



**EXECUTIVE COMMITTEE
AGENDA
for the meeting to be held on 8 May 2014
in Room 501**

Present: Paula Vennells (Chair), Martin Edwards, Mark Davies, Lesley Sewell, Kevin Gilliland, Neil Hayward, Nick Kennett, Alwen Lyons, Martin George, Chris Aujard, David Ryan, Sarah Hall (deputising for Chris Day),

Apologies: Chris Day

In attendance: Dave Mason, Mike Granville, Brian Deveney

Start time : 08.45

End: 14:30

Time	Item	ExCo Sponsor/Presenter
8.45 – 10.45	Risk review and appetite	Chris Aujard/ Dave Mason
10.45 – 10.55	BREAK	
10.55 – 11.25	FOI	Mark Davies/Mike Granville
11.25 – 11.45	Verbal update on Industrial Relations	Kevin Gilliland
11.45 – 12.05	Verbal update on Sparrow	Chris Aujard
12.05 – 12.10	Noting papers for the Board: <ul style="list-style-type: none"> • Significant Litigation Report • Health and Safety Report • Cyber/Information Security Update • Colleague Offers Board noting paper 	
12.10 – 12.40	LUNCH	
12.40 – 13.10	Data Centre Procurement paper (pre ARC)	Chris Aujard/ Dave Mason
13.10 – 13.20	TFL closing memo	Chris Aujard
13.20 – 14.30	Business Transformation update	David Ryan/Brian Deveney
14.30	CLOSE	

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POST OFFICE LIMITED EXECUTIVE COMMITTEE

RISK SESSION

1. Purpose

The purpose of this paper is to:

- 1.1 support a discussion of the top risks previously identified,
- 1.2 introduce a draft Post Office corporate risk appetite for Board approval.

2. Approach

2.1 Appendix 1 contains the notes provided by the risk owners on:

- risk description,
- dependencies on other risks,
- ownership,
- summary of controls in place
- any mitigating actions.

2.2 Appendix 2 is a paper by the Risk and Compliance team describing an approach to risk appetite within the Post Office and a draft set of appetite definitions. These incorporate best practice and an analysis of current Post Office risk appetite. The main objectives of the appetite statement are to:

- define the level of risk that the organisation is willing to seek, accept or tolerate in the achievement of its objectives; and
- act as a guide, enabling managers to understand the degree of risk to which they can expose the organisation.

3. Recommendations

The Executive committee is asked to:

- 3.1 discuss the top risks and establish a collective understanding of each of the risks and the interdependencies between them;
- 3.2 review the draft appetite paper and consider whether it accurately represents the current and future risk appetite of the organisation; and
- 3.3 agree the next steps for Board approval of an appetite statement.

Dave Mason
8th May 2014

APPENDIX 1 RISK OWNER NOTES ON TOP RISKS

INDUSTRIAL RELATIONS

The underlying risk

POL is a heavily unionised business as a matter of fact and history. Discussions with trade unions are currently ongoing on a range of issues across including pay negotiations for all areas of the business, franchising of Crown Post Offices, cost reduction initiatives, new approaches to performance management, and changes to working patterns and practices etc. Each of these issues in isolation or all of these issues together could become flashpoints with the trade unions and become the cause of industrial action within POL.

Dependencies with other top risks

Industrial action across POL has the potential to affect top line growth, the delivery of cost savings, and the success of the Crown Transformation Programme delivery milestones in 14/15. Change within and across POL needs to be planned carefully, taking into account the trade unions as an important POL stakeholder, but engaging with our own people on the reasons for change first and foremost. Failure to engage the trade unions properly might slow the pace of change anticipated and needed across POL. Failure to engage our people properly in all aspects of change planning well in advance certainly risks strengthening trade unionism within POL. The converse will also be true.

What business objectives does the risk have an impact on?

Industrial action may adversely affect sales growth, cost reduction and POL's reputation into Central Government and with customers. Industrial action in Supply Chain has the potential to severely disrupt POL. In other areas of the business, this is also true but less so.

Who should be the ExCo owner of this risk?

Neil Hayward – Group People Director

As risk owner what information controls or tools do you need to manage the risk effectively?

- Early warning and sign-off of all business change plans and timetables – allowing time for trade union involvement and time to engage our own people on the planned change well ahead of implementation.
- Communication support geared towards explaining POL's position on issues affecting the trade unions to all stakeholders, but first and foremost to POL employees either in advance or in parallel.
- Board support/clarity of mandate in particular when entering into pay negotiations with any trade union within POL.
- Business Continuity Planning – operational awareness and input to plans across the Crown Estate and Supply Chain designed to cope with industrial action as and when it takes place.
- Legal counsel and support – in particular on the legality of strike action, options to prevent strike action, and how to treat POL staff taking strike action if not lawful.

What risk mitigation is appropriate/being implemented during 14/15?

- Business Continuity Planning will be discussed and reviewed by the IRSG on an ongoing basis to reduce the impact of strike action should this occur.
- Engagement of staff into the reasons for change will be built into change planning at all levels – see Business Transformation.
- Internal communications will focus on messaging change to employees – telling them honestly why change is required – and doing so proactively and interactively in every change project. All channels will be used.
- Senior Leadership will visibly lead change across the business as and when needed communicating to staff in person where possible.
- The ExCo will respond to Staff feedback and Agent feedback on the issues that concern them to build a culture of mutual ways of working – culture change.
- Leadership in critical functions and groups will continue to be strengthened as and when needed in key areas of the business – Front Line Supervisors are a priority.
- The People and Engagement function will be re-organised and an ER/IR and Engagement function created, with additional resources, to focus specifically on trade union issues and concerns – and those raised by POL people - to try and create a different culture/ways of working with the trade unions and our employees. Industrial action will become less likely the more engaged the POL workforce becomes.
- Business commitment to plan to enable effective IR engagement.

PEOPLE CAPACITY AND CAPABILITY

In order to achieve the 2020 business strategy “Securing Our Future”, POL will need to change the way it operates and does business for and with its customers (evolution of POL Target Operating Model), and develop products and services across all channels, at an unprecedented speed, against a complex and evolving regulatory environment, having first achieved full stakeholder support, and having changed the organisation’s culture and mindset into one that always puts its’ customers first.

This change challenge is going to put an additional premium on having transformational leadership in place across POL from the ExCo downwards, across the SLT, and into critical functions and roles – particularly for those focussed on leading POL’s people through change. Investment in capability and capacity is needed.

Dependencies with other top risks

The capability and capacity of POL’s people is critical to every aspect of POLs business strategy. Not addressing this issue will likely affect risk across all other areas and undermine the delivery of that strategy.

Which business objectives does the risk have an impact on?

Failure to put in place the right people capacity and capability may adversely affect sales growth, cost reduction and POL’s reputation into Central Government and with customers.

Who should be the ExCo owner of this risk?

Neil Hayward – Group People Director

As risk owner what information controls or tools do you need to manage the risk effectively?

- Clarity around all aspects of the POL business strategy, in particular the commercial strategy.
- Clarity around the Target Operating Model for POL.
- Board/NomCo support and sign-off to actions and activities to strengthen key functions from the ExCo downwards.
- ExCo time and attention to the People and Engagement strategy for POL – both design and implementation.
- Making this the number one business priority and key risk for resolution within POL – and the investment in leadership capability and capacity that will make a real difference, not just a difference.
- Investment in leadership and management development across critical functions and roles.
- Investment in skills development in customer facing roles.

What risk mitigation is appropriate/being implemented during 14/15?

- The NomCo will approve a revised ExCo structure, roles and responsibilities based on agreement to the overall POL TOM (Business Transformation).

- The quality and calibre of leadership will continue to be upgraded from ExCo downwards with critical skill or talent shortages addressed.
- Investment in leadership and management capability will be centralised and accelerated by the People & Engagement directorate (to be discussed at June Strategy Board).
- The Board and ExCo will make more time for top talent and succession planning discussions.
- Clarity of role requirement and definitions.
- Effective use of Performance Management tools against clearly defined roles and behaviours.

COMMERCIAL GROWTH

Definition of the risk

Failure to achieve the revenue targets in line with 2020 strategy

The underlying risk

In order to achieve the 2020 strategic growth objectives, Post Office will need to deliver against a series of ambitious revenue targets, by designing, developing and delivering compelling customer propositions that will differentiate us from competitors and give people irresistible reasons to choose the Post Office. This will be achieved against a complex and evolving competitive and regulatory environment, at pace, having first achieved full stakeholder support.

Dependencies with other top risks

Commercial Growth and the associated risk are central to securing the long term sustainability of the Post Office. However, there is also a dependence on the effective management of a number of other top ExCo Risks:

- People capacity and capability – Ensuring that the right people with the right skills are in place to deliver the required Growth Target.
- Network Transformation – Ensuring that the Network is in the right shape to deliver the sales to achieve the growth.
- Industrial Relations – Ensuring that the trade unions are engaged in order to meet the pace of change needed to deliver the growth targets.
- Business Transformation – Ensuring that the business is in the right shape to support the delivery of the growth targets.

What business objectives does the risk have an impact on?

Failure to achieve the revenue growth targets required to transform Post Office into a commercially sustainable company by the year 2020 would undermine the entire 2020 plan.

Who should be the ExCo owner of this risk?

Martin George – Commercial Director

As risk owner what information controls or tools do you need to manage the risk effectively?

Trading Meeting

- Data is circulated on a Monday morning to inform the weekly meeting of the Trading Meeting which is chaired by Nick Kennett, Kevin Gilliland or Martin George and attended by Product Category Leads, Product Managers and their Network Managers.
- Trading Meeting reviews weekly revenue performance across all product pillars by channel and is accountable for ensuring that the sales and marketing plans are in place to deliver the revenue targets, including responsibility for defining any remedial action required and allocating spend accordingly.
- Trading Meeting reviews previous actions, such as marketing campaigns, to assess their effectiveness and capture learnings for the future.
- Trading Meeting also monitors competitive activity by product pillar to ensure that plans factor in any potential impact.

Day 6 review

- Undertaken by Directorate, as soon as the Period revenue performance data is available, by the Product Pillar Leads and Finance team to understand the key drivers of period performance.

Commercial Committee

- Attended by the core group of Chris Day, Nick Kennett, Kevin Gilliland and Martin George as well as other Executives as necessitated by the Agenda, the Committee meets twice a month.
- The first monthly meeting takes place between the Day 6 reviews undertaken by Directorate and the Executive Committee performance review, when the Committee reviews performance for the previous period and year to date. This informs an updated view on forecasts for the quarter and the year as well as, towards the year end, exit run rates and outlook for the following year. The Committee also reviews Sales and Marketing plans to ensure their suitability to deliver the revenue targets.
- At the second monthly meeting, the focus of the Commercial Committee is the programme management of major commercial revenue-generating initiatives, both in-year and longer term. The Committee also reviews key commercial risks by maintaining a Commercial Risk Register which incorporates the key risks drawn from the individual Risk Registers maintained and managed by each individual directorate.

ExCo

- On the publication of period end data, the ExCo reviews revenue performance at the monthly ExCo Performance Review as a component of the review of overall business performance undertaken post period end and pre-Board. This also includes discussion of remedial action required to achieve profit targets.

Annual Budget

- Each year a detailed budgeting process ensures that a thorough market analysis is undertaken, including an assessment of economic factors, competition and customer trends, in order to create a budget that is challenging but attainable.
- This process involves the creation of detailed sales and marketing plans, including initiatives relating to products, pricing, distribution and selling strategy. It also allocates budgets related to the delivery of both short and longer term revenue generation.

What risk mitigation is appropriate/being implemented during 14/15?

- Revision of target allocations within the Commercial Portfolio where controls indicate it is necessary.
- Provision or reallocation of resource where controls indicate it is necessary.
- The leadership team within the Commercial and Marketing directorate will continue to be upgraded with critical skill or talent shortages addressed.

NON DELIVERY OF NETWORK TRANSFORMATION

The underlying risk

NT is an important contributor to improved overall business performance. Failure to deliver the NT conversion plan to 2018 would significantly impact the cost savings embedded in the stratplan. It could also affect income growth through reduced agent incentives (failure to fully variabilise agent pay in larger branches) and poorer customer perception versus the competition (fewer modernised branches with shorter opening hours).

Delivery of NT depends on the business and political appetite to see through compulsory exits now and at the cliff, including finding replacements in a potentially difficult stakeholder and PR environment, without undue negative impact on the brand.

There is a risk that NT will deliver the numbers of required branches under the different models but the resultant network does not have the flexibility to meet the business's commercial needs and the evolving competitive threat in the marketplace.

Dependencies with other top risks

Downstream: topline revenue, mails and FS growth; target operating model; cost component of the stratplan; POL Brand impact from stakeholder and PR environment arising from compulsion.

Upstream: people capability; income growth (dependent on attractive new products and retaining existing products); Post Office brand perception.

What business objectives does the risk have an impact on?

Delivering growth, cost reduction, transforming the business and cultural reorientation towards subpostmasters.

Who should be the ExCo owner of this risk?

Kevin Gilliland – Network & Sales Director

As risk owner what information controls or tools do you need to manage the risk effectively?

- Credible commercial strategy for POL which is attractive to operators.
- Clear commercial and customer requirements from the commercial teams.
- Clear metrics on customer and operator satisfaction, along with regular retesting of customer expectations of the Post Office in the future.
- Regular, comprehensive analysis of income and profit performance of the models.
- Monitoring of retailer appetite for new branches and subpostmaster appetite for change.

What risk mitigation is appropriate/being implemented during 14/15?

- The programme has been relaunched with an improved agent offer.
- Improvements to strengthen governance, processes and teams to boost the ability to replace branches.
- Increasing focus on the income performance and profitability of branches through and after conversion.
- Plans to embed flexibility in the models to be able to respond to market circumstances.
- Robust plans to handle compulsory leavers from the network.
- Preparation well in advance of the 'cliff' to ensure there is a credible plan for the last third of the programme requiring further compulsion.

OPERATING MODEL FAILS TO DELIVER REQUISITE COST SAVINGS**The underlying risk**

POL has articulated its Strategic Plan on which it has secured funding to 2017/18. The delivery of the strategic plan is predicated on stretching revenue, margin, service and overhead cost improvements. The operating model risk is in two parts:

1. The 'end state' operating model, once articulated, is not capable of supporting;
 - a. the expected growth in revenue/margin over the plan period
 - b. the required enhancement to client/customer service
 - c. the necessary reduction in central costs (25% over the plan period)
2. POL does not transition to the 'end state' sufficiently quickly to ensure the expected business outcomes from 2014/15 through to 2019/20 are secure

Dependencies with other top risks

The failure to execute the operating model has the potential to materially affect top line growth, margins, and the expected reduction in central cost savings. It is inextricably linked to the need to transform the people capability and align with the outcome of IT transformation and other 'in-flight' transformation programmes. Proactive engagement and management of all key stakeholder groups (over and above the risk call out regarding trade unions) will be essential for successfully landing the fundamental changes envisaged, safely and securely over time.

What business objectives does the risk have an impact on?

The delivery of the operating model has a direct link to all key business objectives and is at the heart of how we configure POL for a successful sustainable future

Who should be the ExCo owner of this risk?

David Ryan – Business Transformation Director

As risk owner what information controls or tools do you need to manage the risk effectively?

- Board / ExCo support to articulate and communicate, consistently, effectively, at all times and with all stakeholder groups the 'compelling case for the transformation of the business'
- Coherent, empowered change governance which promotes optimal decision making for the benefit of POL as a whole
- Early warning and proactive discussion of any business change initiatives that could compromise the 'end state' design for the business and/or the journey towards it
- Professional 'portfolio'/change management capability [people, process, systems, governance] sufficient to manage the scale of the change required over the plan period
- All business area / function support to release the 'best and brightest' to contribute to the development of the end state operating model and mechanisms to enable this community to be empowered to transition the design into reality so that they become change agents across the breadth and depth of the business.
- Access to and deployment of selected third party support (design, delivery and assurance) to assist POL to inform, build and deploy a transformative operating model from the 'outside in'

What risk mitigation is appropriate/being implemented during 14/15?

