



Post Office Board Agenda

Date		Present	In Attendance	Apologies
25 th July 2016		<ul style="list-style-type: none"> • Tim Parker (Chairman) • Richard Callard • Tim Franklin • Virginia Holmes • Ken McCall • Carla Stent • Paula Vennells • Alisdair Cameron 	<ul style="list-style-type: none"> • Alwen Lyons <p>Other attendees:</p> <ul style="list-style-type: none"> • Rob Houghton (Item 4) • Nick Kennett (Item 5) • Martin Kearsley (Item 5) 	None
Start Time	Finish Time			
09.30hrs	12.15hrs			
Location				
Room 1.19 Wakefield				

Agenda Item	Action Needed	Purpose	Lead	Timing
1. Minutes of previous Board and Committee meetings including Status Report	Decision	Minutes formally agreed.	Alwen Lyons	09.30 – 09.35
2. CEO Report Including IR update	CEO report noted	CEO to update the Board on the report.	CEO	09.35 – 09.55
3. Financial Report	CFO report noted	CFO to update the Board on P3 results.	CFO	09.55 – 10.10
4. Technology Strategy	Agreement	To understand the status and strategic direction of the IT function.	Rob Houghton	10.10 – 11.10
BREAK				11.10 – 11.20
5. Banking Framework	Decision	Agree contracts / delegate authority to sign.	Nick Kennett / Martin Kearsley	11.20 – 11.35
6. Update from Board Committees (verbal)	Board updated	Committee Chairman to update the Board on Committee meetings held since the last Board meeting.	Committee Chairman	11.35 – 12.00
7. Any Other Business				12.00 – 12.15
7.1 Health & Safety	Noting	To update Board.		
7.2 Sealings	Noting	Board aware of the affixing of the seal.	Alwen	
7.3 Confirmation of 2017 Board & Committee dates	Noting	To remind the Board of the Board and committee dates for 2017.	Alwen	
CLOSE				12.15

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POLB 16(4th)
POLB 16/26 – 16/36

POST OFFICE LIMITED
(Company no. 2154540)
(the 'Company')

Minutes of a Board meeting held at 9.00am on 24 May 2016
at 20 Finsbury Street, London EC2Y 9AQ.

Present:

Tim Parker	Chairman
Richard Callard	Non-Executive Director
Alisdair Cameron	Chief Financial Officer (<i>excluding minute POLB 16/30</i>)
Tim Franklin	Non-Executive Director
Virginia Holmes	Non-Executive Director
Carla Stent	Non-Executive Director
Paula Vennells	Chief Executive (<i>excluding Minute POLB 16/30</i>)

In Attendance:

Alwen Lyons	Company Secretary
Mark Davies	Communications Director (<i>Minute POLB 16/29 & POLB 16/32</i>)
Jane MacLeod	General Counsel (<i>Minute POLB 16/31</i>)
Andrew Moys	Post Office Advisory Council (<i>Minute POLB 16/32</i>)
Nick Kennett	Financial Services Director (<i>Minute POLB 16/33 to POLB 16/34</i>)
Steve Ashton	Chairman Post Office Management Services (<i>Minute POLB 16/33 to POLB 16/34</i>)
Kevin Gilliland	Network and Sales Director (<i>Minute POLB 16/35</i>)
Kevin Seller	General Manager Network Transformation and Development (<i>Minute POLB 16/35</i>)

Apologies:

Ken McCall	Senior Independent Director
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POLB 16/26

INTRODUCTION

- (a) The Chairman noted that a quorum was present and opened the meeting.
- (b) Each Director confirmed that they had no conflicts of interest in relation to the business to be considered at the meeting.

POLB 16/27

MINUTES OF THE PREVIOUS BOARD AND COMMITTEE MEETINGS INCLUDING STATUS REPORT

Minutes

- (a) The minutes of the meeting of the Board held on 9th February 2016 were approved as accurate records and the Chairman was authorised to sign them.
- (b) The minutes of the meeting of the Board held on 21st March 2016 were approved as accurate records and the Chairman was authorised to sign them.

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- (c) The minutes of the Audit, Risk and Compliance Committee meeting held on 22nd January 2016 were noted.

Status Report

- (d) POLB 16/02 (g) – The Board noted NFSP Grant Agreement update. The CEO reported that to date no grant project funding had been utilised and that any funding would have to be supported by a business case.
- (e) The Board noted the Status Report dated 16th May 2016.

POLB 16/28**CEO REPORT****CEO Report**

- (a) The CEO introduced the CEO Report, focusing on the following key points:
 - (b) **Period 1 results.** Good trading results for the start of the year and reducing costs have delivered above target results for period 1.
 - (c) **IRIS.** The IRIS announcement to withdraw from the supply chain external market had been well managed by the CFO, Mark Ellis, Supply Chain Director, and a team of 'super-briefers'. After the initial leaking of information by the CWU the external communications had been effectively managed and the CEO thanked all those involved. All the units would now have a session with a member of the Group Executive (GE) or the Lead Team, to build on the messages and listen to concerns.
 - (d) The 90 day consultation period was underway and despite the excellent work the CEO still expected the CWU to ballot for industrial action. The CEO explained that in the event of industrial action support would be prioritised in the following order; supply chain; NBSC (helpline); then directly managed branches.
 - (e) **NFSP Conference.** The CEO thanked the Chairman for attending the NFSP Conference. The debate and questions had been challenging but an opportunity to engage with the NFSP delegates.
 - (f) **Horizon outage.** Tim Franklin reported that the ARC had received an update on the Horizon outage and that a full report, including root cause analysis, was being presented at the September ARC.
 - (g) The Board noted the CEO report.
- (h) **Transformation Update**
The Board noted the Transformation Update.

POLB 16/29**ANNUAL REPORT AND ACCOUNTS (ARA)**

- (a) The Chairman welcomed Mark Davies, Communications Director, to the meeting.

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- (b) The CFO introduced the ARA focussing on the following key points:
- (c) **The Accounts.** The numbers in the accounts are almost finalised with a few revenue procedures to complete. The CFO explained the approach to capital expenditure impairment which had been discussed at the ARC and the different treatment for POMS.
- (d) **Disclosures.** As the Company was no longer reporting compliance with the 'spirit' of the UK Code of Corporate Governance, there was an opportunity for more flexible approach to disclosures in the ARA.
- (e) The CFO reported the debate at the ARC and the recommendation from EY to disclose the Sparrow claim. The Board agreed that the note on Sparrow, as detailed in the Board paper, should be included in the 'contingent liabilities'.
- (f) The Board discussed the Directors' Remuneration Report and the level of detail to include in the ARA. It was agreed that the report would include more than the minimum detail required and although it was unusual to provide the maximum stretch target for bonus payments, this would be included as it was included in the past.
- (g) **Timetable.** The ARC would be convened at the end of June for final sign off of the ARA, which would be published in early July.
- (h) Taking into account the discussion topics, the Board:
 - Noted the Briefing Book.
 - Noted the Post Office Annual Report and Financial Statements.
 - Noted the Audit Results Report provided by EY.
 - Delegated authority to the Post Office Audit, Risk and Compliance Committee (ARC) to approve the Annual Report and Financial Statements
 - Delegated authority to the Chairman, the Chief Executive and the Chief Financial Officer to sign the Annual Report and the Financial Statements following approval by the ARC.
- (i) Mark Davies left the meeting.

POLB 16/30

APPROVAL OF 2016/17 ANNUAL BONUS (STIP) DESIGN

- (a) The CEO and CFO left the Meeting.
- (b) A paper highlighting the 2016/17 Annual Bonus (STIP) Design was circulated to the Board, outlining a proposal which had been discussed at the Remuneration Committee on the 23rd May and recommended to the Board. The Chairman explained the proposal included a gateway of 900 branch conversions, and an 'entry point' target.
- (c) The Board approved the annual design and metrics for recommendation to UKGI.

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ACTION:
Neil Hayward

- (d) **2016/17 Annual Bonus design and metrics to be recommended to UKGI.**
- (e) The Board noted the governance agreed by the Remuneration Committee.

POLB 16/31

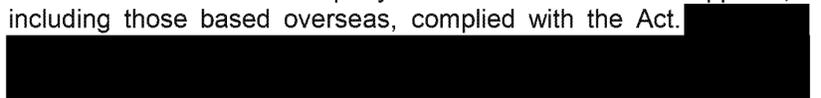
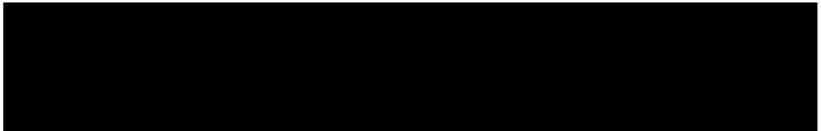
ITEMS FOR NOTING

- (a) The CEO and CFO re-joined the meeting. The Chairman welcomed Jane MacLeod, General Counsel (GC), to the Meeting.

Sparrow.

- (b) The GC introduced the report on Postmaster Litigation and gave a verbal update on the High Court Claim described in the Noting paper.
- (c) The GC noted that the claim although filed in the High Court, had not been formally served on the Company and that service must be effected by 11 August in order to be effective.
- (d) The GC noted that a 53 page letter had been received from Freeths (the solicitors acting for the claimants) and that a response would be sent during July. Initial review of the letter suggested that there were no new areas of concern that had not previously been raised through the Complaint & Mediation Scheme.
- (e) The GC advised that it was proposed to continue to instruct Bond Dickinson, who had detailed knowledge and experience of the claims and that Tony Robinson QC had been interviewed and instructed to act also.
- (f) The Board noted the pro forma litigation timetable set out in the paper.
- (g) The Board noted the report.

Modern Slavery

- (h) 
- (i) The Board discussed the requirements of the Act and the proposed statement which would be published on the Company website. The publication of the statement by September 2016 would ensure compliance with the Act.
- (j) The Board asked if the Company needed to ensure all its suppliers, including those based overseas, complied with the Act. 
- (k) 

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(j) Taking all the discussion points into consideration, the Board approved the Modern Slavery Transparency Statement 2015-2016.

(k) The GC left the meeting.

Sealings

(l) The Directors resolved that the affixing of the Common Seal of the Company to the documents numbered 1400 to 1421 inclusive in the seal register was confirmed.

Project Paddington

(m) The Board ratified the decision to delegate authority to the CEO to sign a variation to the existing Collaboration Agreement, a Master Franchise Agreement and a Framework Concession Agreement with WHSmith (WHS) in connection with Project Paddington.

POLB 16/32

POST OFFICE ADVISORY COUNCIL (POAC)

(a) The Chairman welcomed Mark Davies, Communications Director and Andrew Moys, a member of POAC, to the meeting.

(b) Mark Davies explained the history of the POAC, the backgrounds of the members involved, and the range of issues which had been debated at the meetings.

(c) Tim Franklin thanked the CEO for her support and recognised that some of the debates at the POAC had been challenging for the Executive team members presenting items. The CEO reinforced her backing for the POAC and welcomed the diversity of the group and the rigour of the challenge.

(d) Andrew Moys thanked the Board for inviting him and described his role as a POAC member. He explained that the POAC brought together a wide range of experience and had worked most effectively when asked for input early enough to influence Company thinking.

(e) Tim Franklin thanked the Board for their support and invited them to attend a future POAC meeting.

(f) The Board noted the report.

(g) Mark Davies and Andrew Moys left the meeting.

POLB 16/33

PROJECT PEREGRINE PHASE 1

(a) The Chairman welcomed Steve Ashton, Chairman of POMS, and Nick Kennett, Financial Services Director and CEO of POMS, to the meeting.

(b) Nick Kennett gave a verbal update to the Board on Project Peregrine, the renegotiation of the Bank of Ireland (BoI) contract. After a tender process Macquarie, investment banking group, had been chosen to support the Peregrine process.

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- (c) Nick Kennett explained that the work was in three phases:
 - To understand the value of the Bol contract, as it was currently suboptimal for both parties;
 - To agree a negotiation strategy, a mandate for which would be brought to the June Board away day; and
 - To prepare for the negotiation.
- (d) Nick Kennett clarified that it had yet to be decided if Macquarie would be involved in the negotiation as a different set of skills may be required.
- (e) The Board noted the paper.
- (f) Nick Kennett updated the Board on the good progress being made on the Banking Framework. He also explained that the Payments Strategy, covering bill payments and the digital wallet would be presented at the June away day.

ACTION: ALL

- (g) **Nick Kennett offered 121 sessions to Board members before the June away day.**

POLB 16/34**POMS UPDATE TO POST OFFICE BOARD**

- (a) Nick Kennett introduced the POMS update paper to the Board reporting the progress made over the last year. Two areas of risk were identified:
 - Branch trading for travel insurance; and
 - Ensuring that branch sales conversations are compliant.
- (b) The Board asked how POMS was trading compared with the market.
- (c) Steve Ashton explained that the market had shifted online and to aggregator sales and that POMS needed to respond. Competitors were very good at acquiring customer life time value through analytics and that this was where the Post Office should focus.
- (d) Nick Kennett reported that work was underway on customer segmentation and product analytics which, along with improvements in the customer journey, should enable POMS to develop a better customer relationship and higher customer value.
- (e) Steve Ashton recognised that POMS could use the Travel Insurance product, linked to the travel money product as an anchor to create awareness and customer momentum. This anchor could then enable product bundling and the development of a customer relationship.
- (f) The Board asked if Network Transformation was hindering the growth of Financial Services. Nick Kennett explained that the most vulnerable area was in travel where the product is currently sold in c9000 branches.
- (g) The Board discussed the sales model of Financial Services products and the CEO explained that a new proposed Target Operating

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Model would be discussed at the June Away day which would recognise the difference between transactional and relationship sales.

- (h) The Board asked about the risks identified by POMS. Steve Ashton stressed that 6 to 9 months ago the POMS Board had been very concerned by the regulatory relationship with Post Office and the lack of engagement to mitigate the conduct risks. However he was pleased to report that the POMS ARC had received a report and presentation from Kevin Gilliland, Network & Sales Director, and Jonathan Hill, Head of Financial Services Risk, on the oversight of Post Office as the appointed representative of POMS. This had given POMS ARC comfort that Post Office is taking steps to address the various issues and concerns. Post Office is due to present an update to the POMS ARC in July.
- (i) The Board noted the progress made and confirmed support to the strategic direction and business intent.
- (j) Nick Kennett and Steve Ashton left the meeting.

POLB 16/35

DIRECTLY MANAGED NETWORK STRATEGY UPDATE

- (a) The Chairman welcomed Kevin Gilliland, Network and Sales Director, and Kevin Seller, General Manager Network Transformation and Development, to the meeting.
- (b) Kevin Gilliland introduced the Directly Managed (DM) Network Strategy Update, and explained that although the transformation of the DM branches had produced a £50m turnaround from a loss of £46m per annum to a profit of £2.7m per annum, and that Paddington would deliver a 3yr £18m EBITDAS improvement, the strategy needed to develop further if the network was to become cash generative.
- (c) Kevin Gilliland explained that the Business case was predicated on simplifying the operating model and taking out significant central costs.
- (d) The Board discussed the options for the DM branches and the investment which would be required to deliver the change.
- (e) The CFO recognised that there would be a finite investment pot to right size the Business and that the directly managed transformation should be considered alongside other initiatives. Richard Callard reminded the Board that the Government were not expecting to fund a further big investment. The CFO noted that the earlier plans assumed a much higher level of profitable Government revenue.
- (f) The Board recognised that significant reduction in the DM network would cause serious industrial relations issues but the CEO believed that if this was the agreed strategy it could be delivered.
- (g) Kevin Seller acknowledged that there would be areas of the country where an alternative approach would be required. Large city mails

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branches may require dividing and replacing with automation or smaller cheaper sites. Urban deprived areas, where there are no other solutions, may need to be considered as community branches and require ongoing support.

- (h) The Board noted the update, confirmed its appetite for a transformation programme to further reduce the Directly Managed network and welcomed a fuller debate at the June away day with a business case to returning to the Board in September.
- (i) Kevin Gilliland and Kevin Seller left the meeting.

POLB 16/36

CLOSE

- (a) There being no further business, the Chairman declared the meeting close.

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Chairman

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Date

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POLB 16(5th)
POLB 16/37 – 16/39

POST OFFICE LIMITED
(Company no. 2154540)
(the 'Company')

Minutes of a Board meeting held at 12.00 noon on 29th June 2016
at Warren House, Warren Road, Kingston Upon Thames, Surrey, KT2 7HY.

Present:

Tim Parker	Chairman
Richard Callard	Non-Executive Director
Alisdair Cameron	Chief Financial Officer
Tim Franklin	Non-Executive Director (part item 38 & item 39)
Virginia Holmes	Non-Executive Director
Ken McCall	Senior Independent Director
Carla Stent	Non-Executive Director
Paula Vennells	Chief Executive

In Attendance:

Alwen Lyons	Company Secretary
Neil Hayward	Group People Director
Natasha Wilson	Director, Reward & Pensions
William Weir	Willis Towers Watson

POLB 16/37

INTRODUCTION

- (a) The Chairman opened the meeting, and welcomed Neil Hayward, Group People Director, Natasha Wilson, Head of Reward and Pensions, and William Weir, Actuary Willis Towers Watson.
- (b) The directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's articles of association

POLB 16/38

PATHFINDER

- (a) Neil Hayward introduced the paper explaining the conclusion of the consultation process and the recommendation to the Board. He clarified the changes made to the pensions proposal following the member consultation to:
 - Close the DB Plan to future accrual at the end of the current financial year, March 2017;
 - Change the benefits accrued pre-2012, to revalue in line with RPI instead of CPI (subject to final confirmation from the Cabinet Office).
- (b) Neil Hayward explained that the Board were being asked to approve the submission of a recommendation to the Plan

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Trustee on the 5th July for consideration at the Trustee meeting on the 15th July.

- (c) The Board recognised the implications of the pension proposal on individuals and discussed the proposed changes.
- (d) Tim Franklin Joined the meeting
- (e) William Weir explained the assumptions made in his advice to the Company, and that the self-sufficiency approach proposed would protect the members' accrued benefits and de-risk the plan.
- (f) It was recognised that the Trustee and the Plan Executive would not have much time before their July meeting to consider the proposal and that it might need to be discussed again at the September Trustee Board.
- (g) Virginia Holmes acknowledged the legal and actuarial advice received by the Company and affirmed her support for the proposal.
- (h) Having considered all the points raised in the Board paper, predicated on legal and actuarial advice, the Board approved a submission to the Plan Trustee recommending:
 - 1. To close the DB Plan to future accrual at the end of the current Financial Year (March 2017)
 - 2. Benefits accrued pre-2012 (whether final salary or CSDB) will revalue in line with RPI (subject to final confirmation from Cabinet Office).
 - 3. Benefits built up from 1 April 2012 to increase in line with CPI.
 - 4. DB Plan members will join the Post Office Pension Plan ('the DC Plan') from 1 April 2017.
 - 5. The Dc |Plan will be improved with an enhanced employer contribution rate of 1% as per the initial proposal.
 - 6. Death in Service lump sum benefits will increase to a rate of 4x salary (=2x if members have financial dependents) from 1 April 2017
 - 7. Ill health benefits will be provided (subject to medical consent) at a rate of half pay until the individual reaches age 65 or returns to work.
- (i) The Board delegated authority to the Group Executive to action post closure options at the appropriate time.

POLB 16/39

DATE OF THE NEXT MEETING

- (a) It was noted that the next meeting of the Board would be on 25 July 2016.

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Chairman

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Date

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POLB 16(6th)
POLB 16/40 – 16/42

POST OFFICE LIMITED
(Company no. 2154540)
(the 'Company')

Minutes of a Board meeting held at 8am on 11 July 2016
by telephone conference call

Present:

Tim Parker	Chairman
Ken McCall	Senior Independent Director
Carla Stent	Non-Executive Director
Richard Callard	Non-Executive Director
Tim Franklin	Non-Executive Director
Virginia Holmes	Non-Executive Director
Paula Vennells	Chief Executive
Alisdair Cameron	Chief Financial Officer

In Attendance:

Alwen Lyons	Company Secretary
Martin George	Commercial Director
Chris Doutney	Head of Government Services
Christian Muir	Client Director

POLB 16/40

INTRODUCTION

- (a) A quorum being present, the Chairman opened the meeting.
- (b) The directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's articles of association

POLB 16/41

POST OFFICE CARD ACCOUNT (POca) PROCUREMENT DECISION

- (a) Martin George (MG) thanked the Board for their time explaining why the POca procurement decision had fallen outside the regular Board meeting timetable.
- (b) Chris Doutney (CD) explained the history of the POca and the background to the procurement. The preferred, and only remaining bidder, Hewlett Packard Enterprises and TSB (HPE/TSB) had offered an improvement in the commercial terms and the capability of providing innovation for future POca developments.
- (c) CD reported that the proposed HPE/TSB bid would improve the POca direct product contribution by c.£25m over the five years of the contract compared with the existing terms.

