

FOR USE OF NATIONAL EXECUTIVE COUNCIL OFFICERS ONLY

NATIONAL FEDERATION OF SUBPOSTMASTERS

**REPORT OF A
MEETING OF THE
COUNCIL**

held on

13-15 JUNE 2016

at

**HOLIDAY INN CAMDEN LOCK
LONDON**

PLEASE NOTE

Items that are totally confidential and not to be discussed outside of the Executive Council have been 'boxed' and shaded in pink (as is this note).

**Report of a Meeting of the
Council
held on Monday-Wednesday, 13-15 June 2016
at Holiday Inn Camden Lock,
London**

Those present: Mr Jim Nott Chairman
 Mr George Thomson Chief Executive Officer
 Mr Tim Boothman
 Ms Wendy Burke
 Mr Calum Greenhow
 Mr Paul Haines
 Mr Nilesh Joshi
 Mr Peter Montgomery
 Mr Jim Nott
 Mr Ian Park
 Mr Bharat Visani

In attendance: Mr Philip Bloor Finance Director

Apologies: None

The National President welcomed everyone to the meeting particularly to Calum and Peter as it was their first meeting.

1. REPORTS & RESOLUTIONS

- | | | |
|-----|---|----------|
| (a) | The Report of the Council meeting of 14-16 March 2016 was signed as a true record. | DECISION |
| (b) | The Resolutions passed at the Council meeting of 14-16 March 2016 were signed as a true record. | DECISION |
| (c) | There were no matters arising. | |
| (d) | The Report of the Council meeting of 16 March 2016 was signed as a true record. | DECISION |
| (e) | There were no matters arising. | |
| (f) | The Report of the Council meeting of 8 May 2016 was signed as a true record. | DECISION |
| (g) | The Resolutions passed at the Council meeting of 8 May 2016 were signed as a true record. | DECISION |
| (h) | There were no matters arising. | |
| (i) | The Report of the Special Executive Council meeting of 8 May 2016 were signed as a true record. | DECISION |
| (j) | The Resolutions passed at the Special Executive Council meeting of 8 May 2016 were signed as a true record. | DECISION |
| (k) | There were no matters arising. | |
| (l) | The Report of the Council meeting of 11 May 2016 were signed as a true record. | DECISION |
| (m) | There were no matters arising. | |

2. FUTURE OF THE NETWORK

(a) Project regarding Commission Rates

- Discussions with POL regarding potential significant change to commission rates. Full day workshop to be held on 24 June attended by George Thomson, Jim Nott and Ian Park.
- Any proposals would be taken to the NC first then the Council before any agreement was reached.
- Will be made clear that POL could not use the review as a way to reduce spm pay. The idea was to realign rates depending on what the clients pay.
- Originally was going to be a root and branch review of rates across the board on an open book basis to give fairness and a clear understanding of the percentage to go to spms.
- POL have now indicated they do not want to do in one hit. They want to start with travel, currency and mails.
- NFSP had been consistently wanting to look at what spms were being paid but not for POL to take £20-25 million out of spms pay.
- There were three possible reasons for the NFSP to fall out with POL and break the Grant Agreement:
 - NFSP ending up at war with itself (unlikely)
 - NFSP struggled as an organisation to rebuild the infrastructure of the organisation which was a key part of the agreement (again, fairly unlikely)
 - The most likely, is the NFSP fall out with POL under the agreement. Once a campaign was taken into a public place, technically it could negate the agreement. NFSP could engage with politicians or Royal Mail but not in a public scenario which could destroy the grant agreement.
- For new Council members, the situation on the Grant Agreement and potentially breaking it was further explained.
- The most likely event that the third point would come about would be on a significant issue, for example, commission rates. NFSP may have to go to war to stop POL reducing them.
- Belief was that the review was not being undertaken for the benefit of spms.
- There followed some discussion on whether the review should be undertaken as one large hit or piecemeal, with differing opinions being voiced.
- Pay structure in place that many bought into recently if they became Main or Local and those people gave up the opportunity to take 26 months compensation to leave. There was still 2 years of NT to go.
- If the root and branch review was to take money out of the network, the NFSP did not want a root and branch review. Not needed unless it was to pay spms fairly.