- Recruitment of external experience of the design, build and execution of transformational change including the commissioning of support from relevant third party providers
- Separation of the design of the 'end-state' operating model from its delivery and the insistence on a check point in the latter half of 2014 to ensure that the end state design is fit for purpose and that it can be practically delivered within the timescale required
- Direct linkage of the Customer, Channel, Product, People and Technology strategies with the work on Operating Model to align all the levers we will need to deploy to transform the business
- Development of an enterprise wide change management capability to deliver an appropriate change management function necessary to drive the set of complex, interdependent projects and programmes that will underpin the transformation of the business
- Formal inclusion of 'quick wins' in the scope of the operating model design which will serve to demonstrate that the programme is pragmatic, action orientated and supporting the achievement of POL business outcomes in 2014/15

DATA SECURITY

The underlying risk

Cyber Security and Information Assurance (CSIA) (Data/Information Security) operate a continuous programme of assessing risks; specifically related to the Confidentiality, Integrity and Availability (CIA) of information in whatever form that Information might be in, or however that information is transported.

The number of potential threats, particularly of external attacks through the internet, is rapidly increasing. Any failure to protect customer or corporate data could have a disproportionate reputational, brand, operational and financial impact; sufficient to prevent POL achieving the growth necessary to achieve its strategic objectives.

Dependencies with other top risks

Data security across Post Office has the potential to affect top line growth, the delivery of cost savings, and industrial relations (depending on the type of data leakage).

Examples:

- The Post Office controls one of the largest databases of personal information (including bank account details and sensitive personal information) in the UK containing over c.36m records. The loss of, or corruption to, this information would have a major impact on our brand and reputation with not only our customers, but also with our clients and third party suppliers. This could/would lead to major fines by professional bodies, loss of Industry Certifications and breaches to our contractual arrangements with customers and clients (including our Government contracts).
- If information were leaked, or ExCo's email was compromised (hacked), regarding the sale of, say, all Crown Offices in South London, this could result in industrial action across Post Office and result in negative publicity, questions in Parliament and would undoubtedly have a knock on affect to other areas of the business.

It is essential for the future, to recruit, retain, train and develop people with the appropriate skills experience.

What business objectives do these risks impact?

These risks could potentially impact the objectives set out in the 20/20 strategy, including sales, growth, reputational damage with Central Government, customers, colleagues, fines, legal challenges and contractual defaults. They could also impact our ability to attract new partners, new colleagues, joint ventures, disruption to BAU and the potential to severely affect Business, Network and IT Transformation plans and the as well as the critical smaller projects.

Who should be the ExCo owner of this risk?

Lesley Sewell – Chief Information Officer is accountable for the risk.

Julie George – Head of Information Security and Assurance Group is responsible for the risk.

As risk owner what information controls or tools do you need to manage the risks effectively?

- To understand the risks we need to identify the information assets we are required to control, therefore a thorough understanding of the landscape is required with co-operation from all relevant departments and senior stakeholders, including:
 - ExCo buy-in and support to undertake key Business Impact and Privacy assessment to determine criticality of information and systems in order that targeted mitigation plans can be put in place. Further support to communicate and underpin the responsibilities and requirements of all colleagues, along with third parties and business partners, to ensure adherence to the good information security practice and adherence to policies and training.
 - ExCo support of Information Security Committee and Working Group.
 - Establishing clear Governance.
 - Board support/clarity of mandate in ensuring that all CSIA requirements are embedded and adhered to across Post Office.
 - Enterprise Risk (ER) and Business Continuity Planning (BCP) – awareness of, and participation in, the plans and direction of ER and BCP, clarity of purpose and objectives.
 - Legal counsel and support – in particular on Personal Data.
 - Implementation of Governance Risk and Compliance Tool.
 - Building team, with appropriate skills and capability.

What risk mitigation is appropriate/being implemented during 2014/15?

- The CIO will reinforce to fellow ExCo members the importance of attendance from their area of an SLT member to the Information Security Committee and a further representative to attend the Working Group.
- Four new posts have been signed off and suitable candidates are currently being recruited into Information Security and Assurance Group (ISAG).
- Early warning and sign-off of all business change plans and timetables – allowing time for information risks to be assessed and signed-off well ahead of deadlines and proposed implementation.
- A continuous programme of Professional Development is on-going to ensure skills and capabilities of specialist Cyber/Information Security Professionals within ISAG are maintained and appropriate.
- New Information Security and Data Protection Training and Awareness campaign is currently being rolled out to all colleagues, followed up by awareness ‘audits’ or spot checks to ensure the effectiveness of the initiative.
- Continuous communication via various media; informing and reminding colleagues of their accountabilities to safeguard information.
- Roll-out of Governance Risk and Compliance tool to join-up essential Information Security certification activity, risk management and risk management information reporting.
- Engagement with ExCo members and the Senior Leadership to embed the best industry standard information security culture throughout our business.

- The development of Information Champions is one of the priorities for this year to allow for better 'ownership and accountability' of Information Security and Data Protection across the business.
- Appropriate IT tools will be assessed for protecting our information from the increasing Cyber Security threat.
- A review of the IT Incident Management process.
- An urgent review of Roles and Responsibilities (MSA) is underway, including identifying Contractors, type of Contractors and a project is in place for the appropriate controls to manage the real and perceived risk of allowing access to Royal Mail Group (RMG) systems and information.
- A number of formal Checkpoints have been established on a quarterly basis to review risks and actions, which will be managed by the Leadership Team and reports will be issued to ExCo.

IT TRANSFORMATION

The IT Transformation programme is critical to the operations and strategy of the Post Office. The Programme will deliver IT services through new suppliers, in a new operating model (Towers and Service Integrator) and under new commercial terms. Not managing the risks around sourcing the new suppliers or the implementation to the new operating model would undermine the Post Office's strategy of growth, and business transformation.

Dependencies with other top risks

The IT Transformation Programme is dependent on our people, capability, and capacity to deliver change and our day to day services. Throughout transformation we need to retain our key people for their knowledge and expertise, and ensuring they have the right support is critical to our success.

Which business objectives does the risk have an impact on?

The IT Transformation programme is critical to the operations and strategy of the Post Office. Not managing the risks effectively could result in high profile service disruption across branches and support functions. Such service disruption would damage the Post Office brand and reputation, which in turn would restrict our growth aspirations, and severely affect Business, Network Transformation plans as well as Data Security.

Who should be the ExCo owner of this risk?

Lesley Sewell – Chief Information Officer is accountable for the risk.

Dave Hulbert – Head of IT Services is responsible for the risk.

As risk owner what information controls or tools do you need to manage the risk effectively?

- A comprehensive governance process is in place to monitor the programmes, through to the IT Transformation Committee.
- Specific working groups escalate any emerging issues to the IT Transformation Steering meeting.
- Legal and Procurement teams provide appropriate protections and guidance to mitigate Public Procurement risks and external scrutiny. These resources include the technical, regulatory and contract / procurement management aspects of the programme.
- Commitments to ensure continuity of service through the retention of colleagues of key skills and strong knowledge have been identified and negotiated through commercial terms.
- Service and change reporting e.g. dashboards and governance to ensure all services are being well managed (during and post transfer), and operational risks/incidents are quickly and effectively managed, through service meetings with key suppliers and executives.
- External scrutiny/assurance that the implementation plans are in place and set up to be effective.

What risk mitigation is appropriate/being implemented during 14/15?

- A review has been carried out by PwC on IT Transformation Programme Risks and their report is being finalised. This will provide areas where further focus and improvements are required.
- The Service Integration & Service Desk (SISD) has now been implemented. Governance and Controls being fully operational and implemented by end of quarter two 2014.
- As part of the on-going Procurement we are utilising the experience and expertise of specialist 3rd parties, namely Mozaic, Gartner, ISG and Deloitte to ensure best practice is adopted and minimise service and commercial risks. The output from these reviews will be discussed at the IT Transformation meeting.
- Programme risks will be managed through the IT Transformation Committee and will continue throughout 2014/15 as more towers are procured. There will be a formal handover of operational risks, which will then be managed by the Leadership Team. These risks and our approach to managing them need to be tested by Risk experts from outside of the Programme.
- Atos is part of the retained IT Organisation and will actively report on risks to the CIO.
- A number of formal checkpoints have been established on a quarterly basis to review risks and actions, which will be managed by the Leadership Team and reports will be issued to ExCo

Mediation Scheme (Risk owner - Chris Aujard)

Initially the risk was about the Horizon system, no evidence of systemic problems has been found despite months of investigation. The risk now facing the Post Office relates to the mediation scheme. The scheme was set up with the purpose to investigate and try to resolve sub-postmasters concerns relating to Horizon.

The current scheme design results in there being limited control over scope, budget, timeline or suitability of mediation outcomes resulting in a significant exposure to Post Office. The scheme has also given hostile stakeholders a role in the governance.

To date no case has reached the mediation stage, however monthly run rate is high and rising and there is a significant senior management overhead. In order to contain this exposure it is likely to be necessary to implement a corrective action plan. This would entail redesigning the scheme structure so as to increase the control over the management of the scheme whilst maintaining, as far as practicable, commitments made to scheme stakeholders.

In addition, it is worth noting that the scheme is a high profile matter which has the attention of ministers.

The most material risks at present in relation to the mediation scheme are:

1. Post Office is unable to exert sufficient influence or control over the scheme to achieve a sensible outcome
2. Current run rates result in excessive cost overruns, reducing funds for strategic investment and creating negative perception over the use of public funds
3. Management time diverted from strategic objectives
4. Adverse political and media attention and the subsequent impacts of this

Mitigation plan – At a top level the mitigation is the effort being put into choosing options for redesign of the scheme and its workings, including:

- analysis of media impact,
- more detailed view on post office legal position,
- gaining an understanding of the extent to which comfort can be obtained from 'assurance activity' historically undertaken with Horizon

Managing FS Growth Risk

Financial Services is a core driver of growth for the business. The causes of FS growth risk are summarised under five broad categories but it is recognised that the risks to growth in FS are multi-faceted and interrelated, there are other risks outside our control - such as developments in network transformation- that could severely impact the growth plan.

The five core categories used are;

1. Sales and Marketing Effectiveness
2. Business model development and product development/launches
3. External Factors
4. People and Resources
5. Third Party Capability

We have developed a number of metrics in the business to monitor the growth risk.



FS Growth Risk – dependencies and links

Key dependencies:

- **Network transformation** – The Network is key to enable us to meet our sales targets (including ATMs) e.g., changing branch sales capabilities, such as Mains v Locals and moving branches
- **Industrial Relations** – the FS incentive schemes (including the use of VMS), which support driving sales compliantly are impacted by the relationships with the CWU & CMA
- **FS mis-selling** – all sales and marketing must meet compliance standards
- **IT transformation** – FS product development & sales are dependent on the systems deployed (e.g., ATOS costs and engagement, use of Cap Gemini for web services and the development of Salesforce)
- **Finance roadmap** – demonstrating and effectively developing profitable products, services and customer journeys is dependent the delivery of the new profitability model

Risk impact on business objectives:

- Income
- Crown profitability
- Developing FS as the challenger FS brand



Managing FS Mis-Selling Risk

Post Office, together with the Bank of Ireland (UK) ("BoI"), has a coordinated, 3 lines of defence approach to managing our conduct risk, which is focused on helping to prevent our customers from buying products that do not meet their needs.

	BoI	Post Office
1 st Line	Product Teams (BoI and 3 rd part product providers) Capability Development Managers	Product Teams FS Risk Sales Strategy Marketing & PR Teams
2 nd Line	Risk & Compliance Financial Promotions	Corporate Risk & Compliance
3 rd Line	Audit	Audit

Customers can buy our products in branch, online, via contact centres or by mail, depending on the product(s) they want. Each channel involves different risks for mis-selling.



FS Mis-selling Risk – dependencies and links

Key dependencies:

- **Network transformation** – The Network is key to enable us to manage our mis-selling risks e.g., training, incentives & monitoring in Mains & Locals
- **Industrial Relations** – the FS incentive schemes (including the use of VMS), must meet compliance standards and must be approved by Bol. These are impacted by the relationships with the CWU & CMA
- **Growth Risk** – all sales and marketing must meet compliance standards
- **IT transformation** – our ability to monitor compliance relies on the systems deployed

Risk impact on business objectives:

- Growth
- Developing FS as the challenger FS brand

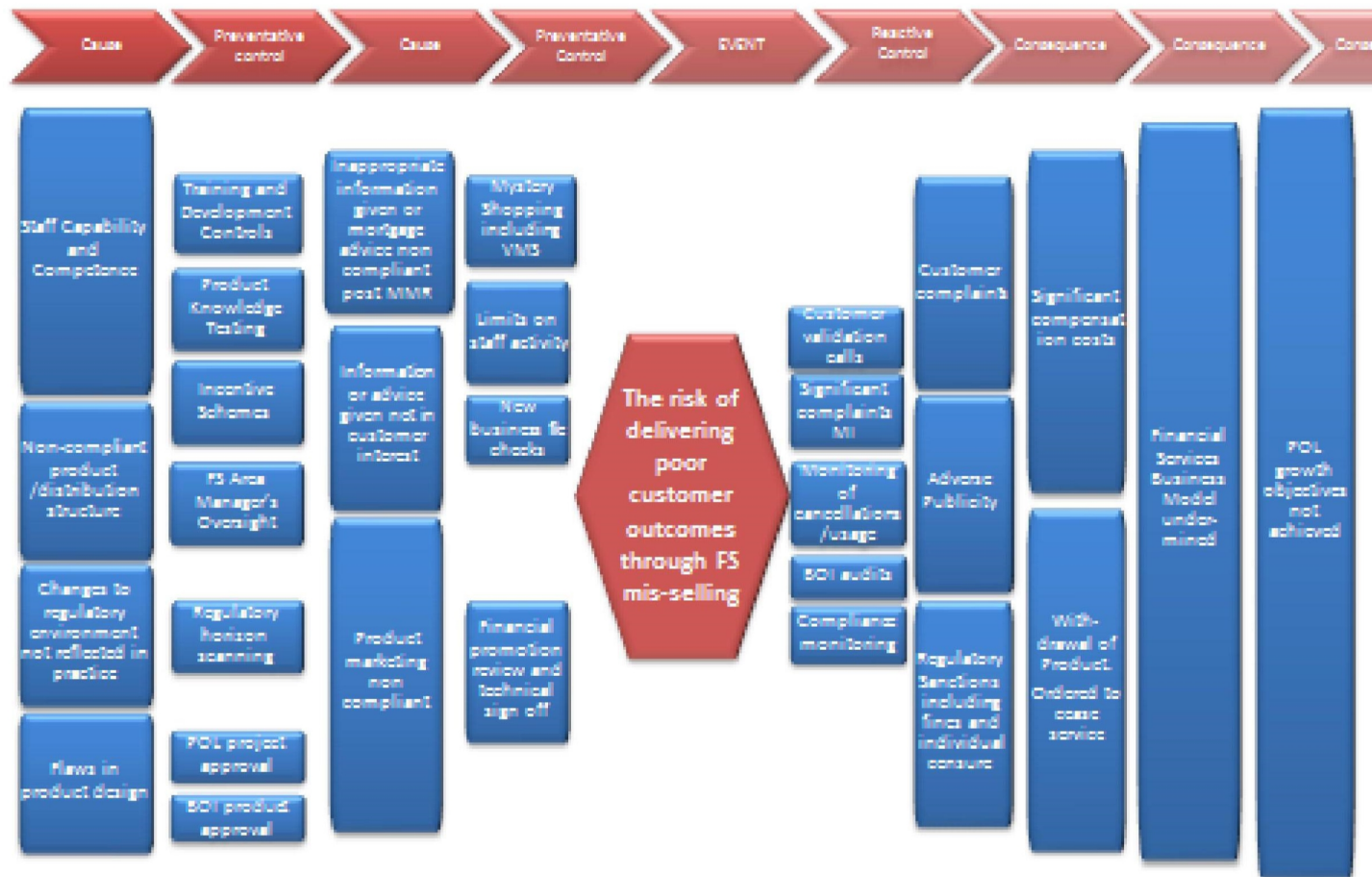


Key challenges today

1. Financial Specialists: training, deployment and supervision
2. MMR requirements: training and supervision of Mortgage Specialists
3. FS sales in agency: ensuring compliance and effective monitoring
4. Incentive schemes: development and deployment across channels
5. Financial promotions: maintaining compliant marketing and PR across all media including new media channels (e.g., Twitter)
6. Pace of change: ensuring we have the capacity & capability to train, deploy and monitor new products/services