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(d) HPE propose to work with Post Office to develop a digital wallet/bill pay service (POcaPlus) to provide customers with a 'jam jarring' facility, to help with bill payment, which could generate a commission to HPE and Post Office from the customers' service providers.

ACTION: CD

(e) The Board asked for more detail about Sabadell the Spanish banking group who have bought TSB from Lloyds Bank.
The CEO suggested that CD provide a note on Sabadell for the Board.

(f) The Board discussed the IT systems used for the banking transactions and CD assured the Board that HPE would acquire the current banking engine IT system from the current bank, JPM, so they would be working with proven technology that had worked effectively for a number of years. This would in effect de-risk the technology aspects of the transition.

(g) The Board asked for reassurance that the single remaining bidders would agree to the required service level agreements (SLAs). CD explained that the majority of the MSA SLAs had been finalised with further caveats in the preferred bidder letter to build in additional protections. Christian Muir reported that the SLAs had been agreed and were, as good as, if not better than those in the existing contract.

ACTION: CD

The Board asked CD to ensure that all legal risks were closed down before the contract was signed, and that HPE did not try to dilute the terms once they received the preferred bidder letter.

(h) The Board asked for assurance that the work on digital wallet would be accelerated and aligned with the wider digital strategy.
MG assured the Board that the work would be accelerated and promised to keep the Board updated.

ACTION: MG

ACTION:
Carla Stent

(i) The Board discussed CYSC8 banking requirements and asked the **ARC to pick up the risks concerned with the transfer of POca accounts (Court Order part 7) and CYSC8.**

(j) The Board approved the selection on HPE/TSB as the preferred bidder for the POca.

The Board approved the delegation of authority to the CEO and CFO for final approval and signature of the contract.

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POLB 16/42

CLOSE

- (a) There being no further business, the Chairman declared the meeting close.

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Chairman

.....
Date

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POLARC 16(2nd)
POL ARC 16/10 – 16/20

POST OFFICE LIMITED
(Company no. 2154540)
(the 'Company')

Minutes of a meeting of the AUDIT, RISK AND COMPLIANCE COMMITTEE
held at 2.00pm on 17th March 2016
at 20 Finsbury Street, London EC2Y 9AQ

Present:

Carla Stent	Chairman (Chair)
Tim Franklin	Non-Executive Director (TF)
Ken McCall	Non-Executive Director (KM)
Richard Callard	Non-Executive Director (RC)

In Attendance:

Paula Vennells	Chief Executive, (CEO)
Alisdair Cameron	Chief Financial Officer (CFO)
Jane MacLeod	General Counsel (GC)
Nick Kennett	Financial Services Director, & CEO POMS (NK)
Alwen Lyons	Company Secretary (CoSec)
Mike Morley-Fletcher	Head of Risk and Assurance, Corporate Services, (MMF)
Garry Hooton	Audit Manager (GH)
Peter McIver	Ernst & Young (EY) (PM) by conference call
Mounia Mukina	EY (MM)
Elena Belyaeva	EY (EB)
Natasha Wilson	Director, Reward & Pensions (NW) (Minute 16/18 only)
Tim Giles	Aon Hewitt (TG) (Minute 16/18 only)
Amanda Bowe	Post Office Management Services Limited (POMS) Non-Executive Director and Chair of ARC (AB) (Minute 16/11 only) by conference call

POLARC 16/10

INTRODUCTION

- (a) A quorum being present, the Chairman opened the meeting.
- (b) Each Director confirmed that they had no conflict of interest in relation to the business to be considered at the meeting.

POLARC 16/11

REPORT FROM POMS ARC

- (a) The Chair welcomed AB to the meeting.
- (b) AB gave a verbal report from the meeting of the POMS ARC which had taken place on 15 March 2016, immediately preceding the POMS Board.
- (c) The POMS ARC's main focus of discussion had been: oversight by Post Office; consideration of the Policy Framework; and updates on risk and compliance.

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- (d) The POMS ARC had approved: the Compliance Monitoring Plan; the Internal Audit Plan for 2016/07; and the noted the External Audit Plan and fee for the period ending 27 March 2016.
- (e) The POMS ARC in May would receive a comprehensive action plan covering the oversight of POL performance under the MSA; the management of risk associated with POL commercial activities – especially regarding marketing & sales activity; and oversight of POL regulatory activities.
- (f) NK explained that the need for clarity in the relationships of the Principal and Appointed Representative had been raised by PwC in the readiness assurance provided for POL before the establishment of POMS. He reported that POL CEO would be attending a POMS ARC and Board in due course.
- (g) NK explained that the immediate issue of managing compliance in the branch network including AML is covered in work being undertaken by the GC.

ACTION: GC

The Committee asked for a paper for the May meeting explaining how POL had oversight of regulatory activity in branch and how issues are escalated.

- (h) The Committee asked how POL and POMS were kept abreast of regulatory changes. NK assured the Committee that responsibility for horizon scanning for regulatory changes was the accountability of a member of his POMS team.
- (i) The Committee noted the report.
- (j) AB left the meeting.

POLARC 16/12

MINUTES OF THE MEETING HELD ON 22 JANUARY 2016, STATUS REPORT AND MATTERS ARISING

- (a) The minutes of the meeting held on 22 January 2016 were approved as presented and the Chair of the Committee was authorised to sign them as a true record.
- (b) POLARC 15/30 (e) – The Committee noted the developments to the Contract Management processes and noted the further work that would be required across each function commencing in Q1 2016/17.
- (c) POLARC 16/02 (e) – The Committee noted the Cyber Security and Information Assurance Update paper.
- (d) The Committee asked for more clarity on how actions had been discharged before reporting them as closed.

ACTION: CoSec

CoSec was asked to highlight where actions are absorbed into activity which the Committee are tracking.

- (e) The Committee noted the action list dated 11th March 2016.

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POLARC 16/13

RISK & CONTROLS UPDATE

- (a) MMF introduced the Risk Update and explained the progress to date.
- (b) The Committee discussed the **Group Risk Profile** and **Incident Reporting** and asked whether Trinity should have been highlighted as an incident. MMF explained that Trinity was being treated as a risk mitigation for risk 7, which had consequently be renamed from 'Transformation Complexity' to 'Transformation IT delivery'. A reduction in the net risk evaluation was expected in the near future as the impact of Trinity was taken into account.
- (c) The Committee asked for more granular detail on the 'top risks' to enable them to understand the contribution of specific issues such as IRIS or Trinity. Using 'Industrial Relations' as an example, the CEO explained that the risk rating was a conflation of the Industrial Relations risk of a number of transformational projects.

ACTION: MMF

Description of top risks to be amended where relevant to identify the contribution to the top risks of issues such as IRIS or Trinity.

- (d) The Committee discussed the IT incident reporting. The CFO explained that a survey of incidents was in place and reviewed by the Group Executive (GE).

ACTION: MMF

Consider how to make failure of any of the critical suppliers (eg ATOS, Fujitsu, BOI, RMG) more apparent on the Risk Profile, with an explanation of how Management are managing the risk.

- (e) The Committee discussed whether the 'top risks' covered the current areas and issues which were of most concern to the CEO.

ACTION: MMF

Consider how to update the ARC/Board on the current risks facing the business at a point in time and relating these back to the 'top risks', giving greater clarity on the 'risks of the moment'.

- (f) MMF reported the progress made in developing the **General Control Framework**. The GE accountabilities had been agreed and would be included in objectives for 2016/17. An attestation process to enable GE self-assurance had been developed which would be trialled during the Interim Accounts process and in place

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for the 2016/17 year end Board Annual Assessment and disclosure in the Annual Report & Accounts.

- (g) The Committee asked for assurance that the timescales for developing the **Policy Framework** were realistic and were assured by MMF that the work was progressing to plan. The GC explained that some policies had been brought forward to meet the timetable of the Banking Services Framework assurance and that these were on track.

ACTION: MMF

Include in the Policy Framework update for the May ARC an explanation of the governance for policies, and which will be presented to which Committee for oversight.

- (h) The Committee discussed the **Business Continuity Plan** (BCP) and challenged the timescale to complete phase 3 of the process. MMF explained that the October date included in the paper was when BCP would become business as usual, it was not meant to suggest that nothing would be in place before that date.
- (i) The CEO stressed that the work underway was to document best practice but that processes were in place for BCP and the Business had the ability to react to an incident.
- (j) The Committee asked what part the Board played in the Crisis Management Construct and how the Board would be informed if an incident occurred. The CEO explained that she was personally responsible for keeping the Chairman and the Board informed.

ACTION: GC

The Committee requested that the Crisis Management plan included details of the role of the Board making clear when and how they would be contacted. It would be finalised and circulated to the Board as soon as possible.

- (k) The Committee approved the draft proposal for the Post Office revised corporate governance compliance statement for inclusion in the governance section of the 2015/16 Report and Accounts.

ACTION: CoSec

Include the statement 'PO maintains standards of corporate governance appropriate for our ownership structure, our commitment to social purpose and our strategy to commercial sustainability' in the Annual Report & Accounts.

- (l) After providing feedback on its elements, the Committee noted the Risk Update.

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POLARC 16/14

INTERNAL AUDIT UPDATE

- (a) GH introduced the Internal Audit (IA) Update. The Committee were disappointed by the lack of progress on IA actions and challenged management as to whether enough focus was being given to the IA findings.
- (b) The CEO explained the time pressure that Trinity had put on the Business over the last two months but accepted that the actions had not be progressed quickly enough. The CEO promised that audit actions would be addressed before the May ARC and that in future GE members would be invited to the Committee if red audit actions had not been addressed.

ACTION: GH

Late red audit actions to be addressed before the May ARC and where this has not happened the GE responsible would be invited to the Committee to explain why actions had not been cleared.

ACTION:GC

The Committee asked that the GE responsible for the Financial Crime audit be invited to the May ARC.

- (c) The Committee were concerned by the report on Property Compliance Governance, especially in relationship to Health & Safety. The GC expected to have property compliance in place by the end of March, and that all the property IA actions would be completed before the next ARC.

ACTION: Kevin Seller

Provide an update on property compliance governance for the Committee, with more detail on the areas of concern highlighted in the report.

- (d) The CFO gave an update on Trinity and a FOI request received from a law firm. The GC explained the nature of the request and stressed that the information supplied would be redacted to ensure no commercially sensitive information was provided.
- (e) Having taken all the discussion points into consideration, the Committee noted the update.

POLARC 16/15

INTERNAL AUDIT PLAN 2016/17

- (a) GH introduced the proposed Internal Audit Plan for 2016/17.
- (b) The Committee asked that cyber security to be included as part of the proposed reviews and not as part of the watch list.

ACTION: GH

Cyber security to be included as a review in the Internal Audit plan 2016/17.

- (c) GH confirmed that he had the required resource to complete the proposed Audit Plan.

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- (d) Having taken all the discussion points into consideration, the Committee approved the Internal Audit Plan for 2016/17.

POLARC 16/16

AML CTF FRAMEWORK

- (a) GC introduced the Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) Framework. During 2015 responsibility for AML had moved to the Head of Security who had commissioned a review by Promontory. The recommendations from this review were summarised in the Committee paper.
- (b) GC reported that the business has also been notified by HMRC that they are to carry out an AML/CFT compliance audit on the Post Office in 2016 in advance of a possible Financial Action Taskforce Review in 2017.
- (c) The Committee were concerned by the issues raised in the Promontory report and asked for the following updates:

ACTION: GC

A monthly progress report on the actions highlighted in the Promontory report to be circulated to the Committee

ACTION: GC

A report on AML at every ARC meeting including a stakeholder plan

- (d) The Committee asked GC if the Audit team could assist in the process and the Chair offered her experience in AML risks and frameworks.
- (e) Following discussions the Committee noted the paper.

POLARC 16/17

FINANCE**Lessons learnt on Postmaster Compensation provision**

- (a) CFO introduced the Lessons Learnt paper on Postmasters' Compensation.
- (b) The Committee recognised the work undertaken to improve the controls and noted the changes that had been implemented.

Update on Financial Reporting and Controls

- (c) CFO introduced the update on Financial Reporting and Controls. His paper set out the areas where work is underway to give assurance for the signing of the 2015/16 year end accounts, but also to build effective controls for the future.
- (d) CFO told the Committee that during the work no further areas of discrepancy had been identified. CFO noted the criticality of the income reconciliation from source data through to client settlement. Scrutiny of the items on the Balance Sheet, was also underway and would include post balance sheet event testing.
- (e) CFO took some comfort that the external audit plan approach had been changed to include more testing of the balances.

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- (f) Having commented on the progress and the plans, the Committee noted the paper.

EY External Audit Update

- (g) PM introduced the External Audit Update and the audit approach which included:
1. Additional work planned to further test the Postmaster Compensation Provision which was highlighted in Appendix A of the EY report, including post balance sheet payments to subpostmasters.
 2. Revenue reconciliation across a range of diverse products and systems, similar approach to last year.
 3. Classification of and completeness of the exceptional items and the utilisation of the Government Funding, similar approach to last year
 4. Other areas would include Pension valuation & accounting; VAT accounting; and IT and SAP Core Finance System checks, similar approach to last year

Performance materiality levels had been reduced from 75% to 50% so any errors over £540k would be deemed material and included in the audit report.

- (h) The Committee challenged PM on the appropriateness of using a similar audit approach to last year which had not identified the Postmaster Compensation Provision issue. The Committee asked what EY had learnt from the previous audit and what additional checks would be put in place this year. PM acknowledged the fact that the EY audit had not identified the issue in last year's accounts and that a new team was in place to give a fresh set of eyes and to challenge the risks.
- (i) PM gave assurance that the approach this year would include more substantive testing and lower level of materiality.
- (j) The Committee asked if the audit approach for 2015/16 had been in place would it have highlighted the Postmaster Compensation Provision error in 2014/15.

ACTION:PM

PM was asked for written response, before the next ARC, to explain what EY had learnt from last year's audit and if the audit approach for 2015/16 had been in place in 2014/15 would EY have highlighted the Postmaster Compensation Provision error.'

- (k) The Committee noted the report.
- Report and Accounts**
- (l) The CFO introduced the production approach for the Report and Accounts 2015/16.
- (m) The Committee endorsed the approach, process and timescales outlined and noted the paper.

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POLARC 16/18

PENSIONS INVESTMENT REPORT

- (a) The Committee discussed the Pensions papers presented which were not clear about what the Committee were being asked to decide.
- (b) The CFO gave an introduction to the agenda item and explained that the Business was in the mid-point of a consultation to close the Defined Benefits Pension Scheme to further accrual. Because of this the Pension Trustee had delayed the triannual evaluation which meant that the scheme surplus position reported in the papers appeared optimistic. The Trustee recognise the weakening employer covenant and therefore proposed to de-risk the scheme. Part of this decision required the Trustee to consult with the Business and was the reason for the paper coming to the ARC.
- (c) The Chair welcome NW and TG to the meeting.
- (d) TG gave a high level summary of the report.
- (e) The Committee recognised that Virginia Holmes, the Non-Executive on the Board with pensions expertise, would have been a helpful contributor to the debate and the Chair suggested she be invited to join the ARC for any future pension slots.

ACTION: Chair

The Chair to ask Virginia Holmes if she would be able to join ARC for any pension debates

- (f) CFO emphasised that it was the responsibility of the Trustees to take any decision to de-risk the Scheme and that the Committee was being asked to note that decision. The Committee asked NW to contact Virginia Holmes before responding to the Trustee to understand her view on the decision being made.
- (g) The Committee understood the Trustee desire to de-risk the pension scheme to protect the members from a weakened covenant and noted this decision.
- (h) NW and TG left the meeting.

POLARC 16/19

REVIEW OF THE ARC TERMS OF REFERENCE AND INTERNAL AUDIT CHARTER

- (a) GC introduced the ARC Terms of Reference review.
- (b) The Chair asked if during the year the ARC had met with EY without Management attending. The Company Secretary confirmed that this had taken place as part of the May ARC meeting.
- (c) The Committee asked that AML be added to the proposed topics for all forward agendas.

ACTION: CoSec

Include AML on every ARC agenda going forward, until further notice.

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- (d) The Committee members confirmed that they had fulfilled the requirements of the ARC Terms of Reference as specified by the Board.
- (e) The Committee noted the Annual Self-Assessment of the Internal Audit Charter.

POLARC 16/20

ITEMS FOR NOTING

Horizon Spotting

- (a) The Committee discussed the Horizon Spotting paper and suggested that Management add the current Trade Union Bill and Ofcom Review.

ACTION: GC

Include the Trade Union Bill and Ofcom Review in the Horizon Spotting exercise.

- (b) GC explained that the implications of the Modern Slavery Act 2015 were being tested in relationship to subpostmasters and their employees, and that this might require a change to the subpostmaster contract. The Committee discussed the requirement on the Business to ensure its key suppliers were also adhering to the Modern Slavery Act.

ACTION:GC

Provide a paper for the May ARC/Board to explain the approach to Modern Slavery, including subpostmasters and their employees and Post Office key suppliers.

- (c) The Committee noted the paper.

GRO	<p style="text-align: center;">19/5/16.</p> <p>.....</p> <p>Date</p>
<p>.....</p> <p>Chair</p>	



POST OFFICE ADVISORY COUNCIL MINUTES
Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ
Thursday 6th July 2016

Attending: Tim Franklin, Chair POAC
Paula Vennells, Chief Executive

Council Members: Rebecca Glenapp
David Foley
Nick Stuart
Liz Armstrong
Lyn Simpson
Andrew Moys
Nilesh Joshi
Pardeep Duggall
Donna Underhill

Apologies Ismail Loonat
Farida Iqbal
Tim Coomer
Marc Kidson
Ben Lucas
Andy Burrows
Chris Feliciello
Kevin Twynholm
Brian Scott
Marcus Buck
Theo Bertram

Post Office Limited: Alwen Lyons, Company Secretary
Jane Hill, Head of Public Affairs
Martine Munby, Public Affairs
Glyn Williams, Head of Digital
Nick Beal, Head of Agents Development and Remuneration
Rina Patel, Communications
Kathryn Hollingsworth, Communications

Welcome Tim Franklin

The Chair welcomed the members of the Council and thanked them for attending the meeting, passing on apologies for those who were absent. He recognised the reduced number and promised to avoid a meeting in July and August next year. The membership of the Council was under review

and the Chair proposed that additional subpostmaster members and a WHSmith representative would be good additions.

The Chair informed the members that, if possible, the Post Office Chairman would be attending the next meeting.

The Chair explained the changes that the Post Office Board now had three new Non-Executive members and because of the he and Andrew Moys had led a session at the Board meeting in May to give the new Directors an understanding of the rationale for POAC and an update on what had been achieved to date. The Board were all very supportive of the Council and recognised the value added by the debate and challenge.

Andrew reiterated the support received from the Board, and that the Post Office Chairman thought the structure and output from the Council was better than he had seen anywhere else. The Chair thanked Andrew for joining him to present to the Board.

Business Update: Paula Vennells, Chief Executive (CEO)

The CEO thanked the Council for their continued support and input, and gave an update on the highlights since the last POAC meeting:

- One of the highlights of the last few months was on Saturday 4th June – the Network Sales Awards – where the contribution that colleagues, agents and their staff have made to communities across the UK was recognised and celebrated. 181 Post Offices were represented at the event, and 30 awards were presented to businesses that were flourishing because of the appeal and quality of the service they offer. The CEO said that presenting these awards and celebrating these successful branches is one of the best parts of the job.

Business performance

- The CEO shared an update on annual results. When published the Annual Report and Accounts will be shared with POAC, as usual.

Changes we're making

- To get to this point, we have had to deliver a significant reduction in costs across the business, and we need to carry on in this vein if we are to continue our journey towards profitability.
- Some of these changes are very current:
 - In February we launched a consultation on closing our defined benefit pension scheme to future accrual.
 - In May we announced our intention to reduce the cost of providing cash to Post Offices. This will see up to 600 colleagues in our supply chain operation leave the business.
 - Last week we told colleagues working on the network transformation program that this will begin winding down from the autumn of this year. Around 500 individuals will be affected.
 - And only yesterday we told colleagues in a further 20 Crown Post Offices that we will be advertising to try to find a business to take on their branch. This is in addition to the 39 branches we announced our intention to franchise in January, and a further 30 that will be hosted by WHSmith.

- So we are looking at significant, structural change - and we never forget that each job lost is an individual having to face difficult choices about their future. We will always remain sensitive to individuals but we have to put the business in a stronger sustainable position.
- These changes are putting our relationship with our unions under significant pressure. Yesterday the CWU announced that it was launching a strike ballot in response to these changes.