- Assurance given that discussions would be reported back to the Council.
- Purely speculatively, and no offer made, but currently around 500 branches on preferential currency rates. Online rates affected everyone as no one could compete with them. Big issue. Felt that POL may suggest paying 1.2% on currency at the current uncompetitive rates, but offer another an exceptional rate but only pay 0.6% but at better exchange rates to compete. It would pit one spm against another and mean less commission for more sales.
- The public were confused enough with the different models without confusing the picture further.
- POL also told that the NFSP will not countenance a situation where big clients got a retrospective rebate. For example, multiples getting a further payment once their collective branches hit a certain figure.
- Again, it was stressed that the above scenarios were pure speculation. NFSP would have a better idea after the workshop.

(b) Currency Rates

Irrelevant

(c) **Network Transformation**

- Difficult times. NFSP had to help members the best way they could, hence the future Retail team. Retail sales of some kind were the best way to boost the income of a post office business.
- The NFSP had always been a moderate organisation and some felt it should become more militant. The fact was that spms did not work for a successful company, the company was in decline and had been for many years, in fact it had been in managed decline.
- Taking the CWU who were not a pushover. It was not about how strong or weak the NFSP were. Despite continuous threats from the CWU, the company were going ahead with 600 CIT job cuts, they were still reducing pensions from around 17% per person to 5%, they were still slashing hundreds of jobs at Finsbury Dials, and 61 more Crown offices had been given to W H Smith. The actions were purely down to the financial circumstances facing the company. The circumstances would be no different if the NFSP had been more hard line. The company was in a financial crisis. The NFSP still made a difference and did the best it could but it was difficult. The NC could win an argument but still not change things if the company ignore the discussion as they could not afford what was being asked. The NFSP had continually badgered PO to reduce their central costs as they were unaffordable, and this was now happening.
- It had to be remembered that various governments had spectacularly failed to deliver on their promises and were taking work away from the network rather than making it the front office of government. There was a huge hole in Post Office's finances, with nothing obvious to fill it. Banking was no doubt the best opportunity, but not at any cost, it had to pay enough to make it worthwhile to all parties. The same (or worse) issues were facing every post office network in Europe, it was not just the UK.
- The separation from Royal Mail had changed the economies of scale and Post Office was being built from scratch. There was no magic solution in the short term.

(d) **The Value of the Post Office Shopper**

Irrelevant

Irrelevant

(e) Ofcom Review of the Regulation of Royal Mail

Irrelevant

ACTION

3. **FUTURE OF THE FEDERATION**

(a) Membership

- Reported very close to auto-enrolment being signed off. People will be able to opt out of joining.
- This would bring the membership to at least 9,000.

- The NFSP can refuse applications for membership or organisational representative of the organisation according to the Articles of Association.
- Mark Baker applied some time back to be a member. Albeit in a disingenuous way.
- The Executive Council of that time had made a unanimous decision not to let Mark Baker join as a member or as an organisational representative.
- Mark has cost the Federation in the region of £500,000 by being instrumental in taking the NFSP to the Certification Officer, which resulted in a loss of Trade Union status and to an employment tribunal, which he lost. The biggest one was the **GRO** case where there were great litigation costs.
- After a lengthy debate around the table the unanimous consensus of the Council was to remain with the original decision to refuse Mark Baker membership or organisational representation of the NFSP even if POL believe this not to be the quid pro quo.
- Have at present a verbal agreement with POL that they will not invoke the representation clause in the agreement between them and the NFSP.

(b) Infographics

- The CEO thanked those present for their input at the two day workshop held on 23 and 24 May.
- Infographics had been produced by Tracy Savage from the outcomes of the workshop, which had been circulated. There were more to follow.

(c) Structure of Regional and Branch Meetings

- Tracy Savage has phoned most of the Branch Secretaries. Some were saying that they were doing more meetings than they did. Some work had been done on the actual meetings held.
- There are six branches that do not have branch secretaries.
- 11 other branches have not had a meeting since 2014.
- There are 53 to 54 branches. Believed could reduce the number of branches to 35 by amalgamating some of the branches that are moribund.
- The new retail team could possibly act as branch facilitators.
- Need to be cognisant that Branch and Regional Secretaries are elected posts.
- Need to re-build the branch and regional structure of the NFSP.
- Branch meetings need to be informative.