FS mis-selling Risk “Bow-Tie”



Key challenges today

1. Financial Specialists: training, deployment and supervision
2. MMR requirements: training and supervision of Mortgage Specialists
3. FS sales in agency: ensuring compliance and effective monitoring
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FS mis-selling risk monitoring summary

	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Last 6 months	6 month trend	
Mystery Shopping	43.30%	36.50%	43.50%	60.80%	50.70%	36.40%	35.40%	▲	if mystery shops were rated RED
Significant upheld complaints	0.02%	0.02%	0.02%	0.04%	0.04%	0.02%	0.02%	▼	if branch sales resulted in significant upheld complaints
Customer validation calls	96.30%	96.20%	96.40%	96.20%	96.40%	96.30%	96.30%	▼	if post-sale customer calls confirmed compliance requirements are met
Financial promotions	100.00%	100.00%	94.40%	96.90%	97.90%	100.00%	97.30%	◀▶	if branches reviewed in the last 3 months met compliance standards for advertising & promotions
Limits on staff permissions	2.00%	6.30%	2.40%	3.20%	0.40%	3.30%	2.70%	▼	if branch staff were unfamiliar with the limits on the branch activity
Staff product knowledge	9.20%	6.90%	7.40%	11.30%	8.90%	11.00%	8.90%	▼	if product knowledge questions asked were answered incorrectly
Life insurance cancellations	16.70%	17.70%	11.40%	16.00%	16.50%	11.40%	11.20%	▲	if life insurance policies sold in branch were cancelled within the 30 day monthly
Savings cancellations	0.47%	0.30%	0.38%	0.30%	0.30%	0.02%	0.60%	▼	if savings products sold in branch were cancelled within the cooling off period
Credit card usage	76.50%	96.90%	11.40%	11.40%	17.00%	14.20%	11.40%	▼	if credit cards sold in branch between 3 and 9 months ago have never been used
Complaints process knowledge	7.10%	6.30%	2.40%	11.90%	1.70%	11.70%	7.40%	▼	if branch staff could not explain how a customer can make a complaint

New metrics are being implemented for MMR following the roll out of advised sales

Metric	In-branch assisted (advised) sales	Jun-13	Q1/14	Post-sale validation calls				Significant complaints				Trend
				100.0%	100.0%	100.0%	100.0%	0.00%	0.00%	0.00%	0.00%	
Mystery shopping								100.0%			100.0%	↔
Suitability of advice									100.0%	100.0%	↔	



APPENDIX 2 RISK APPETITE STATEMENT - DRAFT

1 Purpose

The purpose of the risk appetite statement is to:

- Define the level of risk the organisation is willing to seek, accept or tolerate in the achievement of its objectives of customer care, commercial sustainability and growth and to ensure that the exercise of risk management throughout the organisation is consistent with the appetite set.
- Act as a guide to managers making decisions to understand the degree to which they are permitted to expose the organisation, taking an appropriate level of risk given the potential for reward.

2 Risk Attitudes

This risk statement seeks to provide guidance on the level of risk that the Post Office is willing to take in its business operations. The Post Office will use a five point scale to denote its attitude to risk in strategic, programme and operational processes. The five point scale is:



Hungry - Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

Receptive - Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.

Cautious - Preference for safe options that have a low degree of risk and may only have limited potential for reward.

Minimal - Preference for ultra-safe options that are low risk and only have a potential for limited reward.

Averse - Avoidance of risk and uncertainty is a key organisation objective.

Appendix A contains examples illustrating what each category means when applied to different business areas.

3 Areas of the Post Office

Customer and community requirements – *Minimal*

Customers are at the heart of everything we do and we strive to make a positive contribution to the communities we serve. We develop relationships and trust through fairness, honesty and our response to customer needs. Our tolerance to risks linked to customer and community requirements is minimal and we will not undertake activities which will damage our reputation and standing in the communities we serve.

Safety, health and wellbeing – *Averse*

The safety and wellbeing of our people is of paramount importance. The Post Office aims to fulfil its business mission without compromising the safety of customers, employees, suppliers and all those affected by our activities. We comply fully with all relevant legislation. We are averse to risks related to safety, health and wellbeing; we want to make healthy and safe working a way of life.

Financial resources – *Cautious*

We will aim to deliver sound performance along with revenue growth to ensure our commercial sustainability. We will operate within agreed plans; manage our costs and financial commitments to remain within budget.

Investment programmes – *Receptive*

Post Office will invest in the organisation to secure the business for the future and continue to remain the number one mail retailer in the country. We will continue to develop and offer new and innovative products to meet the needs of our customers. We will harness available technology to support our business, modernise our branches, cut waiting times and ensure customer satisfaction and high service levels to ensure commercial sustainability.

Government services - *Minimal*

Post Office provides services to or on behalf of government departments and these services will continue to be important to us in the future. These services enable us to build trust within our communities and we will maintain ethical attitudes in all our behaviours. We will not risk our reputation, level of service and engagement with the community as these are part of our core values.

Financial services – *Hungry*

Post Office's financial services business is being revolutionised as a retail business both inside and outside of the branch network. We will offer a wider range of innovative financial products at the higher end of the risk spectrum (eg annuities, investment products, buy to let mortgages). We will continue to develop and offer new and innovative products to meet the needs of our customers and our demanding growth and profitability targets. In relation to its competitors POL will be seen as being at the 'aggressive end' of the growth spectrum.

Mails – *Cautious*

Post Office is the number one mail retailer in the UK. Mails and retail will continue to be an essential business. We will adapt to change in customer requirements and seize opportunities provided by the UK online market.

Business operations – *Cautious*

Post Office's strategy is based on being commercially successful and growing. While losses from operational risks of small significance are expected to occur and are accepted as part of the normal course of business, those of material significance will be minimised and Post Office seeks to reduce the likelihood of these through policies, documented procedures and a robust system of internal controls.

Regulatory compliance – *Minimal*

Post Office operates under an extensive regulatory environment, including areas such as financial, postal services, procurement, competition law and data security. Post Office is a responsible corporate citizen and aims to comply with all applicable regulations taking a cautious approach to compliance whilst recognising that it is not possible or practical to have a zero tolerance approach in this area.

Strategic initiatives / growth targets – *Receptive*

Our strategic aim is to grow our business by introducing new products and services while continuing to put customers at the heart of everything we do. Our strategy is based on transforming our business to be commercially successful and to aggressively grow our business with close to double digit growth target over the next five years.

Environmental responsibility – *Minimal*

Post Office recognises its environmental responsibilities and is committed to minimising its adverse environmental impact by means of a continuous improvement process.

4 Roles and Responsibilities

Board of Directors (The Board)

The Board of Directors is responsible for oversight and ensuring a proper framework exists for the management of risks. This includes setting the Post Office corporate risk appetite and reviewing it annually. The agreed corporate risk appetite will be used to cascade levels of tolerance down the organisation to the appropriate committees, directorates and programmes.

Audit, Risk and Compliance Committee (ARC)

The Audit, Risk and Compliance Committee provides oversight of the Post Office's risk management system and reviews its risk framework including its risk appetite.

Risk and Compliance Committee (R&CC)

The Risk and Compliance Committee is responsible for supporting the Executive Committee (ExCo) in fulfilling its effective oversight of risk management. This includes promoting a risk management agenda, discussing, reviewing and recommending an appropriate risk appetite to ExCo.

Risk and Compliance

The Risk and Compliance team provides second level risk management support to the directorates. The team supports, advises and monitors the top business/corporate, operational and emerging risks. The team is responsible for the corporate risk framework and reports to the Risk and Compliance Committee.

Internal Audit

The Internal Audit team provides the Board with independent and objective assurance over Post Office internal controls. The team provides assurance that the Post Office processes for identifying, assessing and managing risks are effectively deployed and helps management improve their decision making processes, controls and operations through risk and control advice and support.

Risk Owners

Directors and risk owners are responsible for managing risks within the agreed risk appetite set for the function or area (shown in 3 above). Risks which are outside of the delegated risk appetite will need to be escalated to their respective line managers and through the Post Office governance structure.

APPENDIX - A

EXAMPLES OF RISK APPETITE SCALES

	5 Hungry Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.	4 Receptive Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.	3 Cautious Preference for safe options that have a low degree of risk and may only have limited potential for reward.	2 Minimal Preference for ultra-safe options that are low risk and only have a potential for limited reward.	1 Averse Avoidance of risk and uncertainty is a key organisational objective.
Category of Risk	Example behaviours when taking key decisions.....				
Customer and community requirements	<ul style="list-style-type: none"> Willing to take decisions which have a significant adverse effect on customers or community groups and that may bring scrutiny and adverse publicity which it will be hard to contain, but where the potential benefits of the activity are high 	<ul style="list-style-type: none"> Willing to take decisions which have a greater adverse effect on customers or community groups and carry the potential to expose the Post Office to added scrutiny and some adverse publicity but where steps have been taken/can be taken to minimise any exposure 	<ul style="list-style-type: none"> Prepared to accept limited risk to the Post Office brand and reputation from activities that impact limited numbers of customers or community groups adversely 	<ul style="list-style-type: none"> We only take decisions where there is no chance of a significant repercussion from customers or community groups 	<ul style="list-style-type: none"> Customer satisfaction is of paramount importance We avoid decisions which have any adverse impact on any customer or community requirements
Financial resources	<ul style="list-style-type: none"> Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place) Resources allocated without firm guarantee of return – “investment capital” type approach 	<ul style="list-style-type: none"> Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to an acceptable level Value and benefits are considered Resources allocated to capitalise on potential opportunities 	<ul style="list-style-type: none"> Prepared to accept the possibility of limited financial loss VfM and low costs a primary concern but willing to consider the benefits Resources generally restricted to core operational targets 	<ul style="list-style-type: none"> Only prepared to accept the possibility of very limited financial loss if essential Cost control and Value for Money (VfM) is a primary concern 	<ul style="list-style-type: none"> Avoidance of financial loss is a key objective Only willing to accept the low cost option Resources withdrawn from non-essential activities

	5 Hungry Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.	4 Receptive Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.	3 Cautious Preference for safe options that have a low degree of risk and may only have limited potential for reward.	2 Minimal Preference for ultra-safe options that are low risk and only have a potential for limited reward.	1 Averse Avoidance of risk and uncertainty is a key organisational objective.
Category of Risk	Example behaviours when taking key decisions.....				
Investment programmes	<ul style="list-style-type: none"> Prepared to explore and invest in programmes launching new products, services and infrastructure Investments will have potential for high rewards but have greater risks of failure or not achieving VfM 	<ul style="list-style-type: none"> Opportunities taken to modernise and innovate leading to an acceptable level of reward Systems/technology developments considered to enable successful business delivery 	<ul style="list-style-type: none"> Prepared to invest in large programmes and initiatives seen as safe with low returns but high probability of success 	<ul style="list-style-type: none"> Innovations avoided unless essential Essential investment in modernisation/technology only 	<ul style="list-style-type: none"> Avoidance of any investment into large programmes / initiatives relating to new services, products and infrastructure
Financial services	<ul style="list-style-type: none"> FS strategy is fundamental business model change and aggressive growth involving significant business change across all business lines At highest end of risk we offer products with high potential risk because of product customer impact complexity/volatility 	<ul style="list-style-type: none"> FS strategy is to drive significant business change and growth across most business lines adapting parts of the business model to make business gains Prepared to offer some products with moderate business risk 	<ul style="list-style-type: none"> FS strategy is to develop business organically and reactively as and when new opportunities arise Offer products that have some inherent risks to customer 	<ul style="list-style-type: none"> FS strategy is to organically develop product range within existing structures Offer products that have some low inherent risks to customers 	<ul style="list-style-type: none"> FS strategy is to only change business model if it reduces risk but also reducing potential opportunities for reward Offer 'safe' products that have extremely limited or no inherent risk to customer
Regulatory compliance	<ul style="list-style-type: none"> Chances of losing a challenge are high and the adverse consequences high A win would be seen as a great coup 	<ul style="list-style-type: none"> Challenge of non-compliance will require vigorous (and costly) defence but on balance we are likely to win it and the gain will outweigh the adverse consequences 	<ul style="list-style-type: none"> Limited tolerance for non-compliance. Reasonable assurance we would win a challenge of non-compliance 	<ul style="list-style-type: none"> Confident we would win any challenge to our interpretation of regulations 	<ul style="list-style-type: none"> Fully comply with conservative interpretation of all applicable regulations

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POST OFFICE EXECUTIVE COMMITTEE

Freedom of Information and Publication Scheme

1. Purpose

The purpose of this paper is to

- 1.1. Update ExCo on the recent organisational changes for the team which manages Freedom of Information Requests and the Post Office Publication Scheme for Post Office Ltd
- 1.2. Explain developments in the handling of these functions, particularly with respect to the Publication Scheme
- 1.3. Enable an ExCo discussion on how the programme for development in these areas will progress prior to future potential presentation to the Board.

2. Background

- 2.1. As an organisation covered by the Freedom of Information Act 2000, Post Office Ltd has a legal obligation to provide information through an approved publication scheme and in response to requests. Previously a Group function, on separation from Royal Mail, Post Office Ltd established its own resource and system for handling these obligations (as approved by ExCo and the Post Office Board in September 2012).
- 2.2. The Information Commissioners Office (ICO) has authority to investigate any complaints of non-adherence to the Act and has powers to enforce compliance on the basis of its decisions.
- 2.3. The current Post Office policy and its approach to the publication scheme are outlined at Annex 1 of this paper.
- 2.4. There is a small 'Information Rights Team' team of three people which practically manages the policy. In 2013/14 it handled 234 'Freedom of Information Requests' and 99 'Subject Access' requests (where individuals seek disclosure of information held about them by the organisation). The level of enquiries is on a general growth path (tracking about 20% up year on year) with specific events potentially creating short term spikes (e.g.in advance of the NFSP Conference).
- 2.5. The team handles requests through gathering relevant information from the organisation (liaising with directors and key 'gateway/ coordinator' contact points within each directorate) and provide responses in line with our legal obligations. Processes exist for liaison with corporate affairs, legal and media in determining the final responses. If a response is challenged by the recipient, reference is made to an internal Information Law Appeals Panel for review. Of the 234 cases in 2013/14, there were 19 that were referred to this internal appeals panel, and 2 which became the subject of further enquiry by the Information Commissioners Office (ICO) due to the recipient being unhappy with the response. Both of these cases were resolved satisfactorily with no criticism of Post Office by the ICO.

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- 2.6. As well as responding to requests for information, the legislation requires Post Office to have a Publication Scheme through which it publishes information proactively. ICO guidance states that *'the scheme must set out your commitment to make certain classes of information routinely available, such as policies and procedures, minutes of meetings, annual reports and financial information'*. The ICO produces a 'model publication scheme' consisting of seven commitments and seven classes of information which is shown at Annex 2 of this paper. The Post Office website hosts our current publication scheme and its outline can be seen at Annex 3. The ICO has powers to enforce compliance if there is failure to adopt the publication scheme or to publish information required whether or not a complaint has been received on the matter.

3. Current Position / Activities

- 3.1. Post Office, as a separate company, has successfully established systems and structures to enable compliance with the legislation. These processes have worked effectively and have not been challenged by the ICO for any reason to date.
- 3.2. The 'Information Rights Team' has hitherto been located, for largely historical reasons, within the Network Directorate. Given the development of the Communications and Corporate Affairs Directorate within Post Office Ltd, from April 2014 the line control of the team has been switched to this directorate. Whilst the team retains its requirements to be guided by the legislative obligations on the company, the switch of directorates does enable synergies;
- in terms of information gathering from around the organisation,
 - closer linkage to more general corporate information communications and
 - ensuring effective liaison with media / PR / External Affairs with respect to issues arising
- 3.3. Relations of the Information Rights Team with other directorates – notably the Company Secretary and Legal and Compliance - are unaffected by this change and the Freedom of Information policy of the company (as seen at Annex 1) is unchanged.