Looking Ahead

- We have to remain focussed on our goal of becoming profitable, because this is the only way to create the potential to re-invest to secure the future of our unique network.
- Our central and support services need to become simpler - and cheaper - to run. We need create the conditions for postmasters to serve their customers in the best way possible.

There is no change in the strategy and there are 3 clear goals:

1. To maintain a minimum of 11500 post offices (20 new branches opened in the last month)
2. To maintain our position as number 1 in the parcels and letter market.
3. To grow and accelerate our FS business.

Digital is key and we will be asking you to give us your input later in the meeting.

Impact of Brexit

- The referendum result clearly marks a shift in the environment we are all working in, but it has been my priority to reassure Post Office colleagues that things are very much business as usual.
- Our products and services remain available to all customers, with all their current features and protections. We have updated branches to advise them of this and followed up with further updates to reassure that all the existing protections for financial products are maintained.
- Our travel money business had had a roller coaster couple of weeks. Saw highest demand in its history the week before Brexit, declined immediately after, but has rallied slightly as the value of the pound stabilised.
- Our Directly Managed branches in Northern Ireland have seen a huge demand for Irish Passport applications.
- The Group Executive and Board will continue to monitor developments to ensure we act in the best interests of our customers, staff, partner and shareholder.

The Chair thanked the CEO for her openness and took questions from the Council.

Questions from the Council for Paula Vennells, Chief Executive (CEO)

1. What further changes could the CEO imagine for the Post Office?

Doing things digitally, both digitising the Business to take cost out and simplifying processes, and enabling customers to interact with us through digital technology. Use of mobile technology to make customer journeys simpler and more convenient.

There may be better ways to structure the Business. At the moment we treat every customer in the same way, whether they are coming to branch for a transaction (where the relationship is with the subpostmaster) or buying a regulated FS product. We need to look at our structure and operating model to ensure it supports these two very different type of customer.

2. You have taken a lot of cost out of the Business and delivered NT. What are you most proud of?

Most proud of building an extraordinary Group Executive, with different skills and experiences and then managing them to deliver. Being honest with recognition and challenge.

3. What is the biggest challenge with such a large network?

Communication is always a challenge as face to face with 11500 branches is difficult. But maintaining honesty especially with difficult news is key.

The Chair thanked the CEO for her report and for taking questions from the Council and introduced Glyn Williams the new Head of Digital.

Glyn Williams: To explore opportunities in digital.

Glyn Williams explained his background with Aviva, and most recently Asda where he had worked on connecting digital and branch customers to drive footfall.

Glyn explained that he would like the Council's input at this early stage in his Post Office career as he formulates his thinking on the digital strategy for the Business.

The Council were asked to consider:

In what way can digital support agents, customers & communities?

- Web
- Social
- Mobile / devices
- Data
- Wi-fi
- Blogs / Content

(Group flip charts shown as Appendix A to these notes)

Key Themes

Use digital technology to:

Share ideas, get SPMr and customer feedback on products

Listen to SPMr and Staff

Recruit new people

Free wifi for customers forming a PO digital hub

Promote the SPMr as a personal representative for PO, branch database, hub of the community (what new skills would the SPMr need?)

Capture data for a loyalty scheme
Link the customer journey to branch to SPMr
Barcode on mobile to send a parcel
Use social media to connect with customers and communities
Give SPMr a website, a digital package to use
Incentivise SPMr to drive customers on line, make it worth their while
Colleague offers to have an effect on advocacy
Use customer data in a more effective way, to drive additional sales
Share tips and best practice into the network
Use digital to inform the community what is available at the PO and on line
How do you link the customer to the branch, give the customer live data on the branch, queue times, services available etc
Drive click and collect customers into branch as now have longer opening hours, but customers do not realise.

Branch Finder: What services should it provide? What should it look like? How should it be managed?

(Group flip charts shown as Appendix B to these notes)

Key Themes

Build the site around the local branch and SPMr
Show opening hours, retail offers, and community information, queue times, store rating? Deals available - real time info.
Use as a shop window to the Branch – route in via the SPMr – give the SPMr ownership
Some areas controlled centrally but trust SPMr to amend things like opening hours, need flexibility to change eg for Christmas opening.
Front end click a location customer decides which branch, then click through to local SPMr website, but same standard across the country so will need to help some SPMr
My branch, my promotions, my community, link through to other websites. The community could be a group of local branches.
Could access through branch finder, or a product search.
Automated GEO location.
Phone numbers currently go through to a central helpline, it would be more personal if it was the SPMr but recognise this is difficult to manage

Glyn thanked the Council for their input which would be fed into the Branch Finder project. He offered to return to a future meeting to update on progress. The Chair thanked Glyn and welcomed the offer to return.

Summary and Conclusions: Tim Franklin

The Chairman thanked the POAC members for their contributions. He stressed that the business recognised the need to embrace digital and overcome the perception that the Post Office is a bricks and mortar business.

The date of the next meeting was confirmed as pm on **Thursday 3rd November, at Finsbury Dials. That evening the POAC members are invited to attend the Charity Ball, at Grosvenor Park Hotel as guests of the Business, as recognition and thanks for the time they give to the POAC. (details to follow).**

The Chairman closed the meeting, thanking the Council for their input and asking for any feedback to be sent to Martine Munby.

Appendix A – Flip Chart Feedback

Syndicate 1

- No incentive for agents to push people on line
- More support for agents on professional website design
- Live information on branches – eg status of AEI, queues etc
- Ability to rate and feedback on POs
- Free Wi-Fi in branch
- Capturing customer data electronically
- Click and collect drives people in branch – promote this and look for other opportunities
- Clarify ID verification services
- Consistent and clear branch information
- On line community based around Postmasters
- Better management of branch finder
- Central v local information

Syndicate 2

- Postmasters share best practice/tips
- Attribution
- Collect discount
- Data/customer
- Classified
- Remuneration
- Footfall drivers – click and collect
-

NB Syndicate 3 gave verbal feedback

Syndicate 4

Agents:

- Database for agents to see when policy renewal dates come up
- Shared database of customer info
- Mobile enabled/simple/apps
- Wi-Fi hub

Customers:

- Simple
- Profile of customer data
- Scheme of data capture
- Loyalty scheme with incentives
- Provide info on products and services
- Post Office advertising notice boards
- Feed from feedback
- Bank with Post Office – get free advertising on our website
- Web page per area

Communities

- Link journey on line to branch
- End to end, drop product off on line
- Parcel check service
- Digital barcode created on app and then take parcel to the Post Office

Annex B

Syndicate 1

Branch Finder design:

Design Access:

- Opening hours
- Content
- Services
- Education/digital/apps

Social:

- Recruitment – Postmaster, Apprentices
- Connecting – Postmasters (social and collaborative)
- Small ideas and lessons
- Events
- Blogs

Training

- WiFi
- Module based
- Show and tell

Innovation

- Insight
- Self Drive
- Engagement

Marketing

- Promotions
- Footfall
- Big opportunity
- Engage
- Community
- Brand
- Progressive

Postmaster at the heart of digital:

- Listen
- Engagement and feedback with Postmasters
- Impact of solutions
- Automation – SSKs
- Education
- Incentive
- Horizon – process

Digital

- Engagement/communications
- Transact – device – customer experience and access
- Internal digitisation

- Technologs

Syndicate 2

Branch Finder:

- Geo location based map
- Opening times based in time/day “open now until 6pm”
- Individual Postmaster data

Branch search:

- Search term and Post Office
- Location
- Opening hours
- Branch phone number
- Google reviews
- Business ownership

Syndicate 3

Branch Finder:

- Centrally managed
- Use existing resource (eg IMAPs)
- Link through to local branch website
- Map based and interactive
- Hover button to reveal products and services and opening times

Main site

- Products
- Opening hours
- Contact details
- Click through:
- Customer/feedback
- Option to buy service
- On line (postmaster incentive)
- Cluster products and cross sell

Two Way traffic

- le collect travel money in branch
- Customer contacted via branch finder

Syndicate 4

Branch Finder

- Identify nearby Post Offices via individual’s location
- Information on local branches:
- Hours
- Address
- Postmaster

- Phone no
- Accessibility/parking
- Busy times
- Click through to community info hub
- Products and services (drop down list with other branches)
- Products (drop down)
- Click through to the main Post Office site, banking site and Postal app

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Post Office Board Strategy Away Day		Reference: POLB 29/06/2016
Date: 29/06/2016	Venue: Warren House, Kingston upon Thames.	Time: 13:00
Present:	In Attendance	Apologies
Tim Parker (TP)	Alwen Lyons (AL)	
Ken McCall (KM)	Neil Hayward (NH)	
Carla Stent (CS)	Martin Edwards (ME)	
Virginia Holmes (VH)	Martin George (item 1.2) (MG)	
Tim Franklin (TK)	Mark Siviter (item 1.2) (MS)	
Richard Callard (RC)	Nick Kennett (item 1.3) (NK)	
Paula Vennells (PV)	Jonathan Hill (item 1.3) (JH)	
Alisdair Cameron (AC)	Chrysanthy Pisinis (item 1.3) (CP)	
	Jonny Allison Macquarie (item 1.3) (JM)	
	Alan Smith (item 1.4) (AL)	
	Kevin Gilliland (item 2.1) (KG)	
	Kevin Seller (item 2.1) (KS)	
Day 1 - Agenda Item 1.1		
Strategy Overview & Brexit		
To discuss and agree the overview of the strategy, introducing key decisions and choices to be covered at the meeting. A discussion on the possible implications of BREXIT.		
Discussion		
<ul style="list-style-type: none"> What has changed since the last plan in 2013? NT almost complete; sharper focus on 3 groups, customers, subpostmasters (retailers) and clients. More focus on FS integrator model and emphasis on digital. We should be focussing on how a simpler business can be more profitable, rather than adding activities to attempt to generate growth – that can/will come later. There is a good business model within our grasp. Need to be focussed on innovation and digital to drive easier customer journeys and draw people into post offices. Board supportive of greater digital focus, but keen to see detail. Brexit - could be an opportunity for the Post Office brand. Potentially less UK providers, but there is uncertainty about the commercial impact, we need to be ready to seize any opportunities. Brexit - however there will be a period of uncertainty and there may be political challenges especially around any funding requirement. 		
Outcomes		
The Board supported the overall shape and direction of the business as outlined in the overview paper		NK Oct ME/MG Oct
ACTIONS: <ol style="list-style-type: none"> Assess SME opportunities in financial services sooner rather than later, look at the opportunities to market FS products direct to SMEs. (NK & ME to discuss way forwards) Share further detail with the Board on digital strategy (alongside the IT strategy) with further work to be presented at the October Board 		
Agenda Item 1.2		
Mail Strategy		
Purpose		
Agree the strategy and action plan for securing POL position in the mail market, centred around a strong relationship with RMG.		
Discussion		
<ul style="list-style-type: none"> Board keen for an arrangement that locks RMG in on a more permanent basis, for example through equity partnership. Do not allow discussions to meander on towards 2019/2020 – need to force RMG's hand by offering them attractive partnership opportunity with the message that if they don't engage we will switch to our plan B options. We should be exploring a broader range of strategic partnerships to create a 'knock-out' proposition if it is required. Build Amazon and eBay relationships. 		

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<ul style="list-style-type: none"> • Our competitive advantage is in optimising last mile economics for the carriers, this is where carriers face their biggest challenge. • We should take seriously the threat that RMG may put the contract out to tender and/or continue to develop their direct channels (within MDA) – digital technology has reduced the costs/barriers to entry. • Need to be clear in any partnership; who owns the customer; how POL neutralises the threat of competitors; and what would any deal mean to the subpostmaster. • There is a risk that in future RMG may consider contracting direct with subpostmasters. 	
Outcomes	
<p>The Board endorsed the overall approach to engage early with RMG with the aim of re-establishing the relationship on a more durable and mutually beneficial basis (not just an extension of the current arrangement).</p> <p>To ensure this approach has traction - and to counter the risk of RMG pursuing alternative options the Business needs to:</p> <ol style="list-style-type: none"> a) present a compelling story of the value we can drive for RMG, especially in the final mile; b) develop a 'plan B' option into a genuinely credible alternative; and c) develop cost reduction opportunities across the whole business to give some flexibility to negotiate on fees. <p>This will ensure the Business is credible in both its offer and its threat.</p> <p>ACTIONS:</p> <ol style="list-style-type: none"> 1. Proceed with RMG dialogue including possible ownership models, and develop no regrets options as well as plan B as fast as we can, updating the Board at earliest opportunity, probably before January 2. Start to engage with relevant partners/stakeholder to improve understanding of plan B option (other carriers; Amazon/eBay & other retailers; Ofcom/BIS on USO options) 3. Develop thinking around PR/political leverage on RMG 4. Provide more detail in at the next Board Mails discussion on the plan for improving customer journey and ownership (innovation and digital) 	
	<p>MG/MS/ME</p> <p>MG/MS</p> <p>MG/MS/ME</p> <p>MG/MS</p>
Agenda Item 1.3	
Post Office Money Strategy	
Purpose	
<p>Agree the strategy for growth in financial services through a refreshed customer proposition and greater value chain control (the 'stronger integrator' model). In this context, agree Bol negotiating strategy and high level delivery roadmap.</p>	
Discussion	
<ul style="list-style-type: none"> • Offering continued exclusivity to Bol even within mortgages and savings needs to be carefully considered • We need an arrangement with Bol which is agnostic on which side of the balance sheet is growing • Customer strategy broadly endorsed, but the business will need to demonstrate that any new product areas within FS represent a genuine opportunity and not a distraction • Eager for POL to own FRES, but recognition that this will be difficult to negotiate. • Need to consider who delivers the tougher messages to Bol (e.g. chair to chair) vs who manages the more collaborative BAU dialogue. 	
Outcomes	
<p>The Board endorsed the negotiating approach as outlined in the slides, with 2023 recognised as the main source of leverage (as both a reassurance and a threat). The Board were prepared to risk the downside impacts to EBITDAS (as outlined in additional document) to pursue the desired outcomes:</p> <ol style="list-style-type: none"> a) fairer share of value from FRES (including potentially a buy-out); b) more sustainable share of the value from Bol balance sheet; and c) flexibility to work with other providers outside of mortgages & savings. <p>Customer proposition broadly endorsed, subject to the detailed plan.</p> <p>ACTIONS:</p> <ol style="list-style-type: none"> 1. Develop negotiating strategy into full term sheet and plan. 2. Present full implementation plan for customer, channel and product strategy in Sept/Oct 3. Chairman and CEO to have the initial conversation with Bol 	
	<p>NK/JH</p> <p>NK/JH/CP</p> <p>TP/PV</p>

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Agenda Item 1.4	
Payments Strategy	
Purpose	
Outline the strategy for strengthening the position in the bill payments market and establish a role in the emerging digital payments market.	
Discussion	
<ul style="list-style-type: none"> • Need to make sure we've thought through and documented how competitors may react and take pre-emptive actions to mitigate the risks • Linked to this, we should aim to secure the other resellers as rapidly as possible after Moped • Considerable merit in getting together with AllPay given their existing client relationships and technology capabilities. • • Worth looking at put and call options for a JV, • POL have to find a better technical solution. 	
Outcomes	
The Board endorsed the Moped proposal.	
ACTIONS: <ol style="list-style-type: none"> 1. Proceed with Moped, updating the Board on progress in the autumn. 2. Rename the project!! 	NK/AS NK
Day 2 - Agenda Item 2.1	
Network Strategy	
Purpose	
Agree what changes should be made to the network strategy in order to reduce costs, strengthen the retailer proposition and support the delivery of POL commercial objectives	
Discussion	
<ul style="list-style-type: none"> • Don't create major dependencies on IT change to deliver the network savings • Default assumption should be that 'solus' post offices (i.e. as opposed to those hosted in retailer) are never the best option • Be aware of the risks of streamlining training provision, in particular increased dependency on availability of specialist staff • Be ready to explain why converting Mains (and Crowns) doesn't imply a waste of the money spent under NTP/CTP. • Do not chase the last offices if it costs too much resource, leave the long tail. • Could be a case for compensating traditional postmasters to leave the network (without like for like replacement), although it would need to be well articulated. • What are the important products for footfall and income? And how would the plan work in a location? • Be careful about making network decisions predicated on the PFS business. • The Board gave a clear steer that having a Directly Managed network drives the culture and costs of the organisation. 	
Outcomes	
The Board endorsed the approach to network strategy as set out in the paper, and were keen for the Business to pursue this as quickly as possible.	
ACTIONS: <ol style="list-style-type: none"> 1. Proceed with detailed planning around network strategy, including plans for breaking dependency on large branches (high mails volumes in city centres) 2. Provide a teach-in for NEDs on: a) network, product & customer strategy (and how this relates to the product & customer strategy for the relationship side of the business); b) network economics from both POL and agent perspective. As part of this should incorporate comparison vs Paypoint as this was a significant area of debate; c) the move from standalone POs to a category with a store. 3. Board keen to see area planning approach – provide a few case studies when we present proposals in Sept/Oct 	KG/KS NK/MG/AC KG/KS KG/KS

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Agenda Item 2.2	
Cost reduction plan	
Purpose	
Outline a high level view of the end state cost base, and the key decisions and investments required to get there	
Discussion	
<ul style="list-style-type: none"> • Move on the big things quickly • Take some risks and accelerating savings wherever possible, both to release headroom but also to achieve stability for the business and its people sooner • Tim Franklin offered to engage/support on FS sales model (e.g. agency hosting of specialist sales) 	
Outcomes	
The Board endorsed the overall approach.	
ACTIONS:	
1. Present detailed plan to the Board in Sept/Oct.	AC/ME
Agenda Item 2.3	
Funding outlook and choices	
Purpose	
Outline the expected funding requirements up to 2020/21, in the context of our emerging financial projections for the period.	
Discussion	
<ul style="list-style-type: none"> • The Board believed that the business would have no problem funding these initiatives in the external market as they are all linked to tangible, low risk returns. • RC articulated some concern that there is “no sanction if we fail”. • The Govt. may be uncomfortable with the idea of funding FRES acquisition. • The options should be presented as a prioritised menu given that we may not receive funding for everything. • The Board believe there is a compelling financial case for these investments - very disappointing if the owner says there isn't enough money • RC thought that a HMG loan may be more feasible than straight subsidy 	
Outcomes	
The Board noted the overall numbers. The Business was asked not to limit its opportunity/options by availability of funding	
ACTIONS:	
1. Develop clearly articulated story for HMG and engagement plan – (e.g. when should The Chairman meet SoS?)	ME/MD
2. Prioritise the requirement	ME
3. Work with UKGI to develop the funding ask	ME/RC
4. Develop options for external financing to share with UKGI	ME
5. Link to further work on ownership options that might move POL out of public sector (but careful not to complicate the story with Ministers)	ME
Agenda Item 2.4	
Conclusion and next steps	
Purpose	
Key conclusions and next steps	
Outcomes	
What would the Board like the Business us to cover when we come back with more detailed plans in Sept/Oct?	
1. View of capacity and capability requirements and constraints	ME
2. Clear view of prioritisation:	
a. firm vs aspirational plans;	
b. “fixing the old” vs “building the new”	
c. Risk / return trade-offs; identification of any diminishing returns	
3. View of the major milestones for delivering the strategy	
4. Identification of where POL can move fastest and with the greatest impact – taking decisions early to get things settled	
5. Clear practical plans for delivering the savings	

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- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <ol style="list-style-type: none">6. Scenario analysis / stress testing7. Reassurance that we are not missing any opportunities (specifically on cost)8. Explanation of “why now?” (this will help RC manage BIS/HMT)9. Communication plan and narrative to manage the change10. Inform the Board early, including by email over the summer – don’t wait for the next Board meetings | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

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Status Report as at: 18/07/2016

Post Office Limited Board

REFERENCE	ACTION	Action Owner (GE Member)	Due Date	STATUS	Open/Closed
January 2016 POLB 16/2 (c)	<u>CEO Report and Transformation Update</u> How should the Business recognise exceptional contribution by individuals. Consideration to be given to Chairman's awards or best Post Office awards.	Neil Hayward /Mark Davies	September Board Meeting		Open
January 2016 POLB 16/14 (l)	<u>Project Trinity</u> To undertake a review of the initial procurement process leading up to the decision to award the contract to IBM, to ensure that any lessons from that review were captured. The findings of the review are to be reported to the ARC.	General Counsel	September ARC		Open
March 2016 POLB 16/17 (d)	<u>Status Report</u> The CEO proposed that a supplier strategy be presented at a future ARC covering the Top 20 Supplier relationships and Supplier compliance.	CFO	September ARC	This should be covered as part of the IT Strategy.	Open
March 2016 POLB 16/18 (g)	<u>CEO Report</u> The IT Strategy would be presented as a topic for discussion at the July Board meeting.	CFO	July Board	IT strategy on July Board.	Closed
May 2016 POLB 16/30	<u>Approval of 2016/17 Annual Bonus (STIP) Design</u> 2016/17 Annual Bonus design and metrics to be recommended to UKGI	Neil Hayward		STIP design recommended to BIS. Approved by BIS Ministers. Recommended to Treasury.	Closed
July 2016 POLB 16/41(e)	<u>Post Office Card Account (Poca) Procurement Division</u> The CEO suggested that CD provide a note on Sabadell for the Board.	Chris Doutney	End July		Open
July 2016 POLB 16/41 (g)	<u>Post Office Card Account (Poca) Procurement Division</u> The Board asked Chris Doutney to ensure that all legal risks were closed down before the contract was signed, and that HPE did not try to dilute the terms once they received the preferred bidder letter.	Chris Doutney	Before the contract is signed	.	Open
July 2016 POLB 16/41 (h)	<u>Post Office Card Account (Poca) Procurement Division</u> MG assured the Board that the work on digital wallet would be accelerated and aligned with the wider digital strategy promised to keep Board updated.	Martin George	Board on 29th September		Open
July 2016 POLB 16/41 (i)	<u>Post Office Card Account (Poca) Procurement Division</u> ARC to pick up the risks concerned with the transfer of Poca accounts (Court order part 7) and CYSC8.	Carla Stent	ARC on 28th September		Open

CEO's Report

Author: Paula Vennells Meeting date: 25 July 2016

Executive Summary

Context

Our goal for 2016–17 is to achieve EBITDAS of (£10m).

