy before taking decisions on timings, structure of the schemes and numbers.</li> <li>• As a publicly owned business it is important for POL to take a lead on apprenticeships, and to set an example for other large employers.</li> <li>• <u>We would recommend you encourage POL to continue making progress while also setting ambitious targets for a launch.</u></li> </ul> <p><i>Note: POL currently has c.6,700 direct employees, and it works with more than 10,000 sub-postmasters who in turn employ up to 30,000 people in their independent retail premises.</i></p>
<p><b>Spending Review</b></p>	<ul style="list-style-type: none"> <li>• Subsidy to POL has come down significantly, from a peak of £210m p.a. to £130m this year (falling to £70m by 2017/18).</li> <li>• BIS submitted a bid to HMT in the SR for POL that reflected: (i) the legally committed contractual commitment we have made to POL to 2017/18; and (ii) an indicative funding requirement for subsequent years of between £50m and £60m based on the 2013 strategic plan. This appears to have been secured with HMT over the weekend.</li> <li>• This indicative requirement was developed in 2013 in expectation of favourable market conditions, which did not materialise, and there is a real possibility that the funding requirement beyond 2018 is higher (if POL is to be able to maintain the c3000 rural/non-viable branches manifesto commitment) .</li> <li>• <u>We have noted in the settlement with HMT that the post 2018 funding of POL will need to be more meaningfully considered next year, although clearly any case for greater funding will need to be very clearly justified and articulated.</u></li> </ul>



## **IF NEEDED: Background and other notes**

### **Background on POL**

- There are over 11,500 post office branches in the UK, with the Post Office network at its most stable for over two decades.
- Government has invested almost £2 billion in funding POL since April 2011 to sustain and modernise the network ensuring communities have access to services and that POL remains viable in the future. This includes £640 million for the period running from 2015 to 2018.
- 93% of the national population (and over 95% in urban areas) live within one mile of their nearest post office branch.
- Around 18 million customers & a third of SMEs visit post offices every week.
- Post Office Ltd was separated from Royal Mail in April 2012, and is an independent company. It has a long term commercial agreement with Royal Mail to provide access to Royal Mail services at post office branches.

### **Horizon IT System**

- Tim Parker agreed with Baroness Neville-Rolfe that he would undertake a review into the Post Office “Horizon” IT system and various claims that subpostmasters have been wrongly prosecuted as a result of faults in the system. Tim has appointed a QC to assist him in that review, and expects to report back to Baroness Neville-Rolfe early in the New Year.
- We do not expect Tim will want to discuss this matter in detail. The government’s position is that, while Tim is undertaking his review, while Post Office continue to work through mediation of individual cases, and while the Criminal Cases Review Commission considers the c.20 applications on this matter, it would not be appropriate for government to intervene.

### **Consumer Futures (CF)/ Citizens Advice (CitA)**

- CF is a statutory consumer protection body with a general interest in “consumers of postal services” and may investigate “any matter relating to the number and location of public Post Offices”. The organisation was subsumed into CitA in April 2014.
- CF has played the key role in overseeing the public consultations on changes to post office locations.
- The step up in numbers of consultations related to Network Transformation (NT) has been matched by a step up in the numbers of CF case workers. CF’s increased scrutiny is beginning to create friction and frustration with the risk that this will impact POL’s ability to meet NT targets.
- More troubling is CitA’s research programme which, through its narrow focus on POL is lacking a strategic context to their findings.
- ShEx continue to challenge CitA’s effectiveness will continue to do so as we move into reviewing CitA’s work plans for next year.

### **Potential Industrial Action**

- There is a potential industrial relations dispute with the Communication Workers Union (CWU) over Christmas Eve working.
- The CWU represents c.4,000 Post Office workers, most of them working in Crown post offices. Traditionally Crown post office workers have been allowed to go home at 12.30 on Christmas Eve while being paid for the full day.



- POL does not believe this is sustainable and wants to open until 4pm in order to better meet the needs of its customers.
- The majority of agency (non-Crown) branches are open during these hours on Christmas Eve and aligning the offer presents a better image of the business to existing and future customers.
- Recognising that this early closure has been a traditional benefit, POL offered staff a one off £50 payment and 3.5 hours time off in lieu.
- It is not clear what the exact parameters of any strike action could be, though POL planning assumes this would be limited to Christmas Eve itself, either the afternoon or the full day.

## **Annex A**

### **Tim Parker biography:**



- Mr Parker started as Post Office Limited (POL) Chair on 1st October 2015.
- He replaces Alice Perkins who stepped down in July 2015. Neil McCausland had been interim Chair (having been Senior Independent Director).
- Mr Parker is the current Chairman of the National Trust and of Samsonite. He has also been:
  - CEO of Clarks, Kwik-Fit, the AA, and Samsonite.
  - Chair of Channel Nine TV in Australia and the Autobar Group, Europe's largest vending company.
  - A non-executive director on the Boards of Legal & General, Alliance Boots, and Compass Group.
  - A director and now owner of the British Pathé film archive.

## **Annex B**

### **YTD performance information:**



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