4. Proposal - Developing Processes and Arrangements

- 4.1. The organisational switch provides an opportunity to review and develop our current arrangements under FOI in two respects – the processes by which the Information Rights Team accesses information from around the organisation (together with ensuring appropriate organisational visibility of responses made) and the ongoing review / development of the Publication Scheme.
- 4.2. Recent organisational change within Post Office and recent people changes mean a refreshing of processes of liaison across the organisation is appropriate. The aim will be to ensure that information can flow quickly with due priority to ensure legal obligations can be met, and that all relevant parties have visibility of information that is being made public by virtue of FOI. Post Office's 'Freedom of Information Policy' (at Annex 1) makes clear at point 7 on

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accountability – *'Each member of the Post Office Executive Committee is responsible for compliance within their area of responsibility'*.

- 4.3. The development of the Publication Scheme should also be addressed. The 2012 ExCo paper made clear that *'changes to the Publication Scheme will be suggested if it becomes clear that publication of further documents via the website would be helpful'* and that matters *'may need to be kept under review'*. Particular reference was made to developments in areas such as mutualisation as areas for review given that they are *'likely to attract FOI request'*. There are a number of policy documents which have been established over the past 18 months which may also now be appropriate to the scheme (including the greater detail included in our Report and Accounts given our independent company status). These matters will be the subject of discussion during the ExCo discussion.
- 4.4. In handling the above matters there are some careful judgements to be made. Post Office derives a high proportion of trading revenues from commercial and competitive activity in a manner that is not typical of organisations that are subject to the Freedom of Information Act. There is the ability under the legislation not to disclose commercially sensitive information but this is only justifiable if the commercial impact on the business from disclosure is real, measurable and justifiable.
- 4.5. It is proposed that the review process of these two elements will be led by Mike Granville (to whom the Information Rights Team will now be reporting) reporting through to a mini steering group comprising Mark Davies, Alwen Lyons and Chris Aujard. The review will access legal input as necessary and also seek advice from Belinda Crowe. There will be liaison across all the current Directorate co-ordinators who currently link with the Information Rights Team and also discussion with each Director as part of this process.
- 4.6. Minor improvements will be implemented as identified, with the overall review results and any recommendations for any substantial developments to be brought back to the ExCo by October as a precursor for any necessary reference to the Board.

5. Risks / Mitigations

- 5.1. The company approach to FOI and the Publication Scheme can be challenged at any time by individual correspondents or the ICO. It is important to demonstrate that Post Office has appropriate review and development activities underway to ensure that its approach is up to date
- 5.2. Challenge to the company and its policies in this area can be triggered by a range of specific business issues, situations involving individual employees / agents, specific stakeholder interest, political interest, media interest. This is mitigated by robust policies but also a high level of awareness/alertness to these matters within the organisation. The review will refresh this.

6. Communications

- 6.1. This review is not a matter for external communication unless specifically required. Internally, communication to the areas of the Business which need to be involved in this development work will be led by the Communications and Corporate Affairs Directorate.

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- 6.2. In the meantime it will be made clear that all current policies remain in effect. The opportunity will be taken to remind the organisation of current policies and the necessity of compliance.

7. Recommendations

The Executive Committee is asked to:

- 7.1. Note the update on the current approach to Freedom of Information and Publications Scheme.
- 7.2. Discuss the contents of this paper to help guide the development process.
- 7.3. Endorse the approach recommended to develop processes and arrangements.

Mark Davies
April 2014

Annexes

Annex 1 - Post Office Ltd – Freedom of Information Policy

Annex 2 - Model publication scheme from Information Commissioners Office (ICO)

Annex 3 - Information on current Post Office Ltd Publication Scheme on its website

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Annex 1

POST OFFICE LIMITED

FREEDOM OF INFORMATION POLICY & ENVIROMENTAL INFORMATION

REGULATIONS POLICY

Version

FINAL V1 0

Date

September 2012

POST OFFICE LIMITED

FREEDOM OF INFORMATION POLICY

1 Introduction

The Post Office Limited (Post Office) is committed to promoting openness and accountability in the course of its business in order to safeguard its reputation as one of the country's most trusted brands. As a public authority, Post Office has a duty to comply with the Freedom of Information Act 2000 (FOIA) which gives the public a general right of access to information held by public authorities, and the Environmental Information Regulations 2004 (EIR), which requires that public authorities make certain information available which relates to the environment.

Failure to comply with this policy is viewed seriously as it involves a breach of public commitments which may affect our reputation and even result in enforcement action being taken against us for breach of the law. Compliance with this policy is essential to maintaining the confidence of the public, and will support the achievement of our business strategy.

2 Purpose

The purpose of this policy is to outline the manner in which Post Office should make certain information available to the public and respond to requests for information from the public. It applies to employees, sub-postmasters, agents, contractors, consultants, suppliers, partners and other contracted third parties (Post Office Representatives) handling electronic and manual Post Office information.

3 Scope

This policy applies to all information held by, or on behalf of, Post Office, whether in electronic or paper form.

4 Status of this Policy

This policy has been approved by the Post Office Board (TBC). It is managed and maintained on behalf of the Board and Executive Committee by Post Office's Risk Compliance Team and Information Rights Team.

5 Responsibility for compliance

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Post Office is legally responsible for compliance with FOIA and EIR. All permanent, temporary, agency and contracted workers must comply with this policy by forwarding requests for information made under FOIA/EIR to the Freedom of Information Manager and by supplying the Information Rights Team with any information held that has been requested or is within scope of a request.

6 Governing principles

FOIA and EIR require public authorities to provide information through an approved publication scheme and in response to requests. They also require a public authority to confirm or deny that information requested is held and, if the information is held, to communicate it to the requester unless an exemption applies (see Section 10 of this Policy).

7 Accountability

Each member of the Post Office Executive Committee is responsible for compliance within their area of responsibility. The Freedom of Information Manager will have day to day responsibility for compliance with FOIA and EIR across the Post Office. However, each Post Office Representative has responsibility for ensuring that they adhere to the policy.

Any Post Office permanent, temporary, agency or contracted worker who considers that this policy has not been followed should inform the Freedom of Information Manager.

8 Publication Scheme

Post Office has adopted and maintains a Publication Scheme, listing the classes of information and the documents that it routinely publishes or intends to publish. The publication scheme is available on the Post Office website. Published information is listed within the publication scheme; for further advice or clarification on the information contained within the scheme please contact the Information Rights Team. The publication scheme will be subject to periodic review and updated to ensure the relevance and accuracy of the information is maintained.

9 Codes of Practice

Post Office will comply with all relevant Codes of Practice issued by the Secretary of State under section 45 of FOIA and Codes of Practice issued by the Lord Chancellor under section 46 of FOIA.

10 Receiving and responding to information requests

Under FOIA and EIR, any written request for recorded information which cannot be handled as part of routine business activity should be considered a formal request for information. Under EIR, a request for information can also be made verbally.

All FOIA/EIR information requests should be reported to the Post Office Freedom of Information Manager in the first instance. If there is uncertainty whether or not an information request has been received, the Freedom of Information Manager should be consulted for guidance how to proceed. More detailed guidance around receiving and responding to information requests can be found in the FOI Operating Procedures document.

10.1 Right to submit an information request

Anyone may submit a request for information which is held by Post Office. It is not a requirement for the requester to identify themselves, although they will need to provide sufficient information to enable Post Office to provide the information.

10.2 Timescales for providing information

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FOIA requires Post Office to confirm or deny if information is held and, if so, to communicate the information to the individual making the request. Upon receiving a request for information, Post Office must provide a response within 20 working days.

Requests for information made under EIR can be made in writing and also verbally. The response must be provided in writing and within 20 working days. In exceptional cases, the response limit may be extended to 40 working days under EIR where the request for information is particularly complex.

10.3 Application of exemptions

Post Office may choose to withhold certain information if an exemption specified under FOIA applies. Exemptions may be subject to the public interest test, which requires that information be disclosed if the public interest in disclosure outweighs any rationale for non-disclosure. Where information is withheld under an exemption the individual will be informed of the exemption and why Post Office believes it applies. In certain cases, it may be necessary to refer a request to the internal Information Law Appeals Panel to determine the course of action to take.

Only authorised individuals are permitted to sanction the withholding or redaction of data from an information request. A list of the authorised individuals can be found within the FOI Operating Procedures document.

10.4 Requests by media outlets and MPs

Please note, where requests are made by Media Outlets, the Press and Media Department must be consulted. Further information regarding receiving and responding to information requests can be found in the FOIA/EIR Operating Procedures document.

All requests for information under FOIA/EIR should be forwarded to:

Information Rights Team

Post Office Ltd

148 Old Street

London

EC1V 9HQ foiteam: GRO

10.5 Requests by Members of Parliament, Members of Devolved Assemblies and Local Authorities (and their representatives)

Where requests are made by Members of Parliament, Members of Devolved Assemblies and Local Authorities (and their representatives), the Public Affairs and Network Stakeholder Engagement Departments must be consulted.

11 Third party information

Where a request is made for information about a person other than the applicant or the Post Office (third party) or where disclosure may affect the interests of the third party, the Post Office will endeavour to consult the third party to determine whether an exemption applies or prejudice might be caused. The decision on the disclosure will be made by the Post Office upon consultation with the Freedom of Information Manager and the Data Protection Manager (if applicable).

12 Request for personal data

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Where an individual submits a request for his or her own personal data, the request will be treated as a subject access request under the Data Protection Act 1998 and referred to the Data Protection Manager. Where requests cover information which includes personal data about other individuals, these should be handled in accordance with Section 11 of this Policy.

13 Training

Training and awareness material will be provided to Post Office permanent, temporary, agency and contracted workers on FOIA/EIR obligations where appropriate.

14 Risk assessments and audits

Periodic risk assessments and audits may be carried out to assess compliance with this policy and obligations under FOIA and EIR.

15 Fees

Where the cost of complying with a request for information exceeds the appropriate limit, Post Office may refuse to comply with the request or levy a fee on the requester. Further details regarding fees can be found in the FOIA/EIR Operating Procedures document.

16 Appeals

Where the requester indicates in writing dissatisfaction with the information provided in response to a request, this will be treated as a complaint. The complaint will be handled/overseen by the internal Information Law Appeals Panel. Post Office aims to deal with complaints as soon as possible and not exceeding 20 working days. Where appropriate, the Information Law Appeals Panel may extend the time period to a total of 40 working days to consider particularly complex or high-profile cases.

If the requester is not satisfied with the outcome reached by the internal Information Law Appeals Panel, he or she may appeal to the Information Commissioner's Office.

17 Other relevant Post Office standards, policies and procedures

- FOI Operating Procedures
- Data Protection Policy
- Code of Business Standards
- Code of Conduct

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Annex 2

Model publication scheme from Information Commissioners Office (ICO)

Freedom of Information Act

This model publication scheme has been prepared and approved by the Information Commissioner. It may be adopted without modification by any public authority without further approval and will be valid until further notice.

This publication scheme commits an authority to make information available to the public as part of its normal business activities. The information covered is included in the classes of information mentioned below, where this information is held by the authority. Additional assistance is provided to the definition of these classes in sector specific guidance manuals issued by the Information Commissioner.

The scheme commits an authority:

- To proactively publish or otherwise make available as a matter of routine, information, including environmental information, which is held by the authority and falls within the classifications below.
- To specify the information which is held by the authority and falls within the classifications below.
- To proactively publish or otherwise make available as a matter of routine, information in line with the statements contained within this scheme.
- To produce and publish the methods by which the specific information is made routinely available so that it can be easily identified and accessed by members of the public.
- To review and update on a regular basis the information the authority makes available under this scheme.
- To produce a schedule of any fees charged for access to information which is made proactively available.
- To make this publication scheme available to the public.
- To publish any dataset held by the authority that has been requested, and any updated versions it holds, unless the authority is satisfied that it is not appropriate to do so; to publish the dataset, where reasonably practicable, in an electronic form that is capable of re-use; and, if any information in the dataset is a relevant copyright work and the public authority is the only owner, to make the information available for re-use under a specified licence. The term 'dataset' is defined in section 11(5) of the Freedom of Information Act. The terms 'relevant copyright work' and 'specified licence' are defined in section 19(8) of that Act.

Classes of Information ;

Who we are and what we do

Organisational information, locations and contacts, constitutional and legal governance.

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What we spend and how we spend it

Financial information relating to projected and actual income and expenditure, tendering, procurement and contracts.

What our priorities are and how we are doing

Strategy and performance information, plans, assessments, inspections and reviews.

How we make decisions

Policy proposals and decisions. Decision making processes, internal criteria and procedures, consultations.

Our policies and procedures

Current written protocols for delivering our functions and responsibilities.

Lists and registers

Information held in registers required by law and other lists and registers relating to the functions of the authority.

The services we offer

Advice and guidance, booklets and leaflets, transactions and media releases. A description of the services offered.

The classes of information will not generally include:

- Information the disclosure of which is prevented by law, or exempt under the Freedom of Information Act, or is otherwise properly considered to be protected from disclosure.
- Information in draft form.
- Information that is no longer readily available as it is contained in files that have been placed in archive storage, or is difficult to access for similar reasons.

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Annex 3 - Information on current Post Office Ltd Publication Scheme on its website

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At the Post Office our aim is to provide you with the things that are important to you – from your mail to your broadband package, your car insurance to your savings account. Whether you pop into a branch or shop online, you can be sure all your needs will be handled with care. That's the Post Office promise.