Our 3 year goals are:

1. To accelerate the transformation of Post Office.
2. To secure commercial sustainability for the long term
3. To establish a business that can ultimately fund investments and the social purpose from profits rather than subsidy.

In summary, our strategy is to secure our position as the UK's number one parcels and letters retailer, grow in financial services and protect our network and social purpose – all supported by a much leaner central organisation.

Questions this paper addresses

1. What is on my mind? (*successes, challenges, opportunities and risks*)
2. What are the implications for our outlook and plans?

Conclusion

1. EBITDAS at the end of Q1 is £1m favourable to budget and the business is on track to meet its targets for the year.
2. However, the current market and political environments entail significant risk which will change the markets we operate in. We are monitoring closely.
3. In addition, we face significant industrial relations challenges across the business. Although we continue to make every effort to engage with our trade unions, we are expecting and planning for future industrial action.

Input Sought

The Board is invited to note the report and highlight any issues where a future discussion would be welcome.

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The Report

Looking Back

WHAT HAS GONE WELL?

- Financial Performance – P3
 - EBITDAS at the end of Q1 is £1m favourable to budget although P3 was £0.2m below target.
 - Expenditure in P3 is £1.8m favourable to budget – driven principally by agents' remuneration and staff costs.
 - Mails trading in P3 was 0.6% above target; all insurance products performed well across the portfolio of products with life, home and motor insurance all exceeding target for P3 and travel recovering to 102% vs target YTD.
- Industrial Relations
 - An agreement has been reached with Unite (subject to a ballot) on our proposed 1.9% salary increase for manager grades and a joint review of broad banding. In exchange, we have an agreement on cooperation with our changes in Supply Chain, Network Transformation and Crowns. The risk of joint strike action with CWU on these issues is now minimal and our contingency plans for Industrial Action are strengthened.
 - Our redundancy programmes to (subject to consultation) in Finsbury Dials, Supply Chain, Crown Network Development and Network Transformation are on track with only 4 days lost so far through official or unofficial industrial action. Since April, 1,604 employees have been placed at risk of redundancy and 113 have left through voluntary redundancy.
 - Our Industrial Action Contingency Plans have been completed and subjected to a series of reviews, including the CEO and GE members. The training required to provide cover will be completed before any Industrial Action.

WHAT HAS NOT GONE WELL?

- Financial Performance – P3
 - Gross income was £2.6m adverse to budget in P3.
 - This was largely driven by underperformance in financial services (£2m adverse to budget) and telecoms (£1m adverse to budget).
 - Non-staff costs are £0.4m adverse to budget, but underneath that are costs in IT of £2.5m adverse to budget. The IT strategy paper for this month's Board sets out the pressures in greater detail.
- Third Party Fraud
 - EY's investigations to date have not uncovered anything materially different on the third party frauds, to what was originally reported in Alisdair Cameron's note of 6 July.

- We are therefore hoping to issue final reports on 22 July and there is an additional ARC on Monday 25 July to sign off the accounts. If that changes, we will let the Board know.
- We are progressing with an automated solution. In the meantime, we have implemented additional measures to identify any further instances. However, these are not fool proof and we believe there has been one further instance with an accompanying loss of £19,000.

Looking Ahead

OPPORTUNITIES?

- POCA
 - We have made further progress since the Board's discussion on 11 July on the award of the new POCA contract, including:
 - we have asked for written confirmation from TSB that Sabadell are fully supportive of TSB bid (reinforcing verbal statement in various meetings);
 - the outstanding legal risks have been set out in the Preferred Bidder letter sent to HPE on 11 July and returned signed by HPE and TSB 13th July. The issues will be worked through in meetings scheduled for the next two weeks to fit in with timescale of contract signature by one month from issue of Preferred Bidder letter; and
 - we have established POcaPlus/Digital Wallet steering group under GE sponsorship, to align both projects and resolve key questions.
 - We will keep the Board informed.
- Strategy to Plan
 - Following the Board's strategy days last month, we have set up the processes and governance for developing a full plan for implementing the strategy.
 - Workstreams include people and capabilities; technology and the wider operating model is required to deliver our commercial ambitions and cost reduction plans; and financial projections out to 2020/21, including our funding requirements for the period.
 - We will provide the Board with an update on progress in September, with a full update in October.
- Communication and Development
 - With significant levels of change across the business, we have increased the flow of communications to our colleagues and the network, to build and sustain organisational resilience and engagement.

- For example, we hold monthly calls and regular events with our top 300 leaders (L300); I have started a monthly blog and we post a weekly news update to colleagues and the network on *One*; and we are holding "town hall" events this week in Bolton, Chesterfield and Finsbury Dials.
- In addition, we have launched a new training and development offer for the L300 which can be rolled out across the organisation; and the GE has discussed management development and early career talent this month to supplement our succession plans at more senior levels.
- We will bring a paper to the Board on recognising the contribution of colleagues and branches in September.

RISKS OR CONCERNS?

- Industrial Relations
 - CWU have announced they will ballot members for POL wide Industrial Action, but no formal notification has been received at the time of writing. Our planned direct communications with employees is being implemented and a verbal update will be provided at the Board.
 - Our Pension proposals have been communicated to employees and Unions, following their submission to the Trustees resulting in some media coverage generated by Unite.
 - A media and political campaign has been launched by the CWU on redundancies, franchising and pensions. Communication plans for stakeholders are being implemented and there will be a verbal update.
- Brexit
 - We have been monitoring business, political and other impacts following the outcome of the EU referendum.
 - It is still too early to predict the impact of the decision to leave the EU on the business. However, significant risks are emerging – notably, but not exclusively - in financial services and POCA, should there be a cut in interest rates.
 - The GE discussed our approach last week and have established a group to monitor commercial, political and environmental developments over the coming months with a brief to escalate key concerns.
 - Following the Cabinet reshuffle, ministerial responsibility for the Post Office sits in the new Department for Business, Energy and Industrial Strategy.
 - Rt Hon. Greg Clark MP is the new Secretary of State. Baroness Neville-Rolfe has been promoted to Minister of State in the new department. It is not known at this stage if she will retain day-to-day responsibility for Post office matters.
 - We will keep the Board informed.

In Conclusion

CONFIDENCE?	IMPLICATIONS?
<p>At the end of Q1 the business is on track to meet its targets for the year. However, the current market, political and industrial relations uncertainty entail significant risk which will – and to an extent – already are changing the markets we operate in. Consequently, any assessment of current performance is under constant review.</p>	<p>Significant challenges still lie ahead in achieving our financial targets and notably, in managing our industrial relations. Although the rationale for change is clear, the impact on colleagues affected is hard. We will provide them with as much support and guidance as we can going forward. We will also monitor external developments closely and the potential impact on the business. We will keep the Board informed.</p>

Transformation Update

Author: Michael Brown Sponsor: David Hussey Meeting date: 25th July 2016

Executive Summary

Context

The Post Office is undertaking a complex transformation programme, designed to modernise our network and IT infrastructure, simplify our cost base and create the platform for customer-led growth. The core objective is to create a profitable, commercially sustainable business equipped to cope with lower levels of government funding after March 2018.

Questions this paper addresses

1. Overall, are we on track to deliver our Transformation programmes?
2. What are the implications of any variance, for our outlook and plans?

Conclusion

1. At the end of the first quarter of 2016-17 we are broadly on track to deliver our transformation plans. However two programmes are currently being replanned:
 - The project to automate Post Office Card Account (POCA) transactions in our directly managed branches is being replanned due to technical interface issues between suppliers to validate PIN numbers.
 - The project to transition Back Office applications to a new infrastructure provider is being replanned following receipt of the exit plan from Fujitsu with an end date beyond the project end date.
2. The latest view of costs and benefits have been included in the three year plan.
 - There is no material impact on three year plan benefits arising from the Back Office project replan. Further analysis is underway to assess the impact on cost.
 - The delay to automation of POCA transactions has created a £1.5m profit gap for 2016-17. To mitigate, a second tranche of 20 branch franchises is being accelerated and this will close £0.4m of the 2016-17 profit gap. Work is ongoing to identify additional activity to mitigate the remaining shortfall.
 - All other programmes are on track to deliver Transformation financial benefits that are included in the three year plan.

Input Sought

The Board are asked to note the progress made, key challenges faced and actions taken to address them.

The Report

Looking Back

WHAT HAS GONE WELL (SINCE LAST PROGRESS REPORT IN MAY)?

- Network Transformation
 - Whilst falling slightly short of the target of 346 by 33 builds at the end of Q1, we are on target to recover the position by the end of Q2 and are broadly on track against our 2016-17 target to modernise 1,075 branches
 - We are ahead of our contracts signed target.
 - There has been a risk of negative reaction to the removal of fixed pay for the branches that had not agreed to modernise or leave the network. This risk has not yet materialised and continues to be closely monitored.
 - The current size of modernised branch estate is 3,123 locals and 3,204 mains with cost saving of over £10k per annum for every local delivered and 200,000 extra hours open across our network.
 - We have commenced formal consultation with the unions on the wind down of Network Transformation Programme. Consultations with both unions have started constructively and all staff have been briefed.
- Crown Network Development
 - Changes to Directly Managed branches are progressing to plan. Public consultations are underway and to date we have announced franchise partners for 28 sites (27 with WH Smiths and 1 independent).
 - Acceleration of the second tranche of 20 branch franchises is underway to partially address the benefit shortfall caused by delays to POCA automation.
 - These activities help to achieve our aspiration of a £10m profit run-rate from our Directly Managed branch network by March 2018 as detailed in our 2015 strategy.
- Support Services Transformation Programme
 - Staff recruitment has completed for the consolidated support centre in Chesterfield.
 - Refurbishment of Chesterfield site on track for completion by 1st August 2016.
 - Delivery of annualised savings of £3.3m benefits in 2016-17 is on track and in line with the business case.
 - The pilot of Robotic Process Automation software has completed. The pilot will now go live, delivering benefit of between £259k and £373k p/a from 2017-18. The pilot results are being reviewed to identify and progress business wide opportunities.
- Point of Sale Software
 - Enhancements on our Point Of Sale software are progressing to plan and will be delivered incrementally between August 2016 and March 2017.

- Network Development (Simpler To Run Network)
 - The Network Strategy was presented to and endorsed by the June Board. The project team are progressing to plan with the work to complete detailed analysis for September Board.
- IRIS – Supply Chain Transformation
 - Union consultation is underway. Following legal advice, activity will now start at the end of consultation on day 90 (rather than day 45).
 - The plan has been adjusted to accommodate this and the benefits position has been maintained. The project is on track to realise £10.3m p/a of benefits from April 2017.

Defined Benefit Pension Scheme

- The Trustee meeting took place as scheduled on 12th July where our revised proposal was presented.
- The Trustee require more time to deliberate further before responding to our recommendation.

WHAT HAS NOT GONE WELL (SINCE LAST PROGRESS REPORT IN MAY)?

- Back Office Tower Transition
 - We have received Fujitsu's exit plan for transitioning our Back Office applications from their current infrastructure to our new provider (Accenture).
 - The exit plan does not allow us to meet our planned transition date for one application (POL SAP).
 - Originally we had planned to move POL SAP in September 2016.
 - To protect the majority of the plan we are reviewing our approach and will transition applications individually, rather than simultaneously. This will reduce overall risk and allow benefits to be realised from October 2016.
 - There is no impact to 2016-17 benefits. Though there is likely to be an increase in cost as a result of the change.
- Post Office Card Account Automation
 - The previously identified risk to £1.5m profit in 2016-17 from delayed delivery of POCA automation has materialised.
 - This is due to issues with the technical interfaces between suppliers to verify the POCA PIN number.
 - A technical solution has been agreed with Fujitsu with a targeted implementation date of April 2017.
 - To partially mitigate the consequence of the risk, a second tranche of 20 branch franchises has been accelerated. This will close £0.4m of the 2016-17 profit gap and enable larger savings in subsequent years.
 - Work is ongoing to identify additional activity to mitigate the remaining shortfall.

Looking Ahead

UPCOMING ACTIVITY

- Defined Benefit Pension Scheme
 - Continuing engagement with the Trustee on proposals to change the Defined Benefit pension scheme.
- HR Transformation - Learning Management System (LMS)
 - Following the launch of the Post Office Learning Academy in April 2016 the new LMS will go live to a pilot group in July, with roll out to employees during August.
 - Through centralisation of resources and standardisation of approach and systems, we will reduce our Learning & Development spend by £1.4m in 2016-17 whilst improving the user experience.
 - The LMS is the first module of the SAP Success Factors human capital management suite which will replace our out-dated and disparate HR IT systems over the course of the next 15 months. Further updates on the full roll out and implementation will follow in the September Board update.
- IRIS – Supply Chain Transformation
 - Collective consultation for the changes to Supply Chain ends in mid-August. Following this we anticipate serving notice on our external clients and beginning individual employee consultations for the first phase of the programme.
- Support Services Transformation Programme
 - The Chesterfield site refurbishment will complete on the 1st of August with the official launch on 9th August.

CONCERNS & RISKS

- We have no major concerns at present though our risk management process enables us to identify, capture and manage risks as they emerge.
- We have a very busy delivery schedule with more change required to deliver our transformation end state. Consequently, we can foresee extra demand on constrained financial, IT, subject matter experts and project resources.
- It is likely that we will not have the resources to do everything we need to do.
- Mitigation:
 - Prioritisation of current and anticipated activity **(July)**.
 - Monthly financial Deep Dives with programmes **(July)**.
 - Complete Strategy to Plan activity to determine funding requirement and negotiation approach with Government **(Sept & Oct)**.
 - Continue to use integrated resource plan to identify scheduling and resource issues **(Ongoing)**.

In Conclusion

CONFIDENCE IN DELIVERING TRANSFORMATION?	IMPLICATIONS?
<p>We remain confident that we are on track to deliver our current Transformation plans:</p> <p>1, We have no major concerns at present though risks are emerging.</p> <p>2, Progress across Transformation programmes and benefit delivery is in line with plans.</p> <p>However risks do exist across the portfolio and there is an increased risk of industrial action as a result of Transformation activity.</p>	<p>We are on track to broadly deliver Transformational financial benefits that are included in the current three year plan.</p> <p>We need to continue to closely manage and mitigate risks in line with risk appetite.</p>

Appendix – Programme Dashboard

PROGRAMME	RAG	EXPLANATION FOR RAG STATUS
Network Transformation	A	Quarter 1 branch opening targets have been missed by 33 branches. On plan to recover the position by the end of Quarter 2.
Crown Network Development	A	The directly managed network exceeded the break even target delivering £2.7m profit in 2015-16. Amber status is due to a delay to automation of POCA transactions, which defers £1.5m 2016-17 in-year benefits delivery. A revised solution is forecast to deliver £2.4m of recurring EBITDAS benefit in 2017-18. The acceleration of the second tranche of franchised branches commenced on 6th July and is forecast to deliver £0.4m benefit this year. Further options to accelerate other activity to close benefits gap are being considered.
Transforming Agents Proposition	G	On track. Design phase will close at end of July with the Network Development (STRN) programme inheriting the longer term strategic approach to the proposition. Quick wins identified in the design phase will contribute £2.1m saving in 2016-17.

Network Development - Simpler To Run Network (STRN)	A	Extended project team is now being mobilised following June Board meeting with the Amber status reflecting that we have yet to secure all of the necessary resources/capability. Work is progressing on product simplification, retailer proposition and our IT Proof of Concepts.
EUC Branch	A	Project has been paused while the Network strategy and its technical requirements are finalised.
IT Networks – Branch	A	IT Network to be upgraded alongside the rollout of the new branch counter equipment and updated POS application. Rollout of the first tranche scheduled to commence February 2017. Future plans are dependent on the STRN recommendation in September.
Point of Sale Software	G	Improved user configuration changes which will allow much faster pricing and rate changes was implemented on 8 th July. Good progress made on product simplification changes with implementation dates agreed for August and December.
Back Office IT Transition	R	Fujitsu's exit plan for transitioning our Back Office applications from their infrastructure to our new provider (Accenture) does not allow us to meet our planned transition date for one application (POL SAP). To protect the majority of the plan we are reviewing our approach and will transition applications individually, rather than simultaneously. This will reduce overall risk and allow benefits to be realised from October 2016.
Support Services Transformation	G	On track to deliver a rationalised, consolidated Support Services operation into Chesterfield by the end of July 2016 and annualised savings of £3.3m.
Defined Benefit Pension	A	Continuing engagement with the Trustee on proposals to change the Defined Benefit pension scheme.
HR Transformation (SAP Success Factors)	G	The implementation of the Human Capital Management suite is on track. The first module (Learning Management System) will go live to a pilot group in July, with roll out during August.
IRIS (Supply Chain Transformation)	G	On track to realise £10.3m p/a of benefits from April 2017. Key dependency on conclusion of consultation.



June 2016 – P3 Financial Performance

Al Cameron
25th July 2016



P3 and YTD Financial Performance

Context

- Budget of £(10.0)m EBITDAS for 2016-17 representing 100% of bonus.

Questions

- How is our scorecard performance?
- What is the financial performance of the business in P3 compared to budget?
- Are we appropriately funded?

Conclusions

- P3 EBITDAS of £(4.4)m is £(0.2)m adverse to budget. YTD of £(10.2)m is £1.0m favourable to budget.
- Gross Income of £74.8m is £(2.6)m adverse to budget, largely driven by underperformance in Financial Services of £(2.0)m and Telecoms of £(1.0)m partially offset by Government Services £0.5m favourable. YTD £239.1m £(2.1)m adverse.
- Expenditure £1.8m favourable: agents' pay £1.1m favourable, Staff costs £1.0m favourable, offset by non staff costs £(0.4)m adverse.
- Brexit impact c.£5.0m adverse in 2016-17 if rates are cut (£3m POCA, lower volumes travel money and mortgages)
- Net cost pressures emerging which require re-balancing. Pensions and Supply Chain consultations/accounting to be finalised.
- Cash of £983m and headroom of £344m (including £200m retained for prudence).

Input Sought

The Board is asked to note the financial performance.



Q1 represented a steady start with much to deliver

Key Performance Indicators	P3			YTD			Full Year Target	2015-16 Outturn
	Act	Target	Var.	Act	Target	Var.		
Growth								
Total Gross Income (excl NSP) £m	74.8	77.3	(2.6)	239.1	241.2	(2.1)	984.0	981.1
EBITDAS £m (100% bonus)	(4.4)	(4.2)	(0.2)	(10.2)	(11.3)	1.0	(10.0)	(24.0)
Headroom £m (vs Board minimum limit) ~	344	200	144	344	200	144	200	485
Digital Net Income £m (measured using Credence)	3.2	3.2	(0.0)	9.1	9.4	(0.2)	39.9	21.8
Customer								
Customer Effort	74%	68%	6%	74%	68%	6%	68%	67%
Net Promoter score	63	65	(2)	64	65	(1)	65	63
Acceptable Wait Time %	91%	89%	2%	91%	89%	2%	89%	79%
Branch Compliance - Financial Services - basket of 11 measures	30	<=50	-	23	<=50	-	<=50	26
Footfall (weekly) m (customer sessions from Horizon)	10.48	11.25	(0.8)	10.62	11.00	(0.4)	11.14	11.14
People								
Line Manager Engagement Index % (Once a year March) *	YTD Score			68%	68%	-	68%	68%
Internal senior manager appointments (3A and above)	25%	50%	(25)%	23%	50%	(27)%	50%	14%
Representation (Senior Managers) - Gender	36%	37%	(1)%	36%	37%	(1)%	37%	35%
Attendance	97.0%	96.7%	0.3%	97.0%	96.7%	0.3%	96.7%	96.8%
Modernisation								
Number of branches (one month in arrears)	Same as YTD			11,652	11,500	152	>=11,500	11,643
NT Branches Transformed In Year	79	129	(50)	313	346	(33)	1,075	1,904

~ Actuals include £200m retained for prudence.