(d) Multiples Engagement with the Federation

- Reported four years ago Sue Barton who worked for POL was cautious about bringing multiples into Federation membership. POL have the same conundrum as the NFSP.
- The NFSP need to ensure that it looks after independent subpostmasters,
- Multiples have a different viewpoint on the restrictions policy.
- There had a meeting with the Coop in Manchester and they have indicated they may wish to join.
- Believed should attempt to bring the Coop into membership.
- Coop could have a seat on the Board, however they also wished to have a seat on the Negotiating Committee.
- Consideration needed to be given as to whether Martin McColls should be invited to come on board.
- The Coop is made up of a number of societies running in total 540 post offices including The Cooperative Group (TCG) in Manchester which has 270 post offices.
- Concerned that the multiples would be more vociferous than independent members.
- Could well be a conflict on Section 17, restrictions policy.
- The NC should be an elected committee from the Council.
- Pointed out that outreaches do not have representation on the Council.
- Had allowed when the company was established for two or three seats on the Council for multiples if necessary.
- Wendy Burke, Council member, already represents multiples. However in the main she represents individuals as she was elected through the region.
- POL over the past five or six years had been talking about having EPOS integration with Horizon. This has still not happened.
- The Cooperative Group in Manchester did a deal with Paypoint and integrated Paypoint into their tills.
- Post Office are very strict about restrictions with regard to mail products. Royal Mail have told the Post Office that if anybody that has a Post Office franchise and they try to put My Hermes in or a Collect+ that they should be served notice by POL.
- Royal Mail pay £340 million a year to POL for providing the mails service exclusively.
- Would not like to be in a position where the multiples dominate the NFSP.
- Believed the need for straight co-opted multiples on the Board not through regional structure.
- If it were not for the Federation POL would not be in the bill payment market still as it was at our insistence that Paystations were put into all offices in the UK. Bill payment is part of the restrictions policy.

- After a lengthy debate the overall consensus was to invite the Co-op and other multiples on the Council Board, but there should not be an automatic right to be part of the NC as this should be an elected position and this should not change to appease one group.

(e) Project Specific Grants

- The CEO reported that under the agreement with POL the NFSP receives £1.5 million a year core funding.
- In addition there is a minimum of £1 million a year for project specific grants.
- The NFSP got an agreement that if the money was not used in the year it was meant to be used it could roll on for a further two years.
- Last year was the first year that a minimum of £1 million could be spent on project specific grants. This was not spent.
- The first project specific grant has been agreed for a contribution to the expenditure of the SubPostmaster magazine. The level of contribution is still being looked at.
- The CEO, Ian Park and Philip Bloor had met the previous evening with Drew McBride, Nick Beal and Troy Gardner, POL, to talk about the creation of the NFSP retail team.
- POL are winding down its retail team as they are paid out of the NT budget and they were initially taken on to help offices that were transformed as part of NT with retail and upselling.
- Agreed with the POL that the Federation would develop a retail function to help members with their retail.
- The Federation will potentially be taking on a new field team, some from Post Office. Will also advertise the positions. The team will start late September with a three year contract funded by a project specific grant.
- Anticipated there will be a Director of Retail and Commercial and 7 officers in the field.
- They will work closer with the Federation's branch structure to be an additional resource for the Branch Secretaries. Each will be responsible for 5 Federation branches.
- One of the functions of the Retail and Commercial Director will be to obtain the very best commercial deals for members with some rebate for the NFSP.
- Concern raised that when visits are made to Post Offices they would be asked questions regarding the operation of the post office. Provision will be made for real time contacts to be available at HQ and in the regional/ branch network.
- Reported from 1 July 16 the first project specific agreement will be in place with Franchise Finance.
- This will enable existing Subpostmasters selling their business and future Subpostmasters buying a business. Also how they could look after their finances better.