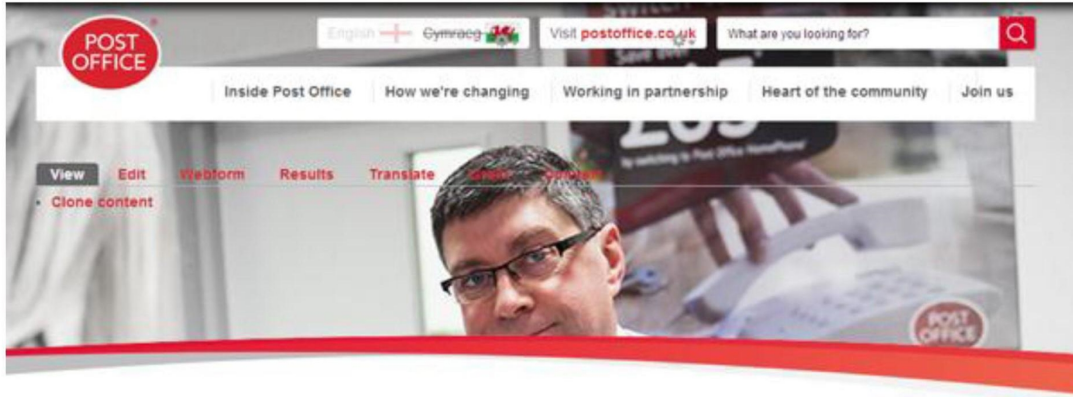
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Overview **Annex**

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Social Responsibility	No Charge
Our Board of Directors	No Charge
Our Executive Committee	No Charge
Careers	No Charge
Accessibility	No Charge
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What we spend and how we spend it

Information	Charge
Annual Report and Accounts	No Charge
Network Report	No Charge
Government strategic policy for the Post Office network and for agreeing Post Office Limited's business plan	No Charge
Current Consultations	No Charge
Previous Consultations	No Charge

How we make decisions

Information	Charge
Post Office Governance Structure	No Charge
Post Office Corporate Structure Chart	No Charge
Post Office Articles of Association	No Charge
Code of Practice on Public Consultation and Communication with respect to change in the Post Office network	No Charge
Audit Risk and Compliance Committee Terms of Reference	No Charge
Board Terms of Reference	No Charge
Mutualisation Committee Terms of Reference	No Charge
Nominations Committee Terms of Reference	No Charge
Pension Committee Terms of Reference	No Charge
Remuneration Committee Terms of Reference	No Charge

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APRIL 2014

**POST OFFICE LIMITED MATTERS – DISPUTE RESOLUTION
PRIVILEGED AND CONFIDENTIAL – CLAIMS OVER £500K OR THOSE OF A SENSITIVE NATURE**

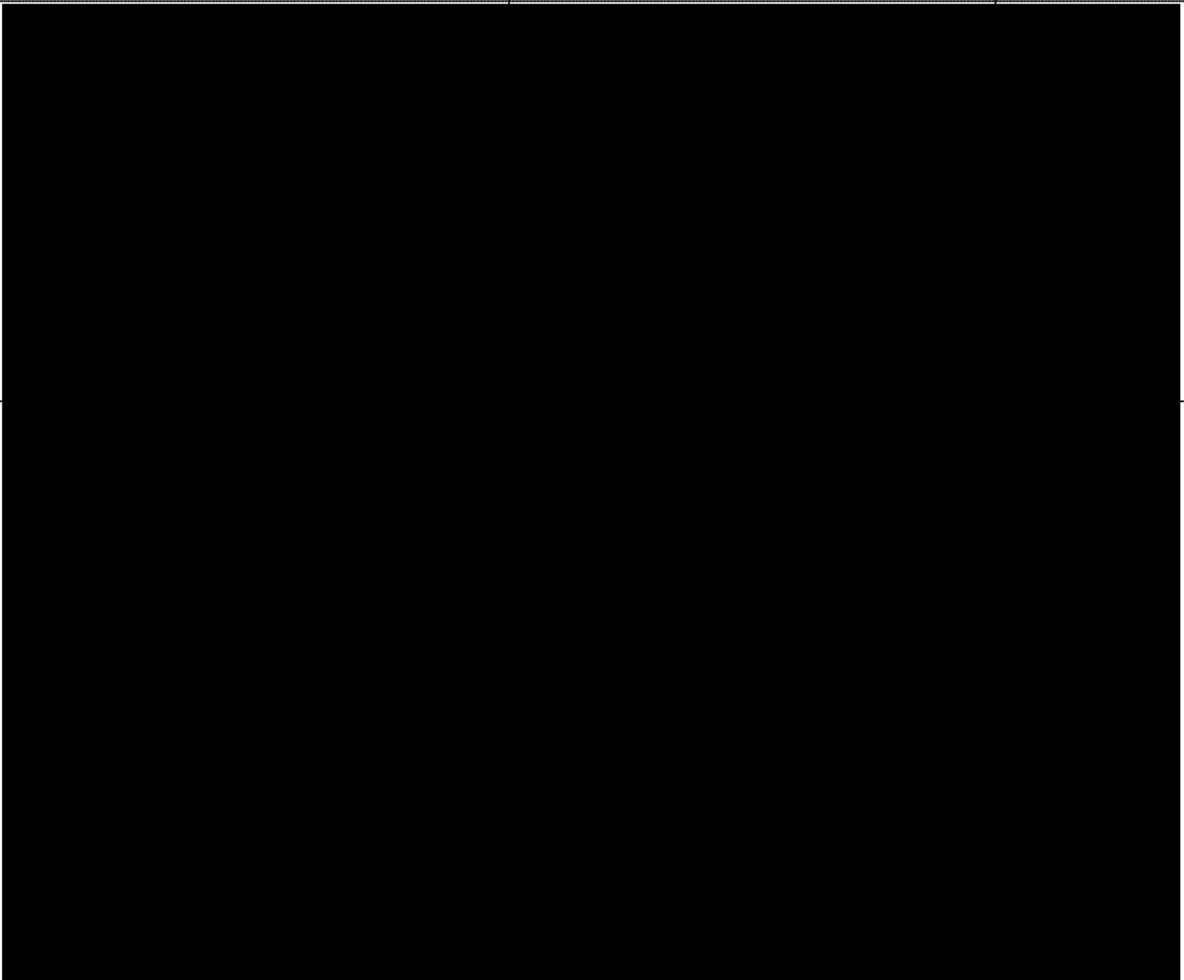
FILE NAME	CASE HOLDER	BUSINESS UNIT & CONTACT	DESCRIPTION	STATUS	XSP
Horizon claims	POL/RW	Belinda Crowe / Angela van den Bogerd	<p>This is also the subject of subject of a separate report to the Board for discussion this month.</p> <p>POL has received various claims from subpostmasters (SPMs) alleging defects in the Horizon system and POL's internal processes.</p> <p>These allegations were initially made in 5 claims brought through solicitors Shoosmiths. Similar allegations have been made through:</p> <ul style="list-style-type: none"> - SPMs' MPs; - the "Justice for Subpostmasters Alliance" (JFSA); - defences to court proceedings brought by POL to recover debts from SPMs; and - direct contact with POL. <p>Following discussions with James Arbuthnot MP and JFSA, in July 2012 independent investigator Second Sight Support Services Ltd (Second Sight) was appointed to carry out a review into these allegations.</p> <p>On 08.07.13, Second Sight published a Report finding shortcomings in POL's internal training and support to SPMs on the Horizon system, but no systemic problems with Horizon itself.</p>	<p>Following the Second Sight Report, on 27.08.13 POL launched a Mediation Scheme aimed at resolving individual complaints made about Horizon. POL has also been developing and implementing a Business Improvement Program to improve the way POL supports SPMs run their branches.</p> <p>The Scheme received 147 applications before applications closed on 18.11.13. The applications are now being progressed through the Scheme under the direction of a Working Group chaired by retired Court of Appeal Judge Sir Anthony Hooper, and comprising representatives from POL, Second Sight, and JFSA.</p> <p>To ensure POL continues to comply with the evidential, public interest, and disclosure standards required for prosecutions, POL has also completed a review of criminal prosecutions brought against SPMs which used Horizon data. POL has also reviewed its approach to prosecutions generally.</p> <p>To date, no claim has been made against POL in the civil courts, and no appeal has been made against any conviction in the</p>	Bond Dickinson

Significant Litigation Report

01 May 2014

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			criminal courts, following Second Sight's Report.	
Employment	POL/NM	Colin Stretch		
Employment	POL/NM	Colin Stretch		

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POST OFFICE LTD BOARD

Health & Safety Report

1. Purpose

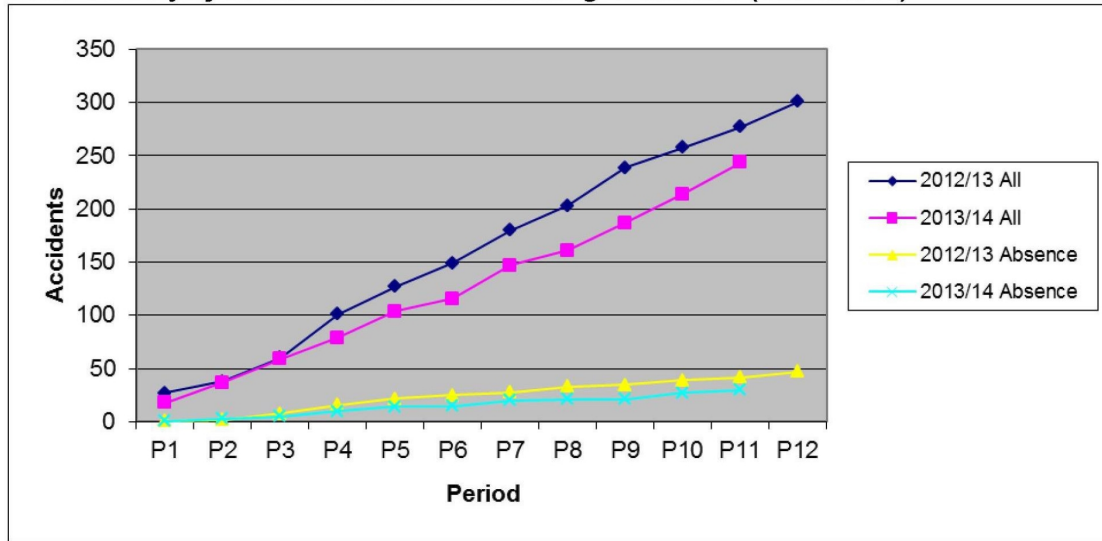
The purpose of this paper is to:

- 1.1 Provide an update on safety performance.
- 1.2 Outline risk reduction activities.

2. Current Situation

- 2.1 The majority of accidents fall into three main categories lifting and handling, stepping and striking and outdoor falls. These are high frequency events with, in the majority, relatively low severity. The lower frequency types of incident can carry the potential for very high impact, for example, assaults and road traffic collisions.
- 2.2 Injury accidents, up to period 11, are showing an 11.9% reduction on the same period last year ahead of the target reduction of 5%. Accidents involving absence have decreased significantly from 42 to 30 compared to the same period last year and are significantly favourable against the 5% reduction target. The “per 1000 staff in post” comparison indicator, which takes account of head count fluctuation year on year, is showing a similarly favourable trend for ‘all accidents’ and significantly favourable for ‘absence’ accidents. (Table 1)

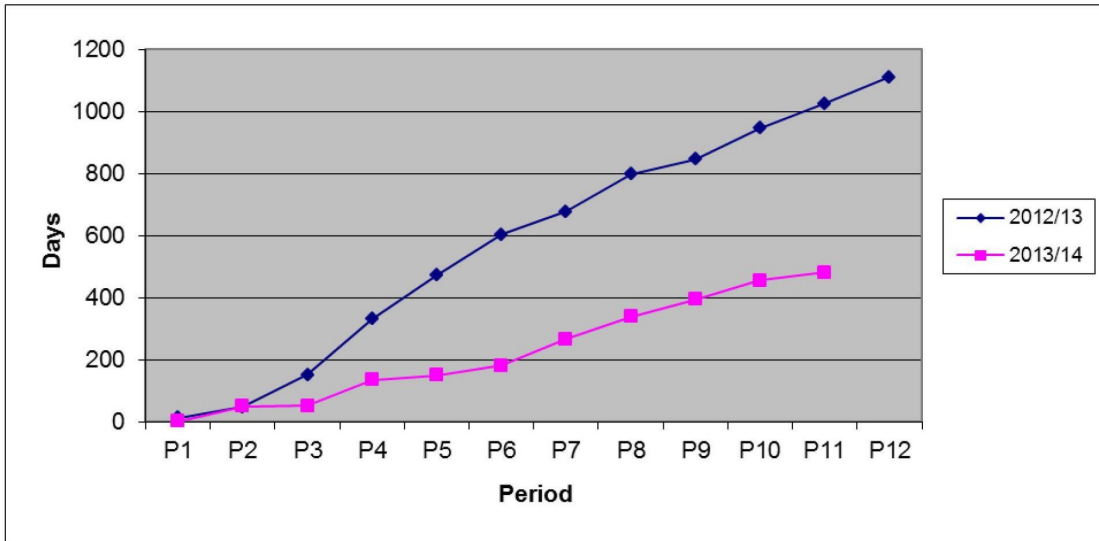
Table 1 All Injury accidents and those resulting in absence (Cumulative)



- 2.3 The number of days lost due to accidents is showing a significantly favourable trend compared to the same period last year and against a target reduction of 5%. This reduction is predominantly due to the absence of major injuries and indicates that not only is there a favourable trend in the frequency of accidents there is also a favourable trend in a reduction of the severity of those accidents. (Table 2 below refers)

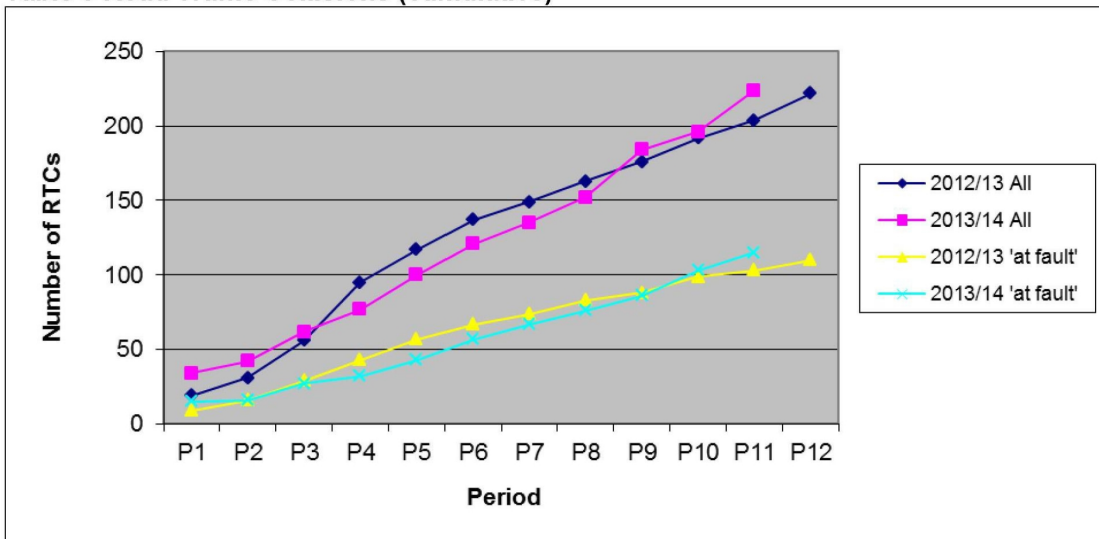
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Table 2 Days lost resulting from injury accidents (Cumulative)



2.4 The total number of road traffic collisions (RTCs) up to and including period 11 is up 9.8% on last year. This increase is believed to be related to a more robust approach to the reporting of incidents no matter how minor. The number of incidents where the Post Office driver is 'at fault' is 11.6% up against the same year to date period as last year although the ratio of 'fault' against total number of incidents remains similar to last year. (Table 3) Road risk reduction opportunities continue to be the subject of analysis at the Road Risk Forum with a view to identifying improvement activities in addition to those already in place. (3.1 below) Reversing incidents are currently becoming a cause for concern and will be the subject of additional attention. Injuries as a result of road traffic collisions are extremely infrequent. Road traffic collisions account for less than 3% of the overall number of injury accidents, however they have the potential for high impact in terms of injury and loss.

Table 3 Road Traffic Collisions (cumulative)



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- 2.5 Robberies on Post Office Cash and Valuables in Transit (CViT) crews are down from 49 to 40 cumulative for the past 11 months. Physical injuries during robberies, of which there have been 10, a reduction of 4 on last year, remain relatively minor in severity. There is a reducing trend in the use of firearms with 5 of the 40 robberies enabled by the presence and/or threat of use of fire arms and on no occasions were the firearms discharged. Support for those affected by robberies is provided by trained trauma supporters and support resources available through the occupational health service provision. Risk reduction activities are identified at 3.2. (Appendix 1 – Significant Incidents refers)
- 2.6 Robberies and attempted robberies on the Post Office network, cumulative to period 11, are higher than last year – 105 compared to 100 – 58 of the 105 were successful. Injuries sustained during robberies are down from 24 to 20. Robberies take place predominantly at sub post offices. Supporting activities have been introduced to continue to mitigate this risk and are identified at 3.2. (Appendix 1 – Significant Incidents refers).
- 2.7 Burglaries and attempted burglaries (which do not involve personal attack) have increased from 79 to 84 compared to the same 11 month period last year – 23 of the 84 incidents were successful..