* Measured annually in March with a 'Pulse survey' due in September.



Overall, P3 £0.2m adverse, YTD £1.0m favourable

£m	P3		PY Period		YTD (Q1)		PY YTD		Full Year	Prior Year
	Actual	Variance	Actual	Variance	Actual	Variance	Actual	Variance	Budget	Outturn
TOTAL GROSS INCOME	74.8	(2.6)	77.6	(2.8)	239.1	(2.1)	239.3	(0.1)	984.0	981.1
Cost of Sales	(8.8)	0.6	(9.0)	0.2	(28.1)	1.4	(27.1)	(1.0)	(120.0)	(110.4)
TOTAL NET INCOME	65.9	(2.0)	68.6	(2.7)	211.0	(0.7)	212.2	(1.2)	864.0	870.7
Staff Costs	(18.4)	1.0	(19.6)	1.3	(58.5)	1.4	(60.0)	1.5	(226.4)	(232.9)
Agents Pay	(29.9)	1.1	(32.9)	3.0	(97.2)	(0.5)	(104.5)	7.2	(391.1)	(413.1)
Non-Staff Costs	(25.3)	(0.4)	(29.5)	4.2	(75.4)	0.8	(84.6)	9.3	(292.3)	(284.2)
Total Expenditure	(73.6)	1.8	(82.0)	8.4	(231.1)	1.7	(249.1)	18.0	(909.8)	(930.3)
FRES - Share Of Operating Profits	3.3	0.0	4.2	(0.9)	9.8	(0.0)	10.6	(0.8)	35.8	35.5
EBITDAS	(4.4)	(0.2)	(9.2)	4.8	(10.2)	1.0	(26.3)	16.1	(10.0)	(24.0)

Net income variance of £(2.0)m adverse as follows;

- FS £(1.9)m adverse;
 - £(1.4)m Insurance. £(0.6)m Travel Insurance due to price decrease which has not been offset by a sufficient increase in volumes, £(0.8)m Car and Home Insurance due to timing and lower renewal volumes.
 - £(0.5)m remaining variance due to £(0.1)m Mortgages, £(0.1)m Credit Cards and a number of smaller variances across remaining products.
- Commercial is on budget;
 - Telecoms £(0.6)m adverse due to lower call volumes
 - Retail is £(0.1) adverse and Lottery is £(0.8)m adverse continuing the recent market trend, offset by
 - Mails £0.9m favourable due to in year catch up of Royal Mail barcoding income
 - GS is £0.6m favourable (Passports and ID services).
- Other £(0.1)m adverse, mainly Supply Chain.

while Costs are £1.8m favourable to budget;

- Staff costs £1.0m favourable, driven by pensions accrual release and lower staff costs in Network.
- Agents pay is £1.1m favourable due to lower than budgeted income.
- Non staff costs £(0.4)m adverse driven by the following;
 - adverse costs; £(2.5)m higher IT costs consisting of £(1.2)m for Computacenter due to budget phasing and £(0.3)m task, £(0.5)m for Fujitsu one-off adjustment, £(0.4)m POMS. £(0.5)m Brand and Marketing.
 - favourable costs; £0.9m for FX, £0.5m for other finance, £0.6m staff and agent related costs, £0.4m property costs.



P3 Gross Income is £(2.6)m adverse to budget due to underperformance in Financial Services and Telecoms

	P3		PY Period		YTD		PY YTD		Full Year Prior Year	
	Actual	Var.	Actual	Var.	Actual	Var.	Actual	Var.	Budget	Outturn
Gross Income (£m)										
Mails & Retail	25.5	0.9	25.3	0.2	81.1	0.7	80.1	1.0	329.6	334.1
Retail & Lottery	3.2	(0.9)	3.7	(0.5)	10.3	(1.4)	11.4	(1.1)	49.2	45.6
Financial Services	23.5	(2.0)	24.3	(0.7)	74.4	(1.6)	73.6	0.8	313.9	303.6
Government Services	10.2	0.5	12.2	(2.0)	32.5	2.9	35.3	(2.9)	116.0	128.3
Telecoms	9.8	(1.0)	9.7	0.1	32.6	(2.5)	31.3	1.3	141.1	129.8
Supply Chain	2.1	(0.2)	2.1	0.0	6.9	(0.4)	6.5	0.4	29.8	29.2
Other	0.4	0.1	0.4	0.0	1.3	0.2	1.0	0.2	4.3	10.5
TOTAL GROSS INCOME	74.8	(2.6)	77.6	(2.8)	239.1	(2.1)	239.3	(0.1)	984.0	981.1
Cost of Sales	(8.8)	0.6	(9.0)	0.2	(28.1)	1.4	(27.1)	(1.0)	(120.0)	(110.4)
Net Income	65.9	(2.0)	68.6	(2.7)	211.0	(0.7)	212.2	(1.2)	864.0	870.7

Further breakdown in appendix 1

Mails is £0.9m favourable due to the catch up of barcoding income from P1 and P2 as this has now been agreed with Royal Mail. Underlying performance of the product portfolio is on budget for the period. YTD Mails is 0.7m favourable.

Retail & Lottery is £(0.9)m adverse of which £(0.8)m relates to Lottery. This continues the recent trend and is due to poor rollovers in Euromillions and Lotto. YTD Retail & Lottery is £(1.4)m adverse.

Government Services is £0.5m favourable mainly due to Passports £0.1m and ID services £0.2m both of which showed higher than budgeted volumes. Rod & Game was also £0.1m favourable in the period due to higher than expected volumes.

Telecoms £(1.0)m adverse with £(0.8)m driven by lower call revenue against budget. Although customer additions were favourable in the period average customer volumes are adverse in P3 and account for the remainder of the variance. The movement in income is partially offset by lower cost of sales of £0.4m giving Net income which is £(0.6)m adverse in P3 and £(1.1)m adverse YTD.



P3 Gross Income is £(2.6)m adverse to budget (Continued)

Financial Services is £(2.0)m adverse

Insurance (POMS) is £(1.4)m adverse:

- Travel insurance £(0.6)m as in P2 prices were reduced by £6 per policy to stimulate sales volumes, particularly in branch. Although this has increased new sales volumes from 49,000 in P2 to 76,000 in P3, the increase is not sufficient to offset the change in price.
- Car insurance £(0.5)m, £(0.3)m of which due to low renewal volumes and the remainder to timing.
- Home insurance £(0.3)m due to low renewals in month, however YTD performance is on budget.

POMS profit contribution to the group results of £1.2m is £(1.3)m adverse to budget in the period driven by the below budget income performance.

Other Financial Services are £(0.6)m adverse:

- Mortgages are £(0.1)m adverse in the period and £(0.4)m adverse YTD.
- Credit cards are £(0.1)m adverse in P3 but £0.2m favourable YTD.
- Payments are £(0.2)m adverse in P3 driven by Housing payments, which YTD are £0.1m favourable.

Supply Chain is £(0.2)m adverse in the period and £(0.4)m YTD due to no new external business following recent Supply Chain changes.



Total expenditure in P3 is £1.8m favourable (YTD is £1.7m favourable)

£m	P3		PY Period		YTD (Q1)		PY YTD		Full Year	Prior Year
	Actual	Variance	Actual	Variance	Actual	Variance	Actual	Variance	Budget	Outturn
Staff Costs	(18.4)	1.0	(19.6)	1.3	(58.5)	1.4	(60.0)	1.5	(226.4)	(232.9)
Agents Pay	(29.9)	1.1	(32.9)	3.0	(97.2)	(0.5)	(104.5)	7.2	(391.1)	(413.1)
Non-Staff Costs	(25.3)	(0.4)	(29.5)	4.2	(75.4)	0.8	(84.6)	9.3	(292.3)	(284.2)
Total Expenditure	(73.6)	1.8	(82.0)	8.4	(231.1)	1.7	(249.1)	18.0	(909.8)	(930.3)

- **Staff costs are £1.0m favourable** in the period driven by £0.5m lower bonus costs and £0.5m driven by pensions. Both are due to 2015-16 provision release after bonus payments were made in P3.

YTD staff costs additional benefits from lower headcount.

Headcount is 6,519 compared to PY outturn of 6,605.

- **Agents pay £1.1m favourable** in the period driven by the lower income in P3.

YTD Agents pay is £(0.5)m adverse despite YTD income also being adverse due to:

- (£0.7)m as a result of the split of income through the network driving up variable pay. Agency network performing 2% above target.
- (£0.3)m due to mix of local/mains converted branches in 2016/17.
- £0.4m due to lower tax charges as a result of more agents moving across to the new contracts which attract VAT rather than NI.
- £0.1m due to lower holiday/sick payments as a result of the terms of the new NTP contracts.



Total expenditure in P3 is £1.8m favourable (YTD is £1.7m favourable) (Continued)

- **Non Staff Costs are £(0.4)m adverse in the period** driven by;
 - £(2.5)m IT overspend, £(0.3)m of which is savings task, £(0.5)m additional costs with Fujitsu and £(0.4)m in POMS. The remaining £(1.2)m is Computacenter budget phasing as a result of changes to the timing of EUC kit rollout to branch. The Computacenter overspend will be recovered in later periods.
 - £(0.5)m brand and marketing due to accounting phasing of charging the Financial Services marketing provision.

Offset by;

- £0.9m unrealised Treasury gains at the 24 June mark to market rate applicable at month end. This rate reflected the weakening of the pound following the referendum result. This offsets the losses of £0.9m made in P1 and P2 giving a flat YTD position on treasury gains/losses.
- £0.8m lower managed services with £0.6m relating to project expenditure and £0.2m lower postage costs.
- £0.6m lower staff related costs, £0.3m driven by lower T&S and £0.2m by lower recruitment costs.
- £0.4m lower property costs due to favourable rent reviews and lower property maintenance costs.

YTD non-staff costs are £0.8m favourable;

Property costs are £1.3m favourable. £0.6m due to rent and rate reviews and £0.5m due to utilities. Staff related costs £0.9m favourable due to T&S £0.4m, recruitment £0.2m and staff benefits £0.2m. Other operating costs are also favourable due to postage of £0.9m and card processing costs, the benefits of both have been budgeted for later in the year. These variances are offset by a £(1.9)m adverse variance in IT expenditure.



P3 Loss Before Tax of £(6.4)m is £(6.6)m adverse to budget YTD Profit Before Tax of £11.9m is £8.7m favourable to budget

£m	P3		PY Period		YTD (Q1)		PY YTD		Full Year	Prior Year
	Actual	Variance	Actual	Variance	Actual	Variance	Actual	Variance	Budget	Outturn
TOTAL GROSS INCOME	74.8	(2.6)	77.6	(2.8)	239.1	(2.1)	239.3	(0.1)	984.0	981.1
TOTAL NET INCOME	65.9	(2.0)	68.6	(2.7)	211.0	(0.7)	212.2	(1.2)	864.0	870.7
Total Expenditure	(73.6)	1.8	(82.0)	8.4	(231.1)	1.7	(249.1)	18.0	(909.8)	(930.3)
FRES - Share Of Operating Profits	3.3	0.0	4.2	(0.9)	9.8	(0.0)	10.6	(0.8)	35.8	35.5
EBITDAS	(4.4)	(0.2)	(9.2)	4.8	(10.2)	1.0	(26.3)	16.1	(10.0)	(24.0)
Depreciation	(0.0)	0.0	(0.0)	0.0	(0.1)	0.1	(0.1)	(0.0)	(1.2)	(0.4)
Network Payment	6.2	0.0	10.0	(3.8)	20.0	0.0	32.5	(12.5)	80.0	130.0
EBIT pre exceptionals items	1.7	(0.2)	0.8	1.0	9.7	1.1	6.1	3.6	68.8	105.5
Interest	(0.3)	(0.6)	0.5	(0.8)	0.4	(0.5)	1.4	(0.9)	3.8	3.5
Impairment	(6.4)	8.9	(4.9)	(1.5)	(18.5)	18.7	(14.5)	(4.0)	(180.0)	(136.5)
Exceptionals (incl BT & VR)	(12.2)	(1.6)	(28.0)	15.8	(27.7)	2.3	(52.6)	24.9	(172.0)	(293.0)
Government Grant Utilisation	10.8	(13.1)	28.2	(17.5)	47.8	(13.1)	50.4	(2.6)	140.0	150.0
Profit/(Loss) On Asset Sale	(0.0)	(0.0)	(0.0)	0.0	0.2	0.2	0.0	0.2	0.0	0.0
Total Profit/(Loss) Before Tax	(6.4)	(6.6)	(3.4)	(3.0)	11.9	8.7	(9.2)	21.1	(139.4)	(170.5)

- **YTD EBITDAS** of £(10.2)m is 102% of the full year budget of £(10.0)m but £1.0m favourable YTD.
- **Impairment and exceptionals** net favourable due to slower project and capital expenditure, especially on branch kit. This is balanced by a slower accounts release of the Government Grant.



Balance Sheet

Net assets of £150m comprise fixed assets, working capital, pension surplus less provision and debt

Balance Sheet £m	June 2016	March 2016 (unaudited)	Q1 Variance
Fixed Assets	130	120	10
Debtors	294	419	(125)
Cash	983	712	272
Creditors	(707)	(684)	(23)
Pension (deficit)/surplus	195	196	(1)
Provisions	(147)	(167)	20
Other	7	7	0
Loan	(606)	(465)	(141)
Net Assets	150	138	12
Capital and Reserves	150	138	12

The P3 Balance Sheet variances to March 2016 year end are:

- Debtor variance is largely due to decreases in client debtors for card account and ATM balances as March 2016 coincided with Easter.
- Network cash is high as a result of prefunding the network ahead of the Supply Chain changes.
- Creditor balances have increased by £23m, within this client creditors have decreased by £83m giving a remaining variance of £106m. This is largely due to the government grant for the year which is received in April, immediately held on the balance sheet, and then released over the year on a straight line basis.
- Provisions have fallen primarily due to the utilisation of the provision for Agents Compensation.
- The loan balance movement is consistent with the cash flow in month, net of bank deposits.

Network Cash

£m	YTD	March 2016
	Actual	(unaudited)
Retail, Cash Centres	808	534
Bureau at month end rate	113	74
Cheques, debit cards	45	45
Network Cash	966	653
Cash not in Network	17	59
Total Cash	983	712



Q1 Cash outflow of £179m and Net Debt of £589m

Cashflow	YTD		
	Actual	Budget	Variance
£m			
EBIT	10	7	3
Working Capital	5	4	1
Client Balances	(8)	21	(29)
Network Cash	(313)	(48)	(265)
Capital Expenditure	(19)	(37)	19
Government funding	200	200	0
Exceptional Items	(46)	(54)	8
Other (including interest and tax)	(9)	(9)	(0)
Operating Cashflow	(179)	85	(264)

Cash outflow of £(179)m for Quarter 1 is £(264)m adverse to budget YTD.

- Network cash is £(265)m adverse entirely due to prefunding the network ahead of the Supply Chain changes.
- Client balances are £(29)m adverse to budget due to a number of smaller variances across our client portfolio including Santander, DVLA and UKPA.

These adverse movements were partially offset by capex which is £19m favourable as spending plans track behind budget.

	YTD Actual £m	March 2016 (unaudited) £m
Net increase/(decrease) in cash and cash equivalents	272	(109)
Add/(deduct) movement in cash in the network included in net cash inflow	(313)	55
Deduct proceeds of borrowing from BIS	(141)	(155)
Net increase in net debt	(183)	(209)
Net debt brought forward at the beginning of the year	(406)	(197)
Total net debt carried forward at the end of the period	(589)	(406)

Increase in cash and cash equivalents of £272m equates to the balance sheet variance on Page 10.

Net debt of £589m is £183m higher than the start of the year, driven mainly by higher network cash.

Net debt consists of:		
BIS loan	(606)	(465)
Cash (excluding cash in the Post Office network)	17	59
Total net debt carried forward at the end of the period	(589)	(406)



Appendices



1. Gross Income

Gross Income £m	P3			Prior Year		YTD			Prior Year		Full Year	Prior Year Outturn
	Actuals	Budget	Var.	Period Actual	Pd. Var. (Yr On Yr)	Actual	Budget	Var.	YTD Actual	YTD Var. (Yr On Yr)	Budget	2015/16 Actual
Parcelforce	1.3	1.2	0.1	1.4	(0.1)	4.3	3.9	0.4	4.2	0.0	16.5	18.0
Special Delivery	3.9	3.9	(0.1)	4.0	(0.1)	12.5	12.7	(0.2)	12.5	0.0	49.9	49.6
International Priority & Standard	2.2	2.1	0.1	2.2	(0.0)	7.4	7.1	0.2	7.4	0.0	31.0	32.1
Stamps (1st & 2nd Class plus other stamps)	1.5	1.5	0.0	1.7	(0.2)	5.0	5.0	(0.0)	5.4	(0.4)	25.5	27.2
Labels (1st & 2nd Class)	6.6	6.6	(0.0)	6.9	(0.3)	21.6	21.6	0.0	21.9	(0.2)	84.2	87.7
RM Signed For	1.7	1.7	(0.0)	1.8	(0.1)	5.7	5.6	0.1	5.6	0.0	22.7	22.5
Home Shopping Returns	1.1	1.0	0.1	0.9	0.2	3.5	3.3	0.2	2.8	0.7	13.6	11.7
Mails Other (trading)	1.1	1.3	(0.2)	1.2	(0.1)	3.7	4.2	(0.5)	3.8	(0.1)	17.5	17.5
Total Mails Trading	19.4	19.4	0.0	20.1	(0.7)	63.6	63.4	0.2	63.5	0.1	261.0	266.2
Fixed fee	4.1	4.1	(0.0)	4.2	(0.1)	13.2	13.3	(0.0)	13.5	(0.3)	53.1	54.2
Mailwork & Mails non trading	2.1	1.2	0.9	1.1	1.0	4.3	3.7	0.5	3.0	1.2	15.5	13.8
Total Mails	25.5	24.7	0.9	25.3	0.2	81.1	80.4	0.7	80.1	1.0	329.6	334.1
Retail	0.6	0.7	(0.1)	0.5	0.1	1.9	1.9	0.1	1.7	0.2	10.0	7.7
Lottery	2.6	3.3	(0.8)	3.1	(0.6)	8.4	9.9	(1.5)	9.8	(1.4)	39.2	37.9
Total Mails & Retail	28.7	28.7	(0.0)	29.0	(0.3)	91.4	92.1	(0.7)	91.5	(0.1)	378.8	379.7
HomePhone /Dual & Broadband Customers	9.5	10.5	(1.0)	9.4	0.1	31.7	34.2	(2.5)	30.3	1.4	137.5	125.9
Mobile	0	0	0	0.0	(0.0)	0	0	0	0.0	(0.0)	0	0
Other Telephony	0.3	0.3	(0.0)	0.3	(0.0)	0.9	0.9	(0.0)	1.0	(0.2)	3.7	3.9
Total Telecoms Services	9.8	10.8	(1.0)	9.7	0.1	32.6	35.1	(2.5)	31.3	1.3	141.1	129.8
Motoring Services	0.7	0.7	0.0	1.0	(0.3)	2.3	2.5	(0.2)	2.9	(0.6)	7.8	10.2
Card Account	5.6	5.6	(0.0)	6.4	(0.8)	17.3	17.0	0.3	19.9	(2.6)	65.9	75.3
Passport Services	2.2	2.1	0.1	2.4	(0.2)	7.8	6.9	0.9	8.0	(0.1)	20.3	23.0
Digital ID Serv UKVI & Asylum	0.7	0.5	0.2	0.9	(0.1)	2.4	1.3	1.2	1.9	0.6	8.1	10.6
ID - Assurance (Verify)	0.4	0.4	0.0	1.2	(0.7)	1.2	0.7	0.5	1.5	(0.3)	9.5	4.2
Other Government Services	0.5	0.3	0.1	0.3	0.1	1.4	1.2	0.2	1.2	0.2	4.4	5.2
Total Government Services	10.2	9.7	0.5	12.2	(2.0)	32.5	29.6	2.9	35.3	(2.9)	116.0	128.3
Bill Payment	2.0	2.2	(0.2)	2.5	(0.5)	6.9	6.7	0.1	7.7	(0.9)	24.9	29.8
Payment Services	0.3	0.3	(0.0)	0.2	0.0	1.0	0.9	0.0	0.7	0.2	6.2	5.9
Personal Banking Clients	2.8	3.0	(0.2)	2.6	0.2	9.3	8.9	0.3	8.1	1.2	36.7	33.9
Business Banking	2.0	1.9	0.1	2.0	0.0	6.3	5.8	0.4	5.9	0.4	20.4	24.0
ATM	2.6	2.7	(0.0)	2.7	(0.0)	8.4	8.7	(0.3)	8.6	(0.1)	34.2	34.3
PFS-Savings	3.6	3.7	(0.0)	5.2	(1.6)	10.9	10.9	(0.0)	15.7	(4.8)	51.5	59.7
PFS-Lending	0.5	0.7	(0.2)	0.6	(0.1)	1.8	2.1	(0.3)	1.9	(0.0)	11.2	10.0
Insurance (incl POMS)	3.3	4.7	(1.4)	2.4	0.9	11.6	13.4	(1.8)	7.0	4.5	48.0	36.2
Bureau & Travel Money Card	2.5	2.3	0.2	2.2	0.3	6.5	6.4	0.2	6.2	0.4	26.8	23.7
MoneyGram	2.4	2.5	(0.1)	2.1	0.3	7.2	7.3	(0.1)	6.6	0.6	30.2	26.5
Postal Orders	1.4	1.4	(0.0)	1.6	(0.2)	4.6	4.6	0.1	5.1	(0.4)	17.5	19.6
NS&I	0.0	0.0	0.0	0.7	(0.7)	0.0	0.0	0.0	2.1	(2.1)	0.0	4.5
Other	0.0	0.1	(0.1)	(0.7)	0.7	0.0	0.2	(0.2)	(2.1)	2.1	6.1	(4.5)
Total Financial Services	23.5	25.5	(2.0)	24.3	(0.7)	74.4	76.0	(1.6)	73.6	0.8	313.9	303.6
Other Income	0.4	0.3	0.1	0.4	0.0	1.3	1.1	0.2	1.0	0.2	4.3	10.5
Supply Chain	2.1	2.3	(0.2)	2.1	0.0	6.9	7.3	(0.4)	6.5	0.4	29.8	29.2
Gross Income	74.8	77.3	(2.6)	77.6	(2.8)	239.1	241.2	(2.1)	239.3	(0.1)	984.0	981.1

Technology Strategy

Author: Rob Houghton Sponsor: Al Cameron Meeting date: 25 July 2016

Executive Summary

Context

Our IT strategy has been partly delivered and now requires evolution. IT is not fully meeting the needs of the business, being expensive to run and difficult to change. POL's business strategy will require a different level of technology and change capability than we have today. While the business's requirements are not yet all clear, IT must become more a more effective enabler if it is not to become a block.