- There will be 50 business health checks and will drill down as to how robust finances are.
- There will be 10 cases of prospective purchasers who will have their business finance application prepared by Franchise Finance.
- Franchise Finance have good relationships with all the banks.
- There will be workshops, including some POL staff, which will go into depth on financing a post office.
- The trial is for 3 months.
- There will be a helpline set up to advice subpostmasters on cashflow, capital and anything on financial issues.
- Julia Goatcher at Headquarters will take this on as part of her job for three months.
- The cost is circa £80,000 to £100,000 including VAT.
- Nilesh Joshi had spent a day with Franchise Finance and reported that it was very informative and highly rated Chris Roberts, Franchise Finance.
- Working on apprenticeship project which will not start until next year at the earliest.
- Also looking to have once a year in London on the House of Commons terrace an event where about 100 subpostmasters will be invited. Some will be activist and others will be those that are running very good post office. They will meet the MP's.
- Will ask them to visit their MP prior to the event and tell their MP that there will be an event in London and invite the MP to be there as they themselves are attending.
- There will be assistance with travel and accommodation costs.
- Could brand the event Federation only, Federation and POL, or brand it through the All Party Group, which will be invigorated when the new Communication Director, Jenna Khalfan joins.
- The day event will be followed by an evening event at a hotel, possible an award ceremony.
- Looking to get a £50,000 annual grant from POL for the day event.
- Looking to do this event March/April 17.
- Could also incorporate an annual briefing for branch and regional officials.

(f) **Council Meetings**

- Reported for the October 2016 Council meeting we are committed to the present structure, starting at 14.00 on Monday and running through to lunch on Wednesday.

- Suggested that from 2017, the Council meetings will be for Monday starting at 14.00 and Tuesday, finish slightly earlier, only but add an additional meeting, workshop or classroom study at the end of August/ start of September.
- Believed needed a workshop on suspensions/ reinstatements.
- Suggested at the August/September meeting the Board members bring their partners and have a social event in the evening.
- May consider having the October meeting later in the month.

4. REPORT OF THE NEGOTIATING COMMITTEE

(a) Mails

Drop & Go

Irrelevant

2D Bar Codes

Irrelevant

P739's/Mailwork

Irrelevant

PPI Type Mail

Irrelevant

Banking

- Full update at conference.
- Spms **cannot** refuse banking transactions as it was part of their contract.
- On culpability, if a large and late payment is made in which does not fit into the 40 minute safe it should be stored in the most secure place possible. In the event of a burglary/robbery if the situation can be justified with reasons there would be no culpability.
- On the subject of large REM's that would not fit into the safe, if an office had serious problems the NFSP could try and get them a larger safe. Again, should be put in the most secure place possible. If a spm can justify why it was there, there would be no culpability. It made sense to store notes in the safe and move coins to the most secure other place in these situations.
- On ATM's, if filled during working hours, the shop should be shut and have no customers present. ATM money should be in the most secure place possible, like the coin cabinet, and once the shop is closed the ATM can be filled.
- Clarified that on culpability, PO are very fair. A spm just needs to come up with valid and justifiable circumstances.

Security

Irrelevant

ATMs

Irrelevant

Irrelevant

Conformance

Irrelevant

Lottery

Irrelevant

Apprenticeships

Irrelevant

Travel Products in Locals

Irrelevant

Small Office Payments/Minimum Wage

Irrelevant

Irrelevant

Travel Money

Irrelevant

Customer Relationship Managers (CRM)

Irrelevant

ACTION

5. ANNUAL EXHIBITION/ANNUAL GENERAL MEETING/ANNUAL
CONFERENCE 2016

Irrelevant

6. FEDERATION TRUSTEES

Irrelevant

DECISION

DECISION/ACTION

7. COMMERCIAL REPORT

(a) New Director Update

Irrelevant

DECISION/ACT]

Irrelevant

(b) Community TV

Irrelevant

8. **REPORT OF THE TRUSTEES TO THE BOARD OF BENEVOLENCE**

Irrelevant

9. **FINANCE**

- Reported that the final set of accounts for the former NFSP to 31 March 2016 will be prepared and then submitted to the Revenue.
- The accounting year end for the new company, NFSP Limited, is 30 September 2016.
- The Trading Company will need to have a co-terminus year end as it is a requirement to consolidate accounts.
- Working on the Annual Plan for 2017.
- Will build into the Annual Plan funding for a new membership system.