3. Activities

3.1 Road Risk

Current activities to mitigate road risk are:

- Road risk forum in place to scope and develop road risk reduction initiatives and activities
- Analysis of effectiveness of face to face training given to top 50 high risk drivers has indicated that accidents amongst this community have reduced significantly following the refresher training
- Analysis of and interventions for reversing incidents
- Eye sight checks for operational drivers are in place
- Technical accident reduction interventions on new vehicles e.g. Reversing aids
- Analysis and evaluation of data (e.g. risk profiles) to determine further accident reduction interventions
- Introduction of coloured 'high visibility' seat belts on new vehicles
- Safety team input and concurrence for vehicle specification and changes
- Safe driver of the year award
- Weekly case conferences to ensure consistent approach to accident investigation, follow up activity and sharing of best practice

3.2 Robbery/Burglary Risk

Current activities to mitigate robbery and burglary risk are:

- Active liaison activities with the police and increased police support activity
- Liaison with Met. Police on the increase in gun enabled robberies
- Introduction of new deterrent technologies e.g. DNA taggant – a solution that contains a unique identifier that is released automatically in the event of a robbery, spraying those involved and enabling identification of the individuals involved in the robberies
- Significant reduction in opportunities for duress type robberies linked to the introduction of single person vehicles
- Increased security support visits to Post Offices in 'hotspot' areas
- 'Darker nights' security awareness campaign

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- Increased use of crime alert communication techniques to Post Offices
- Trialling new point of transfer arrangements to reduce exposure
- Increased use of surveillance vehicles
- A three month 'Crime stopper' campaign in the West Midlands has commenced, aimed at reducing cash in transit robberies

3.3 Health and Wellbeing

Current activities to enhance wellbeing

- Programme of visits to all Post Office sites to offer and encourage the use of health check equipment that provides a wide range of indicators on physical wellbeing
- Plans in place to re-visit all Post Office Crown Branches and Supply Chain sites within 18 months
- Health and wellbeing 'Team Talk' modules
- Health and wellbeing poster themed campaigns
- Online wellbeing monitoring tool to support health check initiative
- Roll out of mental health awareness programme

3.4 Safety

The Post Office occupational health and safety management system (OHSMS) is certified by external auditors to the standards required by British Standard OHSAS 18001.

3.5 Asbestos Management

Transfer of the ownership of asbestos management following separation has led to a programme of actions to ensure that up-to-date surveys are available, defined responsibilities post-split are clear and that an asbestos management 'action plan' is in place to ensure that these issues can be managed effectively and in line with legislation. Professional advice and support continues to be available via RMG. Legal Services have been engaged to assess the responsibilities and to ensure arrangements for on-going management of asbestos are robust.

4. Residual Risks

- 4.1 Driving activities have the potential for high impact/loss and therefore remain as a significant residual risk. However, the actions identified in 3.1 above are aimed at mitigating that risk and improving performance.

5. Recommendation

The Post Office Ltd Board is asked to:

- 5.1 Note the overall safety performance
- 5.2 Note the risk reduction activities.
- 5.3 Note the residual risks

Neil Hayward
April 2014

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Appendix 1

Significant Incidents (Period 11)				
Crowns and Network				
Location	Loss	Circumstances	Physical Injuries	Any further details
<h1>GRO</h1>				

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GRO

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Post Office Ltd Executive Committee
Cyber Security and Information Assurance

1. Purpose

The purpose of this paper is to:

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

2. UK and industry Cyber Security initiatives

2.1 Cyber Security Essentials

Mid-April saw the release of the 'Cyber Security Essentials Scheme'¹, identifying the controls that most organisations should consider across their IT estate in order to demonstrate and have confidence that they are mitigating the risk from internet-based threats.

The scheme focuses on 5 mitigations, within the context of the previously published '10 Steps to Cyber Security'² which raised the need for company Boards and senior executives to take ownership of these risks and embed them into the overall corporate risk strategy. This has already been done by Post Office, (considered within the Data Security Risks) and therefore will be regularly risk assessed and the controls tested.

The Draft Assurance Framework for this initiative is still in consultation until 7th May; the Information Security and Assurance Group (ISAG) will be providing input.

It is expected "in time, Government will look to use the (Cyber Security Scheme) standard, where relevant and proportionate".¹ ISAG will ensure that the good practice elements are implemented before any scheme is mandated, as appropriate.

2.2 Payment Card Council Information Security Advisory Group

ISAG now represent the Post Office as part of the above named group, an initiative proposed by Financial Services which covers Cyber Security Threat Intelligence in the Finance Industry.

3. Activities/Current Situation

3.1 Master Service Agreement

¹ Cyber Essentials Scheme – HMG April 2014

² 10 Steps to Cyber Security – HMG 2012

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Post Office and Royal Mail Group (RMG) respective ISAG's are currently engaged in a project to ensure that roles and responsibilities of 'contractors' determine access rights to RMG Services and Systems for relevant access to Post Office information, and do not and cannot access RMG Information. This is a joint exercise to be incorporated into 'BAU' activity and reflected in Post Office Policies for the future.

ISAG are engaged with HR and IT Service desk on this initiative.

3.2 Incident Activities

Work is underway with IT Service to ensure that all incidents and breaches are adequately logged and controlled as part of the transition to ATOS and that all IT and non-IT events are also covered adequately for the future.

3.3 Incidents

There are currently 18 active incidents or breaches that ISAG are aware of, out of those; 8 will be discussed at the next information Security Committee (8th May 2014), and formal closure will be requested, leaving only 10 active incidents. All incidents are analysed to ensure lessons learnt are incorporated into BAU operational processes.

Evaluation of the recently publicised "Heartbleed" vulnerability has established that there are no significant risks to Post Office infrastructure and fixes for any minor vulnerabilities are being deployed. An intranet communication update was posted to address any colleague concerns; this communication was also sent to suppliers in response to their requests for information.

At the time of writing this report, there are no significant risks to the business known as a result of the 10 incidents.

3.4 Programme/Project Governance

The 'Self Service Kiosk' and 'Mortgage Brain' projects that were referred to in the last ExCo/Board paper have been subject to formal risk acceptance and on-going review. Technical fixes have been implemented to both Self Service and Mortgage Brain environments. A further test of the Self Service Kiosk has been undertaken and is being evaluated; and one for Mortgage Brain is being planned, in order that these projects can be signed off by ISAG.

3.5 Marketing Due Diligence

Regular engagement continues with Marketing due to the high level of reliance on processing personal information. An ISAG Service List has been passed to Marketing to enable them to budget for the ISAG services that need to be reflected in any commercial undertaking. The ISAG Service List will be rolled out across the business.

3.6 Governance Risk and Compliance Tool

This tool has now been accepted into the ATOS service management.

3.7 Business Impact Assessment/Privacy Impact Assessments

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A key activity in assessing risk is in understanding where Information Assets (critical services, systems, information, and people) are located.

The Business Continuity Business Impact Assessments (BIA's), undertaken by Corporate Risk, identify key risks and link them to business strategy and objectives. It has been agreed with Corporate Risk representatives that ISAG will take the lead and Corporate Risk will align their BIA's to the ISAG version, ensuring that both groups requirements are represented.

3.8 Training and Awareness

The new and combined Information Security and Data Protection e-learning training has commenced across Post Office including the contractor community.

ISAG are engaged with HR representatives to ensure ISAG policies are reflected in colleague induction, communications and HR policies. HR and ISAG will agree dates for outstanding actions over the next 2 weeks.

Training is to be undertaken for all new recruits and for all colleagues at least annually. Additionally, where areas of the business will get new access to the Internet, a further programme will be rolled out to address the Information Security and Data Protection training needs of this group of colleagues.

The Information Security and Data Protection Training and Awareness campaign will be reviewed at least annually and spot checks will be undertaken to ensure colleagues are adhering to various aspects of the e-learning to ensure that the training is effective.

Training and awareness is a key area of risk mitigation for any organisation; this activity may need a full time resource. Currently this resource is shared with Security.

4. Request

- 4.1 The ExCo is asked to note the update and support the actions set out above.
- 4.2 The ExCo is asked to approve this paper for onward submission to the Board.

Julie George/Lesley Sewell
29 April 2014

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POST OFFICE LTD BOARD

Colleague Offers – Noting Paper

1. Purpose

The purpose of this paper is to:

- 1.1 Update the Board on the status of colleague offers.

2. Background

- 2.1 Colleague advocacy of Post Office products is a key enabler for on-going sales success, with 'customer offer' (confidence in products) one of the 3 key drivers of Subpostmaster engagement, as referenced in the January 2014 Board Paper 'Update on Subpostmaster Engagement Metrics'.
- 2.2 Consistent with a belief in the service profit chain, there is a commitment to increase colleague engagement by improving the offers available to colleagues relating to Post Office products and services.
- 2.3 To enhance colleague engagement and strengthen direct relationships between employer and employee, there is also an opportunity to better demonstrate the total reward proposition which includes colleague offers.
- 2.4 In recent Engagement Surveys the willingness for employees to recommend Post Office products and services fell from 78% in Spring 2013 to 65% in Oct 2013 (v's UK retail norm of 70%). This downward trend needs to be reversed.
- 2.5 Current colleague offers are largely limited to Financial Services products with the take-up volumes of Post Office products being relatively low. During the financial year 13/14 there were just under 6,000 colleague sales with 4,500 of these in Travel Insurance, an offer that is also open to Royal Mail colleagues.
- 2.6 Since the launch of free Broadband over 2,000 existing colleague customers have switched to the new offer, and a further 400 colleagues have submitted new applications.
- 2.7 In the context of colleague offers, colleagues are defined as 'Post Office employees, Subpostmasters and their employees that work directly on Post Office business'. Offers will be made available to Royal Mail staff on an individual product basis.

Confidential**3. Improving our colleague offers to drive advocacy**

- 3.1 All product teams are undergoing a review of their existing colleague offers and fulfilment processes in order to introduce new improved colleague offers. To enhance and maintain the reputation of colleague offers it is essential that they are compelling to colleagues. The list of current offers, as well as proposed and new offers is in table 1.

Table 1: Post Office Ltd Colleague Offers			
Product	Current	Proposed/ New	Live date
Mails	No offer	Discounted rates	Product team undergoing commercial & fulfilment review
Retail	5 - 15% discount	15%	LIVE MAY
Travel Money	No offer	Discounted rates on 7 currencies	LIVE MAY
Travel Insurance	25% off annual, 15% off single	No change	LIVE
Telecoms		FREE BROADBAND	LIVE - March 24th
Credit Card	21 MONTHS % ON BALANCE TRANSFERS (v's 18 month customer offer)	No change	LIVE
Mortgages	No offer	£500 cashback	LIVE date to be confirmed by end of May
Life Insurance\ Over 50s Life Cover	£50 cashback	£100 cashback	Product team reviewing commercial viability
Motorcycle Insurance	10% annual discount	No change	LIVE
Car Insurance	10% discount year 1 + FREE Breakdown Cover	No change	LIVE
Home Insurance	25% discount year 1	No change	LIVE

- 3.2 Colleague offers are currently taken up through a variety of offer codes or a pay number through existing channels. Work is underway to make this a consistent process and therefore simpler for colleagues. In addition a colleague convenient method of applying discounts to transaction products such as mails and travel money is being scoped.

4. Colleague Communications

- 4.1 An enhanced communications plan (table 2 overleaf) has commenced to ensure that all colleagues, in all parts of the business are aware of the colleague offers. Previously offers have been communicated through a static page on the intranet and ad-hoc initiatives. Now the communications activity is split into 2 categories:
- Quarterly reminders of all colleague offers in circulation.
 - Launch of specific offers giving single-minded coverage and focus on 'hero' offers e.g. FREE Broadband, £500 Mortgage cashback.*

*Available only via Mortgage Specialists in branch.

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- 4.2 These are communicated via all existing channels such as the Mypostofficeofficeplus intranet site, whilst Subspace Online provides access to Subpostmasters. These activities are complimented by ‘one-offs’ such as desk drops and leaflets.
- 4.3 Further work is underway to dramatically enhance the communication of colleague offers in order to significantly increase take-up levels, given the importance of colleague advocacy.
- 4.4 The disappointing take-up to date of the ‘free broadband’ offer demonstrates the urgency of understanding why colleagues have not responded more positively. Work is underway to understand this in detail and respond accordingly.

Table 2: Colleague offer communications plan													
	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
Current colleague offers													
Current Travel Offers													
FREE Broadband													
Retail 15%													
Travel Money Card													
Current offers													
Audience: ALL colleagues													
Media used:													
SPMRs & colleagues: Subspace online, offer booklet, Subspace.													
Crown: mypostofficeplus.co.uk, offer booklet, wow,													
HQ: mypostofficeplus.co.uk, offer booklet													
New offers													
Audience: ALL colleagues													
Media used:													
SPMRs & colleagues: Subspace online, offer leaflet, Subspace, branch focus													
Crown: mypostofficeplus.co.uk, offer leaflet, wow, teamtalk, branch focus, in vision													
HQ: mypostofficeplus.co.uk, offer leaflet, in vision, banners													

5. Commercial Impact

- 5.1 The principle behind all colleague offers is that they are to breakeven for the business within each Product P&L, with communications costs accommodated within existing Marketing and Communications budgets; each offer will be evaluated by the Finance team. The total cost of communications during the year is not expected to exceed £20,000.
- 5.2 The commercial benefit arises from increased colleague product take-up resulting in enhanced advocacy, creating an increased propensity amongst colleagues to recommend and sell Post Office products and services.
- 5.3 There is a strong belief that colleague advocacy also enables improved customer service which in turn is a strong driver of profit.
- 5.4 As part of product development process all colleague offers are screened to ensure there are no tax issues for either the Post Office or colleagues taking advantage of the offers.

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6. Key Risks

6.1 The key risk is the abuse of colleague offers by 'non-colleagues'. This is currently mitigated by the need for promotion codes and pay numbers when applying. A potential solution is through an employee card that is currently being scoped. Sales will be closely monitored to mitigate this risk.

7. Recommendations

7.1 The Board is asked to:

- Note the update on the status of colleague offers.

Martin George & Neil Hayward
April 2014

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**POST OFFICE LTD EXECUTIVE COMMITTEE
REVIEW OF DATA CENTRE TOWER PROCUREMENT**

1. Purpose

The purpose of this paper is to present to the Executive Committee (ExCo) a report on the review of the data centre tower procurement. The report will be presented to the Audit & Risk Committee after review and approval by the ExCo.

2. Background

The review has been carried out at the request of the Audit & Risk Committee.

The objective of the review was to provide assurance on the data centre tower procurement. The scope of the review covered seven areas / questions as listed in the attached report.

3. Activities/Current Situation

The attached report has been discussed and agreed with the CIO and General Counsel.

4. Recommendations

The ExCo is asked to:

- review the report and provide comments, and
- to provide approval for the report to be presented in the next Audit & Risk Committee meeting.

Chris Aujard
8 May 2014



RISK & COMPLIANCE
REVIEW OF DATA CENTRE TOWER PROCUREMENT
FINAL REPORT

Programme	IT Transformation Programme	To	Lesley Sewell – Chief Information Officer Chris Aujard – General Counsel Chris Day – Chief Financial Officer
Date	30 April 2014	From	Dave Mason, Adnan Killedar

EXECUTIVE SUMMARY

Post Office Limited has started a major IT Transformation Programme. One of the main components of the programme was the Data Centre tower providing hosting services. The procurement process started in March 2012 but the procurement was cancelled in February 2014.

Risk & Compliance have carried out a review to determine the risk management in place and its appropriateness for a procurement of this level and complexity. During our review we met with key contacts and reviewed documentation. We were asked to focus this review on the following seven questions and the details of our findings are included in section 3 below.

1. How and why did Post Office follow the procurement process before cancelling the bid at the last stage? Was it good sense to continue the procurement process with only 1 bidder/supplier?
2. Have there been other instances where government contracts have been given to single bidders. If so, what was the experience and are there any examples?
3. Why was the Fujitsu response so different from that required?
4. What market intelligence did Post Office gather about Fujitsu as part of the procurement process?
5. Whether Post Office used the services of the central government to help us understand the full dynamics of the alleged, high profile, failings by Fujitsu in its previous dealings with government agencies.
6. A large number of contractors worked on the DC tower procurement. What was the mechanism to manage risk, how did Post Office maintain commercial focus and how was knowledge retained within the team?
7. What processes are in place to ensure commercial sustainability of contracts for Post Office?

We have also made the following six recommendations:

1. Post Office should avoid continuing procurement process for large tenders where it finds itself in a single bidder situation.