Questions addressed in this report

- Are the business's IT needs clear?
- What is the state of the IT organisation?
- What principles will we follow?
- How do we reduce our cost base and how far can we go?
- What is the architecture roadmap that can enable our strategy?
- What are our target operating model and supplier strategies?
- What are the major risks?
- What are the next steps?

Conclusion

- IT is not yet fit for purpose: it is too expensive and hard to change.
- While IT will take a strong leadership position over technology, it is important that it serves the business strategy and "the tail doesn't wag the dog". In some cases, following the board awayday, business strategies need conversion into detailed plans before the full IT strategy can be determined. We do not therefore have a full, costed set of plans and this paper focuses on IT functional improvements and IT architecture roadmaps.
- There is an immediate task to improve the functioning of IT- our control and risk management - based on greater visibility of performance. This may require some insourcing of service integration. We have designed a new team structure for IT and are recruiting senior roles to increase our in-house capability.
- We are designing a flexible architecture based on 5 roadmaps: Digital, Retail, Back Office, Data & Analytics; and Infrastructure and Security.

- Three pieces of enabling technology will be developed as the foundations of future delivery: a single integration platform; a set of digital services; and an enterprise information platform.
- Costs must fall from the current 11% of turnover. Supplier conversations are already underway as most of our spend is third party, with the bulk contractually fixed. We can reduce costs to 7-9% within three years and we believe that 5% is achievable in the longer term as contracts change and we can properly variabilise costs. Greater funding may accelerate contract change. Cost estimates are subject to the run cost impact of new digital and branch technologies.
- The supplier base will continue to change, with the insourcing of "control" and a reduction in suppliers in the back office. Individual supplier strategies are in development. We are improving our vendor management capabilities.
- Key risks include internal capability, the need to comply with public procurement and TUPE legislation and the evolving nature of cyber threats.
- In addition, the costs of these changes are not yet clear and therefore the amount of change we can deliver in a set period will vary as we agree budgets and funding.
- Next steps include the development of these strategies into detailed plans, aligned to the business's 5-year plan.

Input Sought

The Board is asked to support the direction set out in this document, requesting further updates on cyber security (at the ARC in September), the financial outcomes (as part of the business plans in October) and overall in January 2017.

The Report

Context

1. In 2013, the Board approved a strategy to outsource IT into a “towers¹” model and deliver an ambitious transformation of our technology, spending £300m for a £30m pa return and significant de-risking. Separation from Royal Mail created urgency, the capability of our IT team was low, we were required to follow public procurement processes and the approach was encouraged by central government.
2. PO conducted a 2 year procurement exercise to select the right technology partners. We chose top-quartile suppliers to replace customer software and back-up (IBM), desktops and laptops (Computacentre), back office infrastructure (Accenture), the branch network (Verizon) and to provide a layer of service and change integration and management (Atos).
3. In early 2016, we terminated the IBM relationship and reverted to Fujitsu, extending our existing contract to use – and improve – Horizon and its Belfast data centres. Our current supplier set is as follows:

Key Suppliers	Budget 16/17	Subjective View on performance	% Costs Fixed	End Date
Atos	£6.2m	Med	90%	09/2018
Accenture	£3.4m	High	75%	01/2017
BT (migrating to Verizon)	£9.7m	Med	90%	01/2018
Computacenter	£13.2m	Med	0%	03/2019
CSC (Back office)	£5.4m	Med	80%	04/2018
Fujitsu	£38.0m	Low	80.5%	03/2023
Verizon	£4.8m	Med	N/A	05/2023
3M (Branch kit)	£3.8m	Med	90%	03/2020

Are the Business IT needs clear?

4. The business strategies discussed at the Board away day in June have technology dependencies. For example:
 - enabling customers to access and make real-time, multi- product choices digitally, especially in financial services;
 - creating online propositions in Mails;
 - improving digital systems interactions with clients (personal financial services) and corporate customers (energy companies);
 - delivering simpler, integrated retail technology; and
 - reducing back office costs will require automated processes on better supported systems.

¹ A tower is a cluster of capability such as data centre services

5. While the direction is clear, we have not yet agreed which plans we will fund in the next 2-3 years. In addition, we have not yet made some important decisions:
 - The Commercial and Financial Services teams need to determine the priority digital customer journeys;
 - Following Project Peregrine, Financial Services needs to set out the degree of systems integration required with which partners (legacy system integration is more complex and expensive than completing the digital front end);
 - the Network team must determine which devices are required for which branches and where we require EPOS integration; and
 - ARC must agree our security risk appetite to determine the level of change and investment required
6. Until these decisions are made and the level of change agreed, the exact choices for IT cannot be determined in detail; otherwise, "the tail will be wagging the dog". The bulk of this paper is therefore focused on the underlying IT choices that can be made now.

What is the diagnosis of the Post Office Technology organisation?

7. While we deliver a service that is largely functional, our IT organisation needs fixing across multiple dimensions: it is expensive (£104m) and slow to change.
8. The Operating Model is a 'hybrid service model'. While multiple service providers were envisaged, the plan was to have 4 dominant suppliers – one for each cluster of activity – with a fifth supplier providing integration. The reversion to Fujitsu and a part solution in back office means that we retain 93 IT suppliers, making life very difficult for the integrator and the small, internal team. The existing situation is not desirable and a service and organisation model re-design is required.
9. The applications and data architecture is very fragmented and complex driving significant operational risk and manual compensating controls on data.
10. End-to-end business change processes are complex and expensive. Delivery can take 12-18 months for simple change from concept. A lack of strong business sponsorship, diffuse accountability and an IT supplier management mentality has exacerbated the cost of change and slowed decision-making. The business has sometimes contracted directly ("shadow IT"), increasing the risk of change and service and security failure.
11. The cyber threat is mutating so swiftly that different defence attitudes and organisations will be required. While we have encrypted the rather limited personal data we retain, we need to develop IT tools to mitigate risk beyond our management controls framework. This will be discussed at ARC in September.

12. We do not have a simple end-to-end service or security “dashboard” looking across the estate. Running a complex IT estate requires stronger instrumentation to give earlier warning of potential issues and a more developed response team to address threats. Until then, assessing risks and dealing with daily operational problems is undertaken with sub optimal information and, in the main, reactively.

What principles will we follow as the bedrock of the strategy? We will..

13. Strategic:

- Not expose the Post Office to service/ security unacceptable risk
- Treat the Post Office spend as our own spend
- Engage with fewer partners on no more than 5-year contracts
- Drive contracts to variable spend
- Centralise all IT spend to avoid “shadow IT” activities
- Focus on incremental change with small commitments of spend

14. Architectural:

- Design and build the architecture to offer flexibility and innovation
- Create a modular reusable library of services
- Adhere to a “Adopt not adapt” policy
- Minimise system adaptation through adoption of standard processes
- We will make best use of our existing and new IT investments

15. Operating Model:

- Have strong business and technical experience
- Keep within the Post Office activities that enable us to be in control
- Have sole responsibility for run and change of IT systems
- Ensure IT is strongly represented and engaged into the business
- Operate as strong guardians and agile innovators
- Retain strong governance and control over the IT ecosystem

How do we drive to a lower cost base and get control of costs?

16. A standard retail organisation would have an IT spend of c. 5% of revenue, with simple, single transaction, online businesses much lower. Benchmarks are complex: we operate in 11,600 individual locations, support multiple products and partners and process over £60b of transactions to earn £1b of revenue. Nonetheless, our current ratio, at c. 11%, is unacceptable and 5% is a good target for our like-to-like activities.

17. However, out of our £104m cost base, £90m is paid to third party suppliers (FY16/17), of which 68% is fixed price and the largest driver of variability is the number of locations, where we have least flexibility.

18. In the next 2-3 years, we will reduce spend through agreed changes in contracts. We are also in new discussions with individual suppliers to see how we can evolve the way we work: not paying for unnecessary service, reducing “gold-plating” etc. In the next three years, we can realistically target 7-9%.

19. In the four-seven year timescale, we can go further, substantially renegotiating and replacing contracts, insourcing if appropriate, moving onto the cloud – agreed in principle with Fujitsu – and simplifying the underlying vendor structure. 5% should be possible with a singular focus on costs. It may be possible to accelerate some changes if, as set out in the Board Funding paper, we can invest to buy ourselves out of current contracts.

20. However, we do not yet know and cannot include the impact on run costs of doing more digitally, moving to handheld terminals in stores, integrating retailer EPOS etc. Business strategies will create an impact on IT run costs as well as an initial capital outlay and the different business imperatives will need balancing as we make decisions.

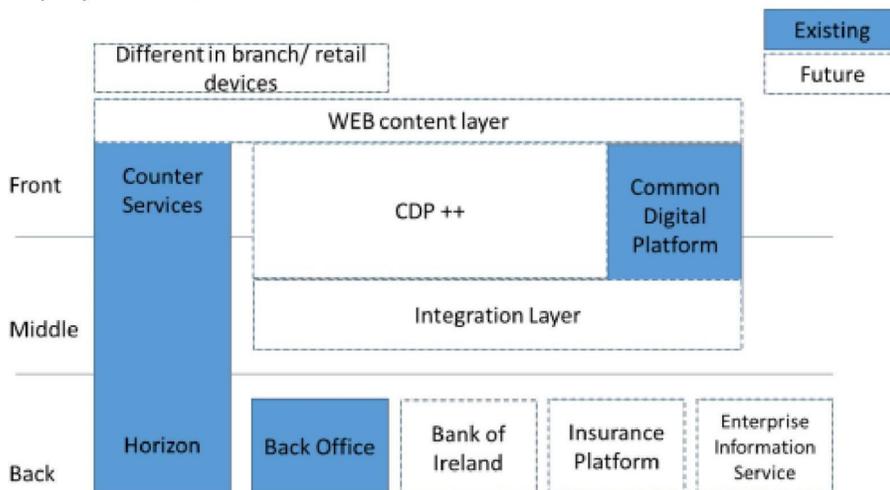
21. Cost reduction has significant operational and execution risk. All the following would need to be true to deliver benefits and are all high risk propositions:

- Deliver cost savings in the existing plan
- Renegotiate substantial contracts which currently have strong defensive contractual positions and a limited appetite/ incentive to change
- An ability to negate run costs increase from business strategy changes
- Increasingly flexible ability to deliver in different ways

22. Appendix B summaries our current activities to reduce short-term costs

What is the Architecture roadmap to enable the business strategy?

23. Our architecture philosophy is to enhance the digital platform, build flexibility and simplify the estate.



24. We can think of the architecture of the Post Office as a front, middle layer and back. The front is how the customer interacts with the Post Office – whether it be at a counter or digitally online through a web site or mobile app. The back handles the transactions that the customer wants to perform (ie send a parcel, buy travel insurance). The middle is the software which “connects” the front to the back.
25. We want the middle to connect the front seamlessly and simply to many different backs including clients, like a brilliant concierge in a hotel. The front says “I want a service” and the concierge has to go and get that service from the back speedily, reliably, resiliently and do it 24x7.
26. The “front” may be under profound change, with Network plans driving “tablet” type devices and EPOS integration, fundamentally different to the current counter footprint. We also have ambitious direct to consumer digital agendas.
27. We will leverage our investment in the Common Digital Platform. However, our digital capability and experience is immature and has to be strengthened:
- We have a basic ability to manage internet content and two deployed transactional digital journeys (Mails Small Business Club Drop & Go and Rod Fishing Licence). We have a very simplistic My Account, an authentication capability provided by Digidentity and PCI compliant payments capability delivered through Global Pay.
 - We can author and publish simple web content but complex content requires agency or supplier involvement to offer calculators or quotation tools.
 - We have limited user centred design capabilities. Our capabilities do not extend to internal mobile development engineering, API design/deployment or deep/big data analytics. All of these services rely upon 3rd party partners and are capabilities we should have within.
28. The “middle” needs building and is a fundamental foundation for any digital architecture. Ensuring the “back systems” (ie BoI) can provide services through the middle is usually where all the cost is. “Making elephants dance” is a common saying for the work required to get old legacy systems integrated into a digital environment
29. We also want the ability to connect the front to many more “back” services – funds, mortgages, bank accounts. The back usually comprises old, legacy platforms that are difficult to change. Our back also includes our finance, supply chain and HR systems, some of which need urgent upgrading and securing.
30. Our digital capability and experience is immature:
- We have a basic ability to manage internet content and two deployed transactional digital journeys (Mails Small Business Club Drop & Go and Rod Fishing Licence). We have a very simplistic My Account, an

authentication capability provided by Digidentity and PCI compliant payments capability delivered through Global Pay.

- We can author and publish simple web content but complex content requires agency or supplier involvement to offer calculators or quotation tools.
- We have limited user centred design capabilities. Our capabilities do not extend to internal mobile development engineering, API design/deployment or deep/big data analytics. All of these services rely upon 3rd party partners and are capabilities we should have within.

31. We will develop and execute **five IT roadmaps**; all require strong business sponsorship and alignment to business transformations/ proposition development. All require assistance to develop.

- I. **Digital.** Provide an outstanding on-line experience and seamlessly join up online/ physical channels. All digital strategic initiatives will be delivered using agile techniques and focused on a "mobile first" channel agenda.
- II. **Retail channel and integration.** Roadmap to integrate our sales channels onto a single logical platform, providing consistent product journeys as well as a single point of integration with our third parties and the services they provide us
- III. **Back office.** Securing our back office estate to provide accurate, safe and robust processing, information and reporting services, simplifying our back office operations and shared services.
- IV. **Data and Analytics.** Our journey to provide the business with accurate and insightful reports and analysis of our business performance, based on data that is understood and is consistent across our information systems
- V. **Infrastructure and IT Security/ Operations.** Roadmap which demonstrate how we migrate to cloud, build the command and security layers/ operations centres and get visibility. Ensure a culture of "Security First" in the Post Office; protect critical data assets and ensure a strong perimeter. Establish an Enterprise Security Operations Centre

32. These roadmaps will require and be supported by three core enablers:

- A single integration platform that brings together our disparate IT estate and acts as a single point of integration with our clients and service providers.
- A set of digital services that provides a view of all the customer's transactions and accounts of both the Post Office and opted in third parties.
- An enterprise information platform that provides a single view of business performance by combining data from our digital, point of sale and back office systems, including financial and marketing data.

33. We can immediately commence a proof of concept of the “no regret” customer journeys that we will definitely require irrespective of product prioritisation objectives or sequencing. This activity will assist with delivery acceleration.

What is our target operating model, supplier management strategy and capabilities required?

34. The intended operating model was to have a SIAM layer (Service Integration and Management) supported by “four towers”. We have reviewed the existing operational effectiveness of the SIAM layer, which operates our “Run” and “Change” activities within Post Office IT.

35. Over the next 18 months, we are expecting to insource services which are required to enable us to be in control, especially in the service integrator layer. The contract with ATOS expires during this period. This requires us to bring in additional talent.

36. We are developing negotiation strategies for our key suppliers to enable lower costs and easier change. We have already established a monthly suppliers’ day with all engaged.

37. By October, we will have a back office roadmap to reduce from 93 suppliers.

38. Appendix D sets out how we expect the SIAM model to evolve. In addition, Post Office IT organisation changes are required. Appendix E includes an organisation structure that we are moving to, with recruitment underway for a number of senior roles.

What are the major risks?