10. **NFSP COMMUNICATIONS**

Irrelevant

11. ANY OTHER BUSINESS

Irrelevant

ACTION

- Peter Montgomery asked what the policy of the NFSP was in regard to Freeths Solicitors who are asking subpostmasters that they believe suffered losses as a result of Horizon to allow Freeths to work on their behalf and take POL to court.
- The CEO explained that Freeths are basically ambulance chasers. Freeths are desperate to get subpostmasters to engage with them.
- Freeths also maintain that the Subpostmasters Contract is unfair with regard to the Subpostmaster being responsible for losses.
- It is up to the individual to decide whether they wish to sign a contract or not.
- Legally a contract does not have to be fair.
- Reported that Horizon was set up to take 17.5 million benefit customers to a plastic Post Office benefit card. The labour government decided it was running over budget and wanted benefit recipients to have their money paid into bank accounts. The POCA was then introduced because of pressure by the NFSP and POL.
- The Government then informed Royal Mail that they had to purchase the Horizon system for £0.5 billion.
- The NFSP's policy has always been that it is a robust system and we have full confidence in it.

- Do not believe the system is systemically faulty.
- Most people that blame Horizon for losses are overinflating their cash declarations, false accounting.
- Subpostmasters take money sometimes and members of staff also take money.
- Reminded that members of the Council should adhere to collective cabinet responsibility.
- Tim Boothman raised the issue of purchasing currency with a Bank of Scotland debit card in the region of £1,000 and the transaction is declined even though the customer has the funds.
- Reported that it would depend on banks monitoring anything not the normal average spend.
- Tim Boothman reported that he had a case in Shropshire where the subpostmaster

GRO**GRO**

- The member of staff was concerned that the branch had not been rolled over. Arranged for a regional activist to do the rollover, but unfortunately when they did this the office was £4,000 short.
- The subpostmaster had borrowed money to keep the office functioning.

GRO

- Had previously asked POL to provide soft loans to subpostmasters, they were not prepared to do this.
- A lot of Main offices that have converted, particularly ones without retail, and given the front office of government strategy has failed, given the financial service strategy is iffy, have real concerns for these people.
- Unfortunately once on a Main or Local contract the fixed pay goes. There is not going to be any financial help available.
- As an organisation we should encourage people to upsell post office products the best they can and look at growth in their retail. Maybe they could move premises and take on a convenience store.
- Calum Greenhow asked if payment for 2D barcodes would be backdated. It is hoped this would be the case but not for those that had already left the business.
- Ian Park reported that he had queried the issue with the cash helpline and the long queues. He had received a response being that typically on a Tuesday and Wednesday there are 2,000 to 2,500 calls and that last week it averaged 5,000. Essentially the queues were because they had closed the office at Leeds where they had second line operators and those operators would help with first line queues. Replacements for those lost have not to date come forward in sufficient numbers, but they are recruiting. A lot of the calls were repeated dialling because of abandoned calls. Because a lot of offices are pre-funding they are now only

- asking offices to ring if they do not have enough money and not they have too much.
- Jim Nott reported that auditors had turned up to an office. The audit was fine, but the subpostmaster was then handed a termination notice stating that the office was not open the hours he had agreed when he signed the Mains contract. Newrose were allowed to step in at the post office with the subpostmaster's agreement. The subpostmaster has been told that because it is within the 3 years of his contract and work had been done that had payment had been made for POL will be claiming back that money.
 - Another office has had their contract terminated because the combi-till was not open the agreed hours. However the temporary operator will only be able to do the same hours as he was as they will only be able to serve from the fortress position.
 - The CEO will speak to Kevin Gilliland on these issue.
 - The CEO reported for Locals POL do not have step in rights, as most do not have a fortress and the combi is combined with the shop counter. Mains are completely different.
 - There will be a NFSP workshop on suspensions and appeals.
 - The issue will also be taken up by the NC.
 - Operators should open the hours they have agreed until they make a successful appeal to have their hours reduced. They must follow the process.
 - Nilesh Joshi thanked the Chair for the way he had presided over the meeting.

J Nott

Sharon Merryweather
Lynda Willoughby
June 2016