RISK & COMPLIANCE
REVIEW OF DATA CENTRE TOWER PROCUREMENT
FINAL REPORT

2. Post Office should enhance the programme risk assessment and management process to ensure that risks are captured in a timely manner and that the assessment of emerging risks is comprehensive.
3. Post Office should ensure that the resourcing model for future programmes includes the sharing and retention of programme and business knowledge. A better mix of permanent and temporary staff with more permanent staff involved in the process would ensure that knowledge and expertise from these programmes are maintained within the organisation.
4. The procurement was carried out in compliance of all regulatory and legal requirements and all relevant documentation requirements were met. Post Office should ensure that, for future projects, programme boards ensure that an adequate level of documentation is maintained of internal discussions, meetings and the dialogue process. The documentation should include minutes of meetings, action plans and agreements / discussions on scope. The level of documentation should also reflect the balance of permanent / temporary Post Office staff involved in the process. Lack of documentation covering dialogue and some internal discussions has made it difficult to evidence what was discussed during the dialogue process.
5. For future projects, Post Office should consider that reference site visits are carried out earlier in the procurement process, at a stage where suppliers have been shortlisted but before selection of a preferred supplier.
6. Where, due to circumstances, Post Office has to proceed with the procurement process with a single bidder, it should carry out market assessments and benchmarking earlier in the procurement process and in parallel with discussions with the sole bidder.

The procurement was carried out under the OJEU process. Six bidders submitted their interest at the PQQ stage after which five bidders were shortlisted and were invited to submit their proposed solution. At this stage, four of the five shortlisted bidders withdrew from the process. Post Office discussed the reasons for withdrawal which were mainly due to the requirement for co-location; however, there is no documented assessment as to reasons of withdrawal by so many bidders. The procurement process was carried out in line with legal requirements and Post Office policy and procedures. The process included inputs at various stages from key stakeholders and external advisors. Bids were evaluated for value for money with the objective to procure services that were commercially sustainable and supported the long term strategy of Post Office. While a formal evaluation was carried out, there is no documentation covering the dialogue process with Fujitsu and no feedback was obtained from the bidder as to their understanding of Post Offices requirements. In future, Post Office should consider obtaining independent assurance for large programmes, especially for one-off or complex procurements.

The final tender submitted by Fujitsu was not in line with the requirements of Post Office and did not meet the strategic objectives of Post Office. Fujitsu are the incumbent suppliers for Horizon which will be replaced as part of the Front Office Tower. The Data Centre tower proposal by Fujitsu could have tied Post Office in more closely with Fujitsu thus limiting the choice of a supplier to replace Horizon. As a result, the tender was cancelled in February 2014.



RISK & COMPLIANCE
REVIEW OF DATA CENTRE TOWER PROCUREMENT
FINAL REPORT

1. BACKGROUND

Post Office is undergoing a major change led by the Strategy 2020, focussing on growth to become a sustainable business. Post Office has recently separated from Royal Mail and this has resulted in additional challenges as Post Office was using a number of services provided by Royal Mail which include IT infrastructure.

Post Office has documented an IT strategy to support the overall strategy of the business which is being implemented. As part of the strategy implementation, Post Office has decided to outsource hosting, support and maintenance of major IT systems and infrastructure. A tower model approach was agreed which included the following:

- Data centre (DC) tower
- Application and Infrastructure (AI) tower
- Network tower
- End User Computing (EUC) tower

A Service Integrator / Service Desk (SISD) will manage these towers and the SISD will also be outsourced. The DC tower included three main services:

- Co-location hosting
- Private cloud hosting
- Virtual cloud hosting

The procurement followed the Official Journal of European Union (OJEU) process and after pre-qualification, only a single bidder submitted their proposal for proposed solution. Extensive dialogue was held with the supplier to ensure they understood the requirements of Post Office and after eight months of dialogue, the sole bidder was invited to submit a final tender. The tender submitted did not meet Post Office requirements and was also not considered Value for Money (VfM) and after various discussions, Post Office and the supplier could not reach an agreement on the scope and pricing and hence the tender was cancelled in February 2014.

2. SCOPE

This review was carried out to understand the process followed and to provide insight to the following seven areas:

1. How and why did Post Office follow the procurement process before cancelling the bid at the last stage? Was it good sense to continue the procurement process with only 1 bidder/supplier?
2. Have there been other instances where government contracts have been given to single bidders. If so, what was the experience and are there any examples?
3. Why was the Fujitsu response so different from what Post Office required?
4. What market intelligence did Post Office gather about Fujitsu as part of the procurement process?



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5. Whether Post Office used the services of the central government to help us understand the full dynamics of the alleged, high profile, failings by Fujitsu in its previous dealings with government agencies.
6. A large number of contractors worked on the DC tower procurement. What was the mechanism to manage, risk and how did Post Office maintain commercial focus and how was knowledge retained within the Post Office team?
7. What processes are in place to ensure commercial sustainability of contracts for Post Office?

3. DETAILED FINDINGS

The review was carried out based on discussions with key stakeholders and review of documentation. Appendix A contains a list of stakeholders contacted during this review.

This section contains the findings based on the seven questions covered in the scope above.

- **How and why did Post Office follow the procurement process before cancelling the bid at the last stage? Was it appropriate to continue the procurement process with only one bidder/supplier?**

The procurement for DC tower services was undertaken in line with legal requirements and followed the OJEU process. Six bidders showed interest in providing services and five suppliers were shortlisted after Pre-Qualification Questionnaire (PQQ). These suppliers were issued an Invitation to Submit Proposed Solutions (ISPS). At this stage only one bidder submitted the ISPS by the deadline of March 2013 and the other bidders withdrew from the process. The reasons for withdrawal of other bidders were discussed in the IT Transformation Board but no documentation of the discussion is available. Post Office wanted to have flexibility in the services it received under the contract which would in turn have provided wider options at the time of procurement of future services and contracts. As a result, the requirement for co-location was included in the DC tower.

After legal advice and internal discussions, including discussions at the IT Transformation Programme Board, it was decided to proceed with the sole bidder for the following reasons:

- Fujitsu (the sole bidder) was the incumbent.
- The ISPS (Invitation to Submit Proposed Solution) was within the overall budget and well scoped.
- Post Office had never encountered a single bidder situation for procurement of this size and complexity. Legal advice was sought which was that Post Office could terminate the process or continue it as the law did not prohibit either. VfM would need to be ensured and Post Office was confident that the Gartner and ISG benchmarking would ensure VfM.



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- Post Office had plans to have the final tender submissions benchmarked against the market and had appointed Gartner to act as a proxy bidder and ISG to provide market price benchmarks for the rate card. No other measures to assess the proposal were considered after it became clear that there would only be a single bidder as the reviews by Gartner and ISG would provide sufficient challenge to the ISFT.
 - Fujitsu also support Horizon, and some of the risks associated with Horizon including an extension of its support contract may have been mitigated if Fujitsu were awarded this contract.
 - The dialogue process resulted in Post Office issuing an ISFT to Fujitsu. The response to the Invitation to Submit Final Tender (ISFT) was very different, very brief and much higher in cost as compared to the ISPS. While this was of concern, in the first few dialogue meetings, Fujitsu had indicated that it wanted to improve the solution, bring the scope in line with Post Office requirements (already included in earlier invitations to bid) and therefore, proceeding with the dialogue process could result in award of contract.
- **Have there been other instances where government contracts have been given to single bidders. If so, what was the experience and are there any examples?**

The withdrawal of four bidders resulted in Post Office being left with a single bidder. Post Office had not encountered such a situation before for a complex procurement nor was it aware of a similar situation where any other government contracts had been awarded to single bidders. Post Office did have single bidder situations for the mobile (Project Wave) and Money Card projects, but these were simpler projects.

Post Office's solicitors (CMS-McKenna) were contacted for legal advice on this matter. The advice received was that the UK and EU procurement laws did not prohibit continuation of the dialogue process and award of contract to single bidder. CMS did advise that Post Office will have to demonstrate VfM which Post Office was confident of doing through the benchmarking exercise to be carried out by Gartner and ISG. CMS did some high level research on award of contracts in a sole bidder situation. Their research indicated that such instances are rare and largely restricted to small contracts / procurements or procurements for specialist equipment where suppliers may be very limited.

- **Why was the Fujitsu response so different from what Post Office required?**

All shortlisted suppliers were invited to submit ISPS which laid out details of the solution that they will provide based on the scope and requirements listed by Post Office. Only Fujitsu responded to the ISPS as all other suppliers withdrew from the process. Fujitsu were informed that they were the sole bidders and invited to submit ISFT after a detailed dialogue process. Post Office's requirements were discussed during the dialogue process which preceded the ISFT.



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Fujitsu's final tender submission was:

- Very brief and at a high level. Post Office had specifically asked for details in the response, which for reasons unknown, were not provided. A number of details were still outstanding at the time when Post Office decided to terminate the procurement. In fact, the ISPS had more details and was very close to Post Offices requirements compared to the ISFT.
 - Fujitsu's final tender was a bespoke solution for Post Office. Post Office had asked for a commodity product, something like a "switch-on", "switch-off" solution. A bespoke solution did not meet Post Offices strategic objectives as it could potentially make switching providers very difficult and costly at a later stage.
 - Initially, Post Office required Horizon to be hosted and brought into the DC tower. Horizon was being hosted by Fujitsu in their Belfast data centre. This requirement was later de-scoped and the hosting agreement extended till March 2017. This was done as the costs to move the data centre were going to be very high (estimated at around £4.4million) and Horizon was going to be migrated / re-developed in the coming 3 years. Fujitsu's final tender and dialogue discussions seemed to still include aspects of Horizon hosting and migration (one of the reasons for a bespoke solution). This was despite various discussions during the dialogue process to remove this. These aspects of the proposal were only known in December 2013 when the final tender was submitted.
 - The divergence in Fujitsu's understanding of scope contributed to the pricing of the service which was very high compared to the benchmarks. The scope was discussed extensively during the dialogue process and had been well documented in earlier tender documents as well as the ISPS. However, the ISFT was very different to the requirements of Post Office.
- **What market intelligence did Post Office gather about Fujitsu as part of the procurement process?**

Post Office did not conduct any specific market research or intelligence gathering exercise. One of the main reasons was that Post Office has an 18 year relationship with Fujitsu which includes data centre and hosting services. Post Office was therefore confident of the capabilities and history of service delivery of Fujitsu (in a single bidder scenario).

The procurement process included a visit to the data centres which would provide services to Post Office. The visit was scheduled once a preferred supplier had been selected and was, therefore, not part of the evaluation criteria. Procurement regulations require that the evaluation criteria are laid out in the tender documents and any change must ensure that all bidders who participated must not be disadvantaged by the change. References can be obtained and checked, however no independent references can be obtained and market intelligence cannot be used for evaluation.



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- **Whether Post Office used the services of the central government to help us understand the full dynamics of the alleged, high profile, failings by Fujitsu in its previous dealings with government agencies.**

While there were instances when Fujitsu had not delivered some central government projects satisfactorily, details of these projects were not considered during the selection / procurement process. The main reasons were:

- There was no documentation / evidence available stating that Fujitsu had been black listed for contracts for government agencies. CMS were requested to find out if Fujitsu had been black listed by government departments, however they could find no evidence of this.
- There was also, at that time, no regulations by which companies / suppliers could be black listed by the government. Such regulations were introduced in late 2013.
- The services required by Post Office were very different to those for which Fujitsu had received negative publicity. These projects did not include data centre / hosting services.

- **A large number of contractors worked on the DC tower procurement. How or what was the mechanism to manage risk, how did Post Office maintain commercial focus and how was knowledge retained within the Post Office team?**

Post Office was going through the separation process during which staff and services were being separated from Royal Mail. Before separation, Post Office was reliant on Royal Mail for procurement and IT services. As a result of the separation, there was a skills gap for procurement and IT services which was filled by inducting a number of specialists on contract in temporary / interim roles.

There were and still are a large number of contractors involved in the various tower procurement processes. During our review we discovered that only two Post Office staff members have been involved with the process of DC tower procurement from its inception. The majority of staff representing Post Office during the procurement were temporary / contract staff (both technical and procurement specialists) who have since left. There is very limited level of documentation covering the dialogue process and there was no feedback mechanism (from Fujitsu to Post Office) to determine the level of understanding of Fujitsu of Post Office's requirements.

There was a risk that temporary staff on contracts may leave during the process, which did materialise to varying degrees and enhanced documentation would have helped in managing this risk better.



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- **What processes are in place to ensure commercial sustainability of contracts for Post Office?**

Post Office set up a number of measures to ensure commercial sustainability of the contract. The main reason for cancelling the tender was because it did not meet the strategic objectives of Post Office and would have resulted in an unsustainable, expensive and inflexible contract which would not have met Post Office's strategic objectives.

During the dialogue process, Post Office tried on various occasions to convey their dissatisfaction and reservations but the final tender was not modified sufficiently by Fujitsu to ensure it became commercially sustainable.

From inception, the procurement process included benchmarking exercises by Gartner and ISG to determine the operational costs, as well as rate cards for additional, out of scope, fixed cost work. Gartner also acted as a proxy bidder and submitted a bid based on the same documentation and information as that provided to Fujitsu. The benchmarking exercise confirmed Post Office's apprehensions over the pricing of the final tender. Post Office envisaged having the pricing in the upper quartile (lower 25% of cost estimates), however only one out of seven and one out of twelve costs respectively for the operational costs and rate card were within these quartiles.

Post Office had also included options for extension of the contract so as to ensure flexibility. Procurement and contract management expertise was on the project team at appropriate stages. Solicitors were consulted and were asked to review the Master Services Agreement as well as the detailed schedules to ensure VfM and sustainability.

The final tender submitted by Fujitsu was not in line with the requirements of Post Office as listed in the ISFT and did not meet the strategic objectives of Post Office. Post Office is going to replace Horizon (the point of sale system at the branches) with a new system by March 2017. Fujitsu are the incumbent suppliers for Horizon, which will be replaced as part of the Front Office Tower. The solution proposed by Fujitsu in the ISFT could have given Fujitsu an advantage at the time of replacement of Horizon.

4. OBSERVATIONS AND RECOMMENDATIONS

- 4.1 The DC tower procurement was a complex and critical aspect of Post Offices IT strategy and infrastructure. Post Office being a recipient of public / tax payers' money must ensure that its procurement demonstrates VfM. Achieving VfM is very difficult in a single bidder situation, especially for large and complex projects.

Post Office should not continue the procurement process for future projects of this complexity and size where it ends up in a single bidder situation as it is difficult to achieve VfM.



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- 4.2 Post Office became aware of the withdrawal of four of the five shortlisted suppliers in March 2013. However, the risks discussed at the IT Transformation Board did not recognise or assess the risk of cancelling the contract.

Future project / programme boards should assess risks more frequently and comprehensively to ensure that high impact risks are assessed as early as possible.

- 4.3 At the time of procurement for the DC tower, Post Office was undergoing major changes due to separation from Royal Mail and the IT transformation programme. This resulted in a high level of demand for resources, including those in IT&C. The programmes underway were unique as Post Office had never before undertaken programmes of this size and complexity. As a result, a large number of contract / temporary staff had to be inducted into the programme teams (including IT Transformation) to ensure an adequate level of expertise and experience. Consequently, a large number of contract staff were involved in the process, the majority of whom are no longer with Post Office.

While it is appreciated that this was due to the prevailing situation we recommend that in future, arrangements should be in place to ensure that an adequate level of documentation and supervision by permanent Post Office staff is maintained to ensure continuity and retention of knowledge within Post Office.

- 4.4 Post Office carried out a prolonged “dialogue” process with the sole bidder. The level of documentation covering the dialogue process is not adequate. While a formal evaluation was carried out, there is no documentation covering the dialogue process with Fujitsu and no feedback was obtained from the bidder as to their understanding of Post Office’s requirements.

For future projects, the respective programme boards should ensure that an adequate level of documentation is maintained including, minutes of meetings, action plans, agreements / discussions on scope. The level of documentation should also reflect the balance of permanent / temporary Post Office staff involved in the process.

- 4.5 Post Office followed the OJEU process for the DC tower procurement. The Post Office plan included a visit to sites, however this was to be done only when the preferred supplier had been selected. Whilst it is not a requirement to carry out site visits at any time during the process, such visits could provide insights into the service / product being provided by the supplier and should be given weight at the time of evaluation.