39. We have identified the Risks below as a threat to the delivery.

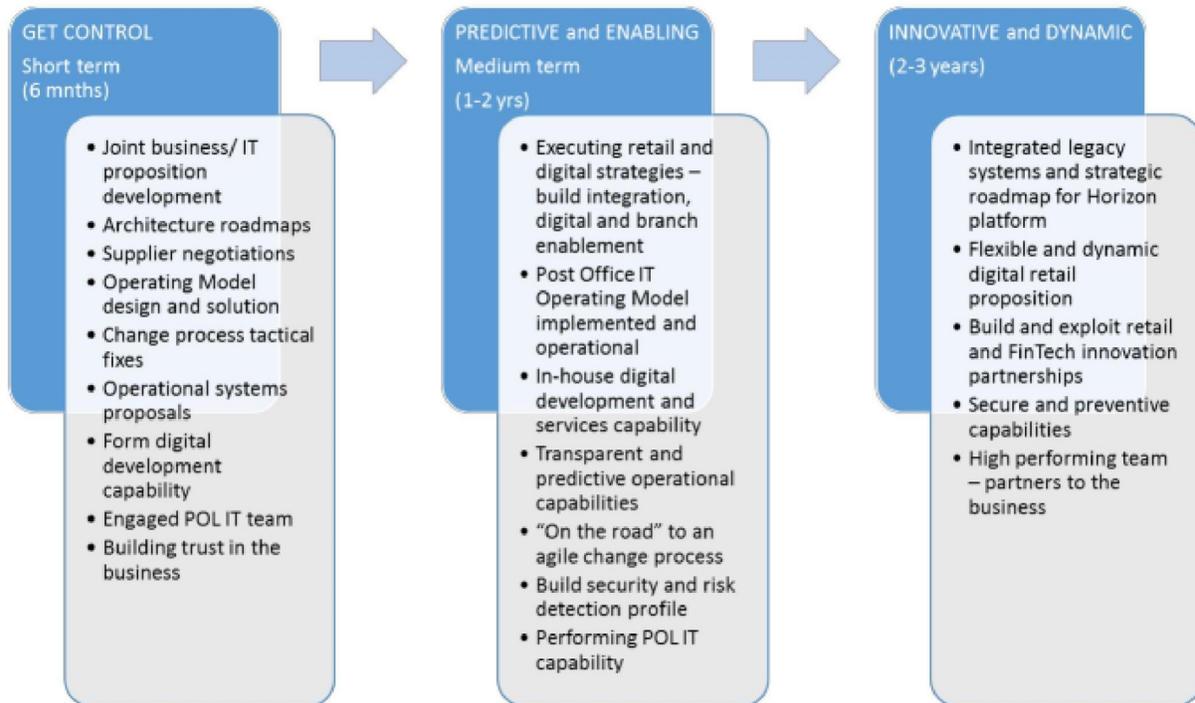
Risk	Mitigating Action	By when
Strategic Definition of Requirements from Product Team: Strategies are still at very early stage of evolution having just received Board endorsement.	- Detailed definition and prioritisation is a pre-requisite for Digital/IT to get started on detailed delivery planning	3Q16
Suppliers contracts are 68% fixed. Our leverage position is not strong - there are few obvious reasons why suppliers are willing make their contracts more flexible or offer substantive cost savings to the Post Office	- Negotiating strategies for each provider - Leverage both government and entire scope of delivery (ie FJ telecoms contract) - Agree drivers and have cost playbook for each provider - External specialised advice	3Q16
Government procurement processes and regulation will necessitate a long tail impact to any adjustment of the towers model or sourcing	- Close engagement with legal and procurement through strong impact analysis and planning	4Q16
Any insource of activity will trigger a high cost through TUPE, union interest and disengagement of existing team (and hence service risk)	- Close engagement with HR, legal and union reps - Clear plan, impact and NDA around the work	
Top down GE/ Board leadership and support might not be evident, undermining the impact	- Engagement and approval on IT strategy - Reinforcing messages and tangible leadership support	End 2016
Appetite for end to end change of process and risk of continued "blame IT" mentality	- Organisation Model change and embedded CIOs - Review and redesign of change process	End 2016
Lack of funding in prioritised change portfolio for IT operational/ security investment or digital enablers will slow execution	- Explain dependencies on digital platform - Explain security and operational risk against corporate risk appetite	3Q16
It will cost more and take more time to reshape the operating model, get control and deliver service, security and change improvements. Whilst doing this; existing services get disrupted	- Needs detailed design and planning stage with investment in a committed project team to manage the transition	2016

Next steps – this year

40. Our immediate next steps are summarised in the table below:

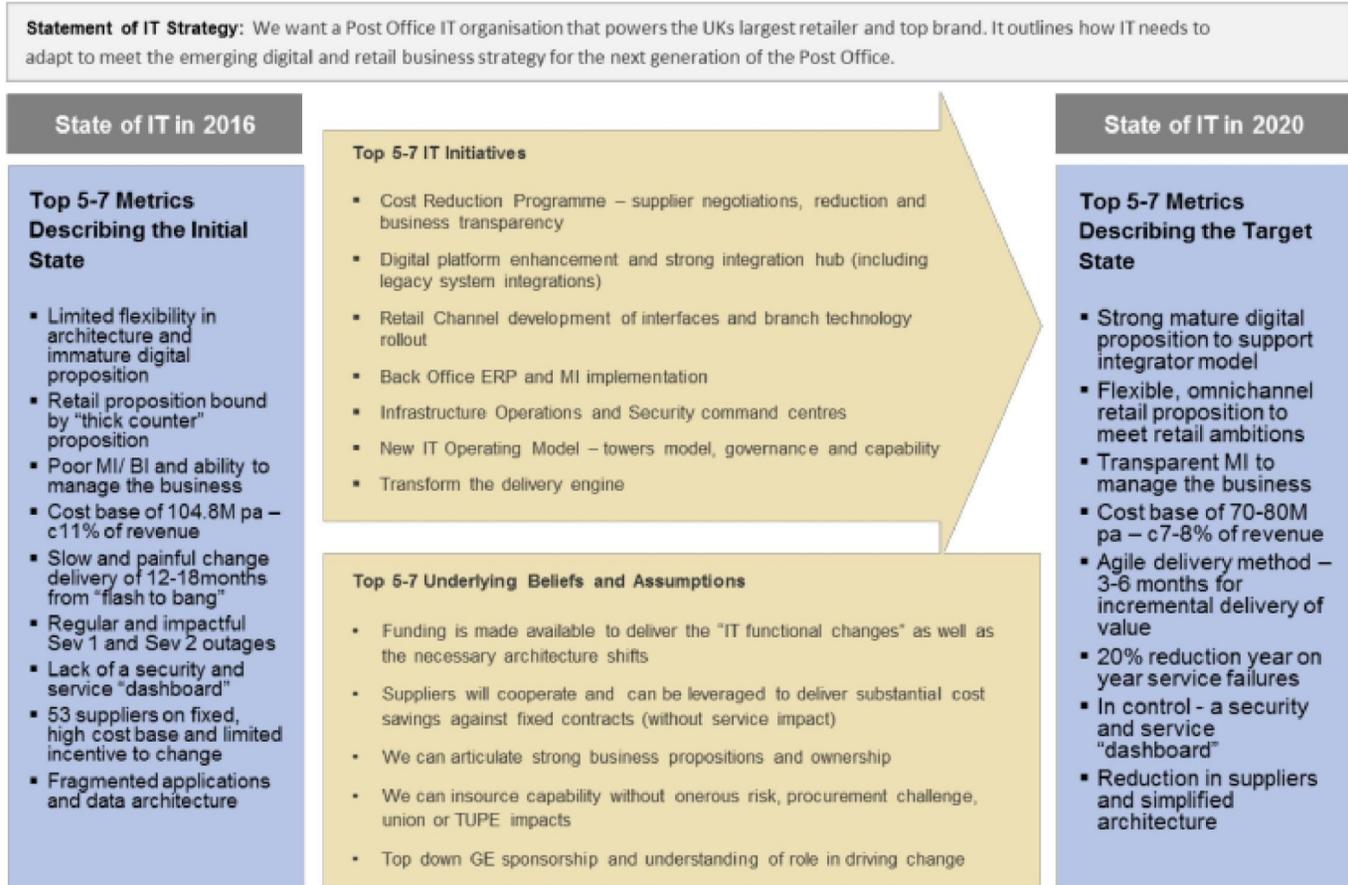
	Activity	Investment – 2yr	3Q16	4Q16	1Q17
ARCHITECTURE	Architectural roadmaps detailed planning in parallel with business product proposition planning and design	c0.75m	Dig/ BO	Infra/ Horizon	
	Commence a digital Proof of concept to create a robust demonstration of the core capabilities that we will need to deliver the Digital aspirations that are emerging in Mails, FS and Government Services. We will pick some features from each of the product pillars	Part of digital	ESTABLISH TEAM	SPRINT 1 DELIVERY	SPRINT 2 DELIVERY
	Build out a detailed digital/IT roadmap and investment profile that reflects the investment and delivery commitments required from our third party partners (BoI, FRES) to modify their systems to provide Post Office access to the data and future processes that we wish to directly offer to our customers	c0.5m	LEARN	ENGAGE	DESIGN
COST	Cost Reductions for 2015/2016	TBC	Ongoing delivery		
	Build a strategic cost model – drive transparency	TBC			PROPOSAL
	Suppliers negotiations (investment excludes any Penalty Exit clauses for contracts)	0.5m – 2m Specialist Commercial / Legal advice	PLAN	NEGOTIATE	
FIX IT	Build and populate Organisation Design	N/A	COMMS	OPERATION	
	Initiate the strategic re-work of our IT supply chain (aka Tower model & SIAM) by modifying our relationship with Atos, potentially insourcing critical IT capabilities.	TBC	LEARN/ PLAN	DESIGN	
	Implement Phase 2 of Service Model transition	TBC		COMMS	OPS
	Change. Complete the change process “learn” and “redesign” phase - removing waste and overhead in the system	N/A	LEARN	REDESIGN TACTICAL	
	Design and build Operational Command Centre (assuming no OJUE)	c2-5m	LEARN	DESIGN	BUILD
	Design and build enterprise SOC (assuming no OJUE)	c2-4m	LEARN	DESIGN	BUILD

41. Our medium term is as follows



Appendix

A. SUMMARY ON A PAGE



B. Cost Playbook

- a. We are tackling the cost base in three ways:
 - (1) Analysing the "cost of change" through understanding rate cards, what "work gets done", complexity of process, overheads, location, seniority and the specification of what we are asking for (existing conversation suggest we are over specifying and are overlayered)
 - (2) Reviewing the benefits committed by each supplier and progress against this/ assumptions and threats
 - (3) Requesting additional cost opportunities through either reduction in cost against existing scope or reduction in scope through increasing scope
- b. Strategically, we need to drive greater transparency and ownership of IT costs into the business to enable the business to control volume and make appropriate decisions.
- c. Opportunities in flight are below. All require leverage and flexibility in supplier against fixed contracts:
 - (1) Short term:
 - Stop core SIAM services where we are not getting value
 - Investigate and drive Software Licensing reductions.
 - Meet all suppliers and drive cost reductions through altering demand drivers, taking more risk, changing specification and/ or challenge
 - Action short term outcomes from KPMG contractual and commercial reviews of suppliers – require goodwill from suppliers
 - (2) Strategic opportunities >1m (but may commercially offer short term opportunities):
 - Utilise commercial leverage - there is no discounts on Run based on Change spend volume and alignment of core consultancies
 - Reshape SIAM to insource key services
 - Renegotiate contracts to assess productivity clauses, re-price indexation, reduce SLA CAPs or change payment terms
 - Implement a Software Asset Management tool to control the software base
 - Aggressive migration of Fujitsu on-premise infrastructure services to cloud platforms.
 - Replacement or retirement of expensive devices (SSKs/ AEIs c4/5k per unit)
 - Detailed deep review of each contract to remove duplication and overspecification of services (service management/ reporting) across providers

C. Measurements of IT strategy

Measure	Activity	Today	Target 2020
Lower Cost	Aim to meet budget in first year and with target investment reduce costs by 5-10% beyond that; without increases. Note that business change (rightly) increases IT cost	104.8M	70-80M Dependent on growth
Faster speed to market (Flash to bang):	Previous experience dictates that this requires end-to-end change. Aim to halve end to end cycle teams across the system	12-18 months	3-6 months incremental value
Increased productivity	Requires end to end change but through agile and systems thinking the process – from initial view; aim to save at least 30-50% on cost of delivery	Expensive, layered, waterfall	Agile, cheaper, high quality
Security Effectiveness	Use a capability measure from Deloitte's against 5 key risk areas to assess and gain an accurate measure of IT/Cyber security maturity.	Limited visibility; limited testing; low risk profile;	High understanding; robustly tested; higher risk profile
Digital Capability Maturity	Our current capability is well behind leading retail peers. The development work over a year should be to get us to a level appropriate to our needs.	Web site "brochure ware"; immature; limited transactions	High transactional capability; online/ offline journeys; MyPostOffice/ SME
Always On service	Aim for a consistent reduction in lost business revenue year on year for key services and avoidance of lost hours through predicting events.	Regular Sev 1/ Sev 2 per month (last 6 months - Severity 1 = 16 Severity 2 = 67 Total = 83)	20% reduction on critical business hours
Colleague Feedback	Aim to establish a mechanism across the company on how technology is performing from a branch, end user and business change perspective. Improve and resolve root cause	Low trust; business/ supplier attitude; low expectations	High trust; IT as a partner driving value and innovation

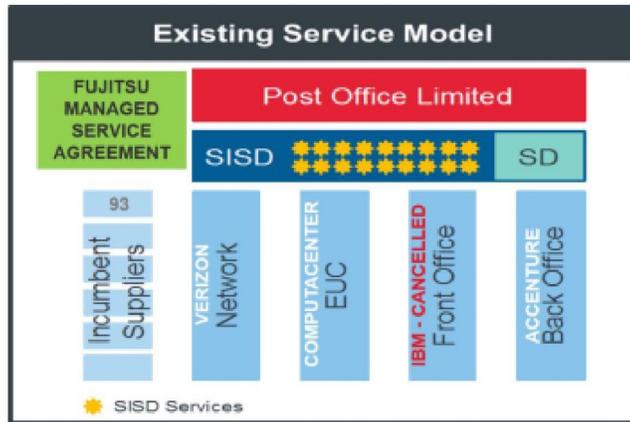
D. Existing/Prospective Towers and Supplier Mix

The existing IT service management model is based upon a partially implemented SIAM (Service Integration & Management) and Service Integration & Service Desk (SISD) model. The process started in early 2012, with four SIAM towers and one SISD tower identified:

- SISD – ATOS August 2013
- EUC – Computacenter September 2014
- Network – Verizon May 2015
- Front Office – IBM May 2015 (cancelled February 2016)
- Extended Fujitsu Managed Service Agreement February 2016
- Back Office – Accenture March 2016

Over time, we have consciously introduced a hybrid service model, where our legacy incumbent suppliers (currently 93) and Fujitsu have not been contracted into the SISD/SIAM services model, which has resulted in the full range of ATOS SISD contracted services not being able to be delivered.

These constraints in the model have resulted in Employee and Branch user base being unhappy with the service experience.

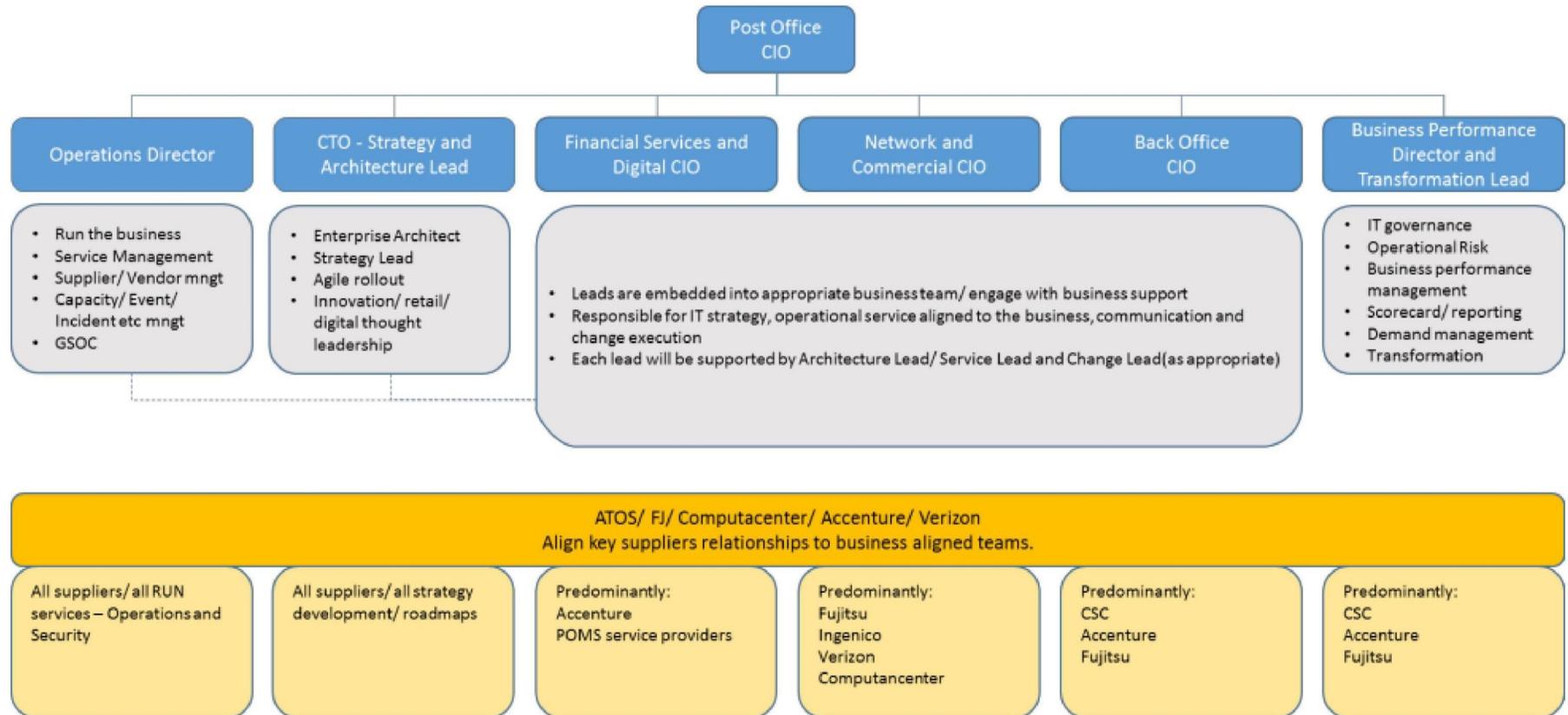


The pain points are largely caused by the hybrid IT services being delivered in a highly complex multisource environment. Specifically, the contractual agreements with the service providers is held by POL, which has meant that under the current SISD model, ATOS have very little if any leverage to flow-down their obligations.

A review identified opportunities for cost reduction and service enhancements through insourcing capability, automation of service integration activities, and an overhaul of the service level. The impact of this requires further planning and investigation to mitigate risk and minimise contractual penalties.



E. Organisation Structure



Banking Framework

Author: Martin Kearsley Sponsor: Nick Kennett Meeting date: 25th July 2016

Executive Summary

Context

The Banking Framework seeks to create a commercially sustainable contract with a standard set of basic banking services for all UK bank customers at Post Office counters.

At the December 2015 meeting the Board gave approval for management to proceed to terminate all existing bi-lateral contracts with banks, and conclude the negotiation of new standard contracts to participate in the Framework. The terminations were made in December 2015 to come into effect in January 2017, allowing the Parties a year to conclude negotiations.

Conclusions

1. The Framework is on-track to be operational from 1st January 2017. This will generate additional projected EBITDAS of £3.4 million in 2016/17 and £20 million additional income in 2017/18.
2. The standard set of terms and services applying to all participants will simplify branch and operational processes, removing paper and manual transactions. It will also enable Post Office to market the service more broadly.
3. Of the top five banks, HSBC, Barclays, Santander and Lloyds are fully committed to the Framework, with HSBC and Lloyds due to sign this month; Santander and Barclays will sign by the end of September.
4. While RBS is still working through an internal business case, and thus the position is uncertain, we remain confident that they will join the Framework from inception.
5. With the stated intent of banks that account for c.81% of transaction volumes to participate, management believes that the financial and capacity requirements of the Framework are in place.

Actions and decisions sought from the Board

1. To note the progress in delivering the Banking Framework.
2. To note that RBS participation remains at risk.
3. To note that there are no material changes to the risks and liabilities incurred by Post Office in creating the Banking Framework.
4. To confirm agreement to stand-up the Framework from 1st January 2017.
5. To authorise the CEO or CFO to countersign contracts that exceed management's delegated authority.

Input Sought

- The Board is asked to confirm its support.

Input Received

- Legal, Network, Security, Operations input has all been included.
- Legal has created a combined Key Terms and Liabilities and Key Risk report. A summary is in the Appendix.

The Report

1. Since Post Office terminated the existing banking services contracts in December 2015, we have been negotiating multilaterally through the services of the BBA and increasingly bi-laterally with each bank to conclude the Framework.
2. To join the Framework, each bank will sign:
 - The standard Framework terms and conditions (including service level agreements), with no variations for an individual institution; and
 - A 'side-letter' highlighting specific variations relevant to that bank (see paragraph 13). The individual and aggregate effect of these issues has no material impact on the core terms or of operational consistency.
3. The initial Framework will run to 31st December 2019, with an option to extend for a further three years.
4. The implementation of the Framework is on track for launch in January 2017:
 - All banks with existing Post Office contracts are joining the Framework and a number of small, challenger banks are also engaged to join¹.
 - Six banks (HSBC, Lloyds Banking Group, TSB, Handelsbanken, First Trust and Danske) have completed internal governance and have signed, or are ready to sign. They account for 35% of current transaction volumes.
 - A further six banks (Barclays, Santander, Virgin, Nationwide, Co-Operative Bank and Bank of Ireland (UK)) having concluded negotiations with Post Office, are now working through internal governance; they have each confirmed their intent to sign by September. They account for 46% of transaction volumes.
 - Three banks, Metro, APS and Think Money have indicated that they will be in a position to sign by the end of December and join the Framework immediately.
 - Clydesdale Bank has a live service contract that only expires in June 2017; as a result we only terminated this contract in June 2016; the bank will join the Framework from 1st July 2017.
 - RBSG (and its affiliates) is the only major bank yet to confirm its participation.
5. In June RBS advised Post Office that for cost reasons it is considering only joining the Framework for selected services, disallowing consumer balance enquiries and withdrawals (these services generate c13.5 million transactions per annum).
6. In subsequent discussions with RBS, Post Office:
 - Advised that we will not negotiate a partial service, as it would undermine the veracity of the single-service philosophy under-pinning the Framework;
 - Confirmed to RBS that it is the only materially-sized bank that has not confirmed its intention to participate; and
 - Reconfirmed that if we have not received confirmation by 31st July of their intent to participate fully we will commence planning to remove existing branch services for commercial and consumer customers from 31st December 2016.

¹ The status of each bank is set out in the Appendix.

7. Recent discussions with RBS have been more positive, with the Bank committing to confirm its position by the end of July; we will provide an update at the Board meeting.
8. The Framework will be managed through a multi-party Forum, with representatives from each participant bank and the Post Office. There are sub-groups with subject matter experts covering security and risk (AML, bribery, corruption, fraud etc); marketing; new product innovation; and operations.