For future projects, Post Office should consider that reference site visits are carried out earlier in the procurement process, at a stage where suppliers have been shortlisted but before selection of a preferred supplier.



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- 4.6 Post Office had planned to carry out a market rate assessment for services being procured under the DC tower. This was planned for at the stage when a preferred supplier had been selected and final specifications had been agreed with the preferred supplier. The market rate assessment was carried out by Gartner for the DC tower services and ISG for the rate card covering any additional, out of scope work that may be requested by Post Office from the supplier. Considering that after following the process only a single bidder was left, the market assessments could have been carried out at an earlier stage and in parallel to discussions with the sole bidder.

Where Post Office has to proceed with the procurement process with a single bidder, it should carry out market assessments and benchmarking earlier in the procurement process and in parallel to discussions with the sole bidder. In the case of the DC tower procurement, this could have been done during the early part of the dialogue process to feed into the dialogue process with Fujitsu and along with a greater level of documentation and enhanced mechanism to capture feedback, may have resulted in clearer understanding of Post Office's requirements and Fujitsu's scoping.

5. CONCLUSIONS

Post Office carried out the DC tower procurement in compliance with all legal requirements and internal procedures. Governance was provided by a programme board which met regularly. Support for the procurement was provided by the procurement team, legal team, Post Office's solicitors and by staff nominated by key stakeholders. Post Office realised that this was a critical project and invested a lot of time, effort and money by carrying out extensive dialogue with the sole bidder to ensure that the bidder understood Post Office's requirements and that the final tender included the appropriate scope.

Post Office also commissioned two independent reviews by Gartner and ISG to assess VfM and to benchmark the final tender submission by the sole bidder against the benchmark to ensure that Post Office achieved VfM for the DC tower procurement. Post Office continued the dialogue process, despite there being a significant difference between the scope and costs in the proposal and the benchmarks provided by Gartner and ISG, in order that Fujitsu could have a clearer understanding of the requirements and scope their solution to meet Post Office's requirements. The DC tower procurement was cancelled when it became clear that the gap could not be narrowed and the procurement would not achieve VfM.

We have made recommendations based on our review which should be considered and implemented for future projects / programmes to further enhance and improve the process within Post Office.



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Appendix - A

KEY CONTACTS

The following contacts were identified as key contacts for this review.

S. No.	Name	Role	Meeting Date
1	Lesley Sewell	CIO	8 April 2014
2	Jo Turner	Project Manager from November 2013	10 March 2014
3	Paul Bleasby	Programme Manager	25 March 2014 and 11 April 2014
4	Richard Boyce	Procurement lead involved in "dialogue"	28 March 2014 and 11 April 2014
5	Jo Bates	Legal team	13 March 2014
6	CMS	Solicitors	19 March 2014
7	Liz Tuddenham	Procurement	17 March 2014
8	Chris Taylor	Evaluator	11 March 2014
9	Neil Wilkinson	Head of Separation Programme	3 April 2014
10	Carol Ayres	Dialogue with Fujitsu	20 March 2014

Post Office Limited Executive Committee

Client audits of Post Office services, products and other assets.

Protocol guidance

1. Purpose

The purpose of this paper is to:

- 1.1 Outline the proposed process and guidance for management to deploy when a client or other similar third party invokes its audit rights.
- 1.2 Request that the Executive Committee note and approve the guidance.

2. Background

- 2.1 Audits conducted by third parties such as for ISO27001 (Information Security) or banking partners such as Santander (in the Finance Service Centre) are regular occurrences managed directly with the account representative. Audits that arise from an alleged failure of POL process or the invocation of contractual audit rights require a responsive, open but robust management approach.
- 2.2 Recent audit requests have highlighted the need for clarity of roles and process, stronger procedures, and senior management involvement and sponsorship. Whilst it is not intended to overburden the process with management and staff numbers, the Post Office brand and reputation can be enhanced by effective management or damaged by poor management of audit requests.

3. Scope

- 3.1 The protocol applies to non-regular external client audit right requests and investigations.
- 3.2 Exclusions include:
 - The annual financial external audit – managed by established processes lead by the Finance Directorate.
 - “Dawn raids” – unannounced visits by government or similar regulatory authorities - which are subject to a separate policy and process and managed by the Legal department.
 - Work that may be announced or unannounced by the Post Office Internal Audit department or Risk and Compliance team – these may be external to the relevant departments being reviewed but are internal to Post Office.

4. Ownership

- 4.1 It is essential that the directorate owning the relationship with the third party manages the process. The directorate is responsible for Post Office's performance in the contract and therefore must take a lead. This includes:
- Taking full coordinating responsibility for managing the client request;
 - Obtaining pre-audit information as necessary;
 - Contacting other POL management teams as necessary and hosting any visits to head offices or branches; and
 - Managing the response to, and finalisation of issues arising from the audit.
- 4.2 It is recognised that for some management and staff, such an external visit can create uncertainty, be stressful and raise concerns about how to serve a client's needs whilst protecting the Post Office brand. It can be all too easy to provide information that is unnecessary or in breach of regulation whilst trying to appear helpful.
- 4.3 Risk and Compliance and Internal Audit teams will play supportive and advisory roles in examining the terms of reference and any supporting documents or work-programmes. Both will advise the directorate on who needs to be contacted, and provide any other direction and advice. For Information Security related external audits, the Information Security Assurance Group (ISAG) will also support and advise.
- 4.4 Where necessary, support teams can provide support for key meetings and support/coach managers on process, questioning, answering the visiting auditors, accompanying visits and explaining documentation rules. Any final or draft report issued by the visiting auditors will be reviewed jointly by the directorate management, Internal Audit and Risk & Compliance.
- 4.5 Appendix 1 lists the outline procedure and departments to contact once a customer invokes its audit rights.

5. Action requested

- 5.1 Approve the protocol and following procedures and provide any direction necessary.

Malcolm Zack
Head of Internal Audit

David Mason
Head of Risk and Compliance

February 2014

Appendix
Client audits of POL services and products and other assets.
Procedure notes and guidance

Purpose

The purpose of this protocol is to guide management when a request to conduct an audit visit by a third party representing clients or partners is received by Post Office.

Exclusions

This protocol does not apply to the company's external auditors (currently Ernst & Young), whose access is managed annually by the Finance Directorate and the Audit, Risk and Compliance Committee. Nor does it apply to "dawn raids" by regulatory authorities; these are subject to the separate Dawn Raid policy which is owned by the Legal department.

1. Ownership

The responsibility for cooperating with and coordinating the collection and provision of relevant information and access to staff lies with first line management responsible for the product or service in question, i.e. the Account Manager and their team

It is essential that the directorate owning the relationship takes full coordinating responsibility for managing the client request, obtaining pre-audit information as necessary, contacting other POL management teams as necessary and hosting any visits to head offices or branches. The directorate is responsible for Post Office's commercial performance in the contract and therefore must take a lead.

2. Notification Group

Whilst the scope of the audit will vary, it is essential to put key business and support teams on notice as soon as possible. This is to ensure that key management and staff can respond quickly and begin to make arrangements should that be necessary. In some cases not all of the notified parties will need to take action.

2.1 Upon receipt of notification of intent to visit Post Office premises, the receiving manager should:

- Inform the Legal department to confirm what audit rights are in the contract and that the request is in line with those rights including the notice given.
- Upon confirmation from Legal that the audit right invocation is within contract the receiving manager should inform the following dependent on the nature of the proposed audit visit:
 - Relevant ExCo member (s) for owning Directorate (s)
 - Risk and Compliance
 - Internal Audit team.
 - Information Security Assurance Group
 - Security
 - Procurement (for contractual issues in support of Legal)
 - Finance
 - Human Resources

- Branch network and the Field Support Advisors audit team (should the external audit require branch visits to Crown or Multiple/Agency branches)
- 2.2 Risk and Compliance and Internal Audit will advise should further guidance or contacts be needed.
- 2.3 For Information Security related audits, the Information Security Assurance Group (ISAG) will be responsible for escorting the auditors throughout the process and must be included in the initiation process

3. Confirmation, timing and scope of audit. Key steps

Whilst the exact flow and steps will vary from audit to audit – the key stages below should be followed.

1. Confirm notification with the client. Determine if the auditing team are members of the client's management, their own internal auditors or a third party acting on their behalf.
2. Arrange for a pre-briefing meeting or call to obtain and understand the scope of the audit being requested.
 - This is to determine how and when Post Office can make information and key personnel available.
 - The customer may have their deadlines to meet, but these should be reasonable in line with Post Office's own business requirements. (e.g. Xmas branch cover or strike action).
3. Agree dates and times, having first confirmed degree of availability of other Post Office management. If necessary rearrange the visit to ensure all key Post Office staff are available but do not delay unreasonably.
4. Obtain a written terms of reference outlining the scope that the auditing team will be covering and send to the notification group for review and approval.
5. If a work programme or work book is provided by the customer, obtain a copy and consult with the Head of Risk and Compliance and the Head of Internal Audit who will advise on next steps for information gathering.
6. Agree timing of audit including likely end dates where the visit is likely to be more than one day.
7. Identify if any of the information requested falls within Post Office policies and speak with the Information Security team to determine if there could be any release or data protection issues.
8. Organise Non-Disclosure Agreements through Legal.

4. Conduct of audit – Head Offices

1. Pre-book a room for the auditors. This will be used for other management to visit at allotted times. Ensure a conference phone is available and working for calls with management who are located remotely.
2. Agree with Risk and Compliance and Internal Audit if representatives of their teams will be present at the interviews.
3. Ensure all visitors are properly signed in and are the ones expected. If there is someone not on the expected list, politely ask for the reasons why and the work they will be conducting. If you are not sure, please speak with Risk and Compliance/Internal Audit.
4. Where possible have information ready to hand if the terms of reference have been specific enough.
5. Interviews conducted by the auditors should be open, but if you are not sure about representations being made, check before releasing. Answer the questions as set. If you are not sure, promise to obtain the information from a second source. This may not be possible on the day.
6. Keep clear and concise notes of the meeting including any agreed actions. This is to avoid issues later on if there are disagreements over what was said by either party.
7. Do not hand over information that is confidential to Post Office or contains personal data unless specific authority has been given by the owner of the information and confirmed with legal and ISAG. The third party should not be allowed to retain copies of business confidential/personal data.
8. The 3rd party may see electronic copies of information but may not operate Post Office computer equipment themselves.
9. Keep a record of all document copies provided, those shown to the auditors and electronic copies seen. Do not provide electronic copies of data due to the risk of tamper.
10. Accompany auditors who visit Post Office sites. If the team splits up, ensure they are accompanied to meetings. ISAG will accompany external auditors on information security related reviews.

5. Conduct of Audit – Branches/Cash Centres

- 5.1 The audit may require review of processes and questioning of staff and management at a sample of branches. The actions numbered 1-7 above for Head Offices still apply.
- 5.2 In addition:

1. For Branch visits contact the network operations audit teams (Field Support Advisors). They will identify suitable branch audit/support staff who will be in a position to help host the visit.
2. Ensure that the selected staff are briefed on the nature of the audit visit as they will then be able to brief and coach the branch staff.
3. For visits to Supply Chain sites, contact the Supply Chain Compliance team, outline the audit scope and agree approach. They may also choose to attend external visits.
4. In all cases the Directorate coordinator should aim to accompany the auditors at the visits even though the actual hosting on the day may be by the branch/cash centre staff. This is to ensure completeness of record from Post Office's perspective.

6. Closing meeting

Ensure that a meeting takes place with the client's auditor where Post Office can review the findings made and confirm their factual accuracy. If recommendations are proposed, agree to discuss them with the relevant Post Office business owner and a date by which you will return with an authorised action.

Note that the auditors may state an opinion, which we are not required to accept beyond any statements of fact. Keep in mind that any final decision on which audit actions to take is between the business representatives on both sides. Whilst the client auditor may make a recommendation, they are not themselves in a position to dictate to Post Office. The observations made may be perfectly valid but any actions taken by Post Office should be in the context of Post Office's business and risk appetite.

7. Post Audit wrap up

1. Identify any actions remaining such as: additional information needed to send on to auditors, copy of report and discussion with ExCo members.
2. Determine next steps for discussion with the client service team, including any action plan to address control short falls.
3. File all documents and papers. – provide copies to Internal Audit and Risk & Compliance.
4. Conduct a short post audit briefing for Post Office staff for lessons learnt.
5. Depending on the outcome agree with the Internal Audit/Risk and Compliance teams and the Directorate ExCo member what communications, if any, are needed to brief the Executive Committee.

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**Post Office Ltd Executive Committee
Business Transformation Programme**

1. Purpose

The purpose of this paper is to update ExCo on:

- 1.1 Progress towards contracting a Design Partner and starting work;
- 1.2 Progress towards shaping the Transformation Programme Team; and
- 1.3 Managing the risks associated with the transformation.

2. Design Partner Contract

- 2.1 The Design Partner procurement is in process as this paper is submitted to ExCo. A verbal update will be provided at the meeting on 8 May.
- 2.2 The Invitation To Tender (ITT) for the Design Partner was issued on 8 April. Six firms were invited to tender: Bain, Deloitte, KPMG, McKinsey, PA Consulting and PWC. All attended a supplier briefing on 10 April.
- 2.3 Tenders were received on 22 April from all six firms and supplier presentations held 24-29 April. We anticipate a preferred supplier will be identified by 2 May.
- 2.4 The Design Partner will be contracted to deliver:
 - A “current state” assessment of the business – primarily driven by the production of end-to-end process maps;
 - A Target Operating Model design – to describe the processes, organisation, people, capability and technology the Post Office will require to deliver the 2020 Vision;
 - A Transformation Blueprint – that will describe the journey from the way Post Office works today to the way it will work in the future.
- 2.5 The outputs from the Design Phase will be used in competitive dialogue for the Transformation Delivery Partner procurement.
- 2.6 The Design Partner will also be expected to help deliver ‘quick wins’ identified through the “current state” assessment. The quick wins are expected to be discrete pieces of work to deliver further efficiencies and realise benefits within FY1415.

3. Shaping the Transformation Programme:

- 3.1 Programme conditions for success: The success of the Design Phase will depend on Post Office doing a number of things well:
 - Full engagement and alignment at executive level;
 - Putting appropriate governance in place with people appointed by the executive who are empowered to make decisions;
 - Resourcing the Programme with the right expertise, skills and capability in sufficient numbers;
 - Ensuring continuity of resourcing from design into implementation;

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- Creating and communicating to all stakeholder groups a compelling case for transforming the business and how the programme will support this critical outcome.
- 3.2 Programme Finance: The 10 year transformation investment case was assessed by Finance Committee on 8 April. The FY1415 spend forecast of £7.5m was approved in principle; on condition the Programme requests to call down funds at key decision points, for example on selection of the Design Partner.
- 3.3 Programme Governance: We will work with Strategic PMO and ExCo members to put the necessary governance in place.
- 3.4 Programme Mobilisation: We are giving consideration to the Post Office team we need to mobilise to work with the Design Partner. We need people on this programme who will make a significant contribution to delivering the desired outcomes, but also people who wish to develop their skills and build on their capabilities to become champions of the business transformation.

4. Risk Management:

- 4.1 We will mobilise the Programme in May. There is a risk to success at this early stage if we do not address quickly the actions listed in paragraph 3.1 above.
- 4.2 Looking to the future we are anticipating a number of strategic risks will need to be addressed, including:
- Post Office capacity and capability to lead and manage transition to new ways of working;
 - disruption to customers and sub-postmasters as we make changes;
 - impact on 3rd party relations;
 - government intervention.
- We are mindful of these and others. We will address them as the Design Phase progresses.

5. Request

- 5.1 ExCo is asked to note the progress made by the Programme.
- 5.2 The ExCo team are requested to provide their support and commitment to address the conditions for success called out in this paper.
- 5.3 A verbal update on the Design Partner procurement and the shape of the Programme will be given on 8 May.

David Ryan
30 April 2014