Key risks identified in Legal Risk Note

9. While the Framework does not include any new material obligations or risks it does codify certain matters within the new contract, in particular:
10. Post Office policies; when the Board was updated in December 2015, policies for issues such as HR Vetting, Disaster Recovery and Business Continuity were being updated by the relevant internal teams. It was stated at that time that once complete, those policies would need to be followed by the Post Office. The Framework obliges Post Office to follow its own internal policies.
11. Operational and Service Level Agreements; Recognising the establishment of a sustainable commercial model, and the resulting Framework Fee, the banks have requested (and Post Office has agreed) to service levels that include credits in the event of poor service delivery. Existing SLAs and credits (particularly relating to Santander) will be removed, initially saving Post Office c.£225,000 per annum.
 - All relevant teams (Network, Operations, sub-contract suppliers and IT) have been involved and confirmed agreement to the Service Level Agreement commitments – management is confident that their inclusion does not result in a material risk to Post Office.

Side-letter issues

12. The standard terms prohibit the modification of key terms, including fees, termination rights, change control, dispute resolution, liability, audit access, FCA and regulatory requirements and service levels. These apply equally to all participants for the duration of the Framework (unless modified by unanimous agreement by all participants, including Post Office).
13. A confidential 'side-letter' allows an individual bank to make small amendments, normally to accommodate internal processes. These are immaterial and do not change the standard terms and conditions, either singly or in aggregate. Some examples of the type of side issues raised are:
 - Barclays – requested that Post Office notify them of any roles specifically supporting them that would require Regulatory Approval (there are none). If any emerge in due course, that we would consult with the Bank and ensure that our staff had the required clearance and training.
 - HSBC – any personal customer data that we might seek to export outside the EEA should be identified and HSBC prior permission sought.
 - Nationwide – requested Post Office to confirm that if the Framework New Product Committee endorsed a new product, Nationwide would not be forced to offer that service to their customers if they did not wish to – while this was called out by Nationwide, this condition applies to all participants.
 - Virgin Money – requested Post Office to agree that if it created a new product which we supported in branch that based on their Intellectual Property the

Framework could not be used to offer the service to all other banks, without formal license agreements in place. Note: Post Office is not restricted in any way from developing additional services that do not utilise Virgin IP.

Liabilities

14. Except for the areas of unlimited liability, which are generally standard (negligence leading to personal injury or death, fraud, fraudulent misrepresentation, breach of confidentiality provisions or regulatory penalties as a result of Post Office's breach of data protection obligations or under the indemnity relating to a failure to comply with PCI and any third party claim for infringement of intellectual property rights), Post Office's liability under the Framework is limited in any 12 months to the aggregate of transaction and annual framework fees paid in that period.

Risks

15. A summary of the key risks to Post Office from the Framework are set out in the Appendix.

Conclusion

16. Negotiations with the banks have reached an advanced stage with strong participation from the UK banks, giving management confidence that the Framework can be stood-up:
 - Banks representing 81% of transaction volumes have committed to join the Framework and sign by end September; by countersigning Post Office will confirm that the Framework will be operational from 1st January 2017.
 - While the final position of RBS is uncertain, the Framework is on track to deliver an additional c£20 million income per annum from 2017/18
 - The Framework terms do not add risks or materially change obligations on Post Office; and
 - By simplifying the products and terms, processes can be streamlined and paper removed from branches and operational centres.

Decisions

17. Management is seeking board authority to stand up the Framework and sign contracts with participating banks.
18. As the CEO's delegated signing authority is capped at a maximum liability of £5.0 million per annum and the projected annual income (and hence liability maximum) of a number of the banks will exceed this level, management is also seeking delegated authority from the Board for the CEO (or in her absence, the CFO) to:
 - "approve (i) the pro forma Framework Contract to be entered into with each bank that wishes to become part of the Banking Framework and whose annual income to Post Office from the Framework exceeds £5.0 million²; and (ii) the Side Letters relating to the Framework contracts with each such bank; and
 - execute each of those Framework Contracts and Side Letters in accordance with Post Office Limited's normal signing processes."

² Likely to comprise Santander (revenue £31m), Lloyds (£12m) Barclays (£8m), RBS (£9m).

Appendix

1. Banking Framework Risk Summary

Key Risks

Having now completed a substantial part of the negotiations, no additional risks have been identified.

The main material update since the Board’s previous discussion in December 2015 is:

- the development of Post Office’s corporate policies which are required to be in place prior to January 2017; and
- the finalisation of the Service Level regime.

Material Risks

Risk	Mitigation	Probability	Impact	Material change to pre-existing position?
Potential Regulatory Breach There is a risk that a regulator would expect Post Office to comply with the Payment Services Regulation.				No
Operational Risk – Subcontractors Post Office must ensure that its contractual arrangements are enforced where appropriate with its agents and subcontractors.	Post Office contracts enforce and ensure that its subcontractors comply with these issues but Post Office would be obliged to make the necessary instructions to them to ensure compliance.			No

<p>Bank Insolvency The Framework continues in the event of relevant Bank triggering an “insolvency event”.</p>	<p>Post Office has reserved the right to terminate immediately in the event that our Regulator (which includes the Government in its capacity as our shareholder) requires POL to terminate.</p>			<p>No</p>
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Moderate Risks

Risk	Mitigation	Probability	Impact	Material change to pre-existing position?
<p>Implementing the revised corporate policies and enforcing them The Framework requires Post Office to implement and enforce its own corporate policies</p>	<p>Post Office has a staff vetting policy and rolls out training on key issues, such as Data Protection and Anti-Money Laundering on an annual basis.</p>			<p>No</p>
<p>Liability There is an unlimited liability for both parties in relation to various negligent actions Except for above, liability under the Framework in any 12 month period is limited to the aggregate of fees paid in the same 12 month period and is pro-rated in the first 12 month period of the contract term.</p>	<p>This is a fairly standard basis for unlimited liability. The Limited Liability cap has been discussed and agreed with ISAG, Legal and Financial Services Product</p>			<p>No</p>
<p>VAT The Banks and Post Office do not believe that these services attract VAT.</p>	<p>The Parties have committed to cooperate in challenging any such change to this status. In the event of this being unsuccessful there is a mutual 12 month termination right.</p>			<p>No</p>

2. Bank Update - status as at 17th July 2016 (a further verbal update will be provided at the meeting)

Bank	Internal Governance Status	Next Step	July signing	September Signing	3yr income
'TOP 5' BANKS					
Barclays	Well advanced. Project team have meetings booked with UK CEO for final sign off.	Extension letter concluded - service till end October to cover signing period. PIN-based deposit timeline delivered – live by 31/12/16 No outstanding issues		Stated and re-confirmed each week, high degree of certainty	£24.9m
HSBC	Well advanced.	No issues remain Signing July	Likely		£13.5m
RBS/Nat West/Williams & Glynn/Coutts	Negotiations on side letter interrupted by request to exclude cash-out transactions	Pressure being exerted to gain commitment to proceed by 31/7/16		Target to sign in September or October	£27.3m
Santander	Internal Governance is well underway	Detailed negotiations to conclude; discussions held weekly/daily.		Stated intent and high confidence	£95.1m
Lloyds	Agreed variations embedded in side-letter and internal governance underway	Addition of business banking now unlikely before 2017. Side letter being finalised.	Likely		£37.2m

Bank	Internal Governance Status	Next Step	July signing	September Signing	3yr income
'2nd Tier' FIs					
TSB	Side letter signed	Post Office to sign	Signed		£6.1m
Nationwide	Intend to join, and expand retail services to new customer groups	Side letter in advanced negotiations		Confirmed intent	£8.1m
Co-operative	Santander currently supports Coop Business banking, This may continue into Framework. Coop yet to decide. Retail contract is direct with Post Office.	Santander to formalise pricing to Coop, Coop to decide on whether to stay with Santander or move to direct model with Post Office.		Possible – continuation of Santander existing service and Post Office Direct Retail arrangements	£11.4m
Bank of Ireland (UK)	Internal governance underway			Confirmed	£1.85m
Regional/challenger/new entrant FIs					
Danske	Side letter signed	Post Office to sign.	Signed		£1.35m
First Trust (AIB Group)	Side letter signed	Post Office to sign	Signed		£155k

POST OFFICE

PAGE 10 OF 10

Bank	Internal Governance Status	Next Step	July signing	September Signing	3yr income
Handlesbank	Side letter signed	Post Office to sign	Signed		£155k
Metro Bank	Internal governance underway.	Progress with their legal team to agree side letter.		Possible – strong confidence by 12/16	£2.1m
Virgin Money	Negotiations less advanced as not part of BBA process.	Negotiations underway		Possible – good confidence by 12/16	£316k
Banks with continuing contracts					
Clydesdale	Current contract continues to 30/6/17	Termination letter sent in June.	N/A	N/A	£7.1m
Think Money	Current contract continues to 31/12/20	Likely to move to Framework at end of 2016 to ensure they are not left out.	N/A	N/A	£400k
APS	Current contract continues to 28/2/20	APS is keen to join if that brings them into the mainstream.	N/A	N/A	£2.1m

Performance Review – Health and Safety

Author: Martin Hopcroft Sponsor: Neil Hayward Meeting date: 25 July 2016

Executive Summary

Context

1.1 Keeping our employees healthy and safe is fundamental to Post Office success. This is reflected in the Post Office Board's legal responsibilities – directors can be personally liable when health & safety duties are breached and members of the board have both collective and individual responsibility for health and safety. This paper gives the Board a comprehensive update on our health & safety performance and our work to promote wellbeing.

Our Health & Safety performance has improved significantly in the past 5 years and we have a rolling 3-year plan to drive health and safety compliance and risk reduction. The key risks of driving and robberies are the subject of mitigating activities. Our reporting and safety management system is measured against the externally recognised health and safety standard – OHSAS 18001. We recognise the importance that wellbeing can play in creating engaged and motivated employees and have developed and implemented an extensive wellbeing plan.

The aim for 2016/17 is to continue the year-on-year improvement by targeting a reduction in four key safety metrics: **accidents; lost time accidents; days lost; and personal injury claims.**

Questions this paper addresses

- 2.1 How are we doing against the four key safety metrics?
- 2.2 What are we doing to mitigate the key risks of driving and robberies?
- 2.3 What are we doing to improve the health and wellbeing of all employees?
- 2.4 The current position on property and facilities management risks?
- 2.5 Are there any significant emerging risks?

Conclusion

3. During the first quarter of 2016/17, there is strong performance against all four of the key health and safety metrics, including absence accidents and lost days.
4. There is an extensive range of mitigating activities to reduce road risk and current performance is a 14.75% improvement on 2015/16 performance. The majority of incidents are minor bumps and scrapes. At fault incidents are also down 17.65% to P3. There is also an extensive range of controls to reduce the risk of robberies and the number of robberies is currently at an all-time low.
5. The roll-out of a second programme of health checks to all employees via face-to-face clinics and stand-alone digital wellbeing kiosks continues across the Post Office with positive feedback from all areas. Three kiosks have been programmed for use across all largely populated sites (>25) during first half of the year.
6. The emerging non-compliance and health and safety risks related to property and facilities management are now assessed as medium / low and are being mitigated by a programme of checks and inspections and closure of risk assessment actions

Input Sought

We ask that the Board to **note** the current safety and wellbeing performance and risk reduction opportunities.

The Report

Looking Back

2.1 HOW ARE WE DOING AGAINST THE FOUR KEY SAFETY METRICS?

- **Accident and lost time incident** performance for the start of 2016/17 remains relatively strong. Accidents and 'lost time' accidents are down 43.7% and 83.3% respectively at Period 2 (May) compared to 15/16 and against a continuous improvement target of a year on year 5% reduction.
- The volume and value of **personal injury claims** is another indicator of the effectiveness of the safety management system. The number of claims over the past year remains at a very low level both from employees and members of the public. The trend in claim numbers and value is reflected in the provision for 'live' claims reducing from £2,050,344 to £866,370 compared to 2013/2014 insurance year and reflects the improving safety performance. £293,500 of the provision relates to pre-October 2012 incident claims.
- **Robberies** involving Post Office Cash and Valuables in Transit (CVIT) crews are significantly down from 31 in 2014/15 to 15 in 2015/16 – an unprecedented low level of robberies.
- A programme of **wellbeing activity** has been running for the past 12 months, including raising awareness of mental health conditions, symptoms and the support available. Mental health conditions remain the single most common cause of longer term absence (17% of occurrences and 30% of total absence days at Period 2 - May 2016/17 which is a slightly improving trend). A **new online Occupational Health website**, providing advice and guidance for Managers supporting employees with health conditions has been developed and will be launched in July. Attendance levels have reached 97% YTD at Period 3 (June 2016/17) with Crown Offices and Supply Chain showing a recent reduction in long term absences.
- **Property** - Formal planning and delivery of risk assessments in accordance with Health and Safety at Work Act is now virtually complete. Remedial work for all identified high risk items has been completed and plans for addressing medium risk electrical, asbestos, building fabric and legionella have been built and included in the agreed 16/17 budget. Overall property risk has now reduced from high to medium and to low, once all identified actions closed.

We have engaged with Network Operations to propose the implementation of:

- Peer to peer compliance review in accordance to industry best practices or an equivalent alternative process.
- Regular reviews and appraisal of PiCs Property compliance performance by their line managers.
- Clear audit trail of compliance actions identified and resolved.
- Improve communications processes between Property, Network Operations and H&S teams.

WHAT HAS NOT GONE SO WELL

Property

The most significant area to improve is in housekeeping to manage fire risk. This was reported by CBRE to the Property Compliance Board as a finding from their risk assessments.

- Persons in Charge have been issued with the results of the fire risk assessment audits and requested to address any areas identified. We are defining a process which will provide assurance that all steps to address risk have been actioned.

Customer Harassment

Concern has been raised by the Westminster local authority regarding Post Office Policy for dealing with violence and abuse by customers, especially in London where there is a growing problem with the homeless population and their presence in our branches and entrances. The Head of Health & Safety is liaising with the Environmental Health Enforcement Officer, Post Office Legal team, Security Manager and agreeing action to refresh and relaunch the Post Office Policy, guidance to managers and staff and refresher training to be issued in August across the Crown Network. Local risk assessments in offices in Westminster area also being updated and incidents logged using the ERICA Incident reporting database.

Looking Ahead

2.2 What are we doing to mitigate the key risks of driving and robberies?

Road Risk: Driving activities have the potential for high impact/loss and therefore remain as a significant residual risk. We are mitigating this risk through:

- Continue road risk forum to scope and develop road risk reduction initiatives
- Analysis/deployment of interventions for reversing incidents eg on site coaching
- Case conferences to ensure consistent approach to accident investigation
- Programme of driving and road risk communications
- Revised approach to incident management introduced including: Driver welfare discussion; In depth incident analysis with driver and risk profiling; Training needs analysis and provision;
- 'How's my driving' initiative introduced to provide other road users with a feedback channel via a contact number.
- Governance of all three areas of vehicle use (commercial, business car and private vehicle) is being tightened to mitigate the associated risks.

Robbery Risk: Robberies have the potential for high impact/loss and remain as a significant residual risk. We are mitigating this through the following opportunities:

- Active liaison activities with the police to understand 'at risk' areas and to deploy surveillance teams;
- Increased use of 'advertising' on vehicles of new deterrent technologies.
- Piloting new point of transfer arrangements to reduce exposure at Post Office counters where most robberies take place.
- Significant reduction in opportunities for duress-type robberies linked to the introduction of single person vehicles.
- Reduced access to ATM cassettes to mitigate the 'high prize' risk

- Ongoing monitoring of the risk profile to inform the assessment of the need, or otherwise, of body armour. The Risk Assessment has been reviewed May 2016.

2.3 What are we doing to improve the health and wellbeing of all employees?

Health and Wellbeing: We recognise the benefits that wellness can bring to the organisation and therefore there is an extensive programme of healthcare interventions to all areas of the business. Examples are:

- Wide ranging programme of health check visits to Crown branches, providing feedback on physical wellbeing. Support from the Trade Unions H&S Reps.
- Anonymised data analysed to develop future health and **wellbeing campaigns** and targeted interventions, supported by OH Assist™.
- 'Roll out' of electronic **health check kiosks** for use in larger units (>25)
- Online 'Lifestyle on line' health check tool as a 'self-help' option.
- Continued roll out of **Mental Health Awareness** training across business areas.
- Wellbeing events to promote general health, exercise and dietary initiatives.
- Launch of **OH Assist Manager Portal** for health advice / guidance - July 2016.
- Involving Engagement Champions to help raise awareness.

2.4 The current position on property and facilities management risks?

Property:

The fire risk area of compliance remains a high priority for the Post Office and further communication with the PiCs is planned for early July to ensure satisfactory conclusion of outstanding items. The risks profile continues to trend down and Property remains confident of being able to demonstrate alignment with the risk averse appetite of the Board by the end of 16/17.

An exercise to produce a Property Compliance Control Framework has been undertaken. This has been completed for the key areas and the following areas have been addressed:

- Duty holder roles now all in house and training programme in progress
- Facilities management contractors' polices, compliance regimes and competencies checked and approved
- Recruiting a senior Facilities and Compliance Manager and training up a Facilities Manager Assistant
- Policies and handbook have been reviewed and will be signed off shortly
- Strong improvement in the H&S and property teams working together and joint reporting to the POL Executive Board
- Training for Property Team in key statutory compliance areas and IOSH
- BNP supplying expert compliance manager support so that POL benefit from their property compliance expertise
- Compliance remedial projects for building fabric, electrical, legionella and asbestos will be completed in 16/17 to reduce remaining medium risks to low.
- Further training in statutory compliance for the Property Team has been delivered
- Improving relationships between property, Operations and Equipment team

The compliance controls activities for PiCs and H&S teams are finalised and integrated with the activities of the Property Team, agreed at a workshop held on 25th May.

2.5 Are there any significant emerging risks?

Fleet Management

- The restructure of Fleet Management team and Supply Chain may lead to a change of focus and support for the effective initiatives referred above that had been developed to mitigate road risk.
- Head of Health & Safety to attend Supply Chain Operational Meetings and Road Risk Forums to ensure focus and support provided where risks and trends identified.
- Concern raised that mobile phones are still being used by Business drivers on hands free, including joining conference calls. Communication to be issued by a Group Executive Director to reiterate the Policy and consequences of failure to comply.

Property:

Fire – A recent Property Compliance review reported the need to address housekeeping risks (e.g. ensure fire exits are clear at all time), following a programme of Fire Risk Assessments, carried out by CBRE and completed in May.

Person in Charge (PiCs) have been issued a soft and hard copy of their Fire Risk Assessment at 351 premises and an explanatory communication on the next steps required of them to address remedial actions. The PICs and the retail line are fully aware of the urgent nature of many of the actions they need to take particularly in relation to housekeeping matters i.e. ensuring fire exits are not blocked or rubbish stored on stairs etc. The retail line are now following these actions through to closure.

Environmental policy and reporting requires enhancement:

- The Environmental Policy needs to be refreshed during July/August. A meeting has been planned between Head of H&S and Head of Property on July 14th and recommendations will be made to the Group Executive in the August Reports
- A draft is already in place. It needs to be expanded to include for example; sustainability, noise, waste, water, energy usage, climate change and energy depleting substances landfill
- A KPI and reporting mechanism is required for gas, water, electricity and fuel consumption
- It requires linking to CSR team for sustainability clause to be included in the Environmental policy.
- H&S should own this with Property support, POL CSR involvement & CBRE or Safety Boss expert consultancy support

Director ownership considerations

- POL directors to be made aware of the significance of environmental reporting, how it is affecting our brand image, the potential for personal liability and consider appointing a director with responsibility for overseeing environmental policies.

Significant Incidents

A recent Property Compliance Review has also highlighted that local property risks are managed by the manager of the building under person in control (PiC) arrangements. There is a gap in the competence of managers to carry out their PiC responsibilities and a revised on-line training product has been developed by the H&S Team, and a requirement that all PiCs undertake training by the end of July 2016. Local Risk Assessments, H&S tasks and Certificates of Compliance will be completed by end of August 2016.

In Conclusion

CONFIDENCE?

There remains some residual risk in relation to driving operations, property regulatory compliance and CVIT/Network robberies, both of which have the potential for high impact/loss. Any significant change in Supply Chain risk profile or service provision will require a full re-assessment of the position on body armour. Risk Assessments have been reviewed in May 2016 by the Head of Health & Safety and Security Manager.

Recognising this, we have robust mitigating activities in place to control these risks. All metrics indicate health, safety & wellbeing performance remains generally strong with effective safety management and mitigating activities where significant residual risks do exist. Renewed focus on 'property' related H&S responsibilities will reduce risk further.

Health & Safety DEEP DIVE Review – June 2016

Following a 'deep dive' review in June 2016, a number of Health & Safety recommendations were approved by the Post Office Group Executive and are being progressed.

Post Office Limited Sealings

Author: Alwen Lyons Meeting date: 25 July 2016

Executive Summary

Context

The Directors are invited to consider the seal register and to approve the affixing of the Common Seal of the Company to the documents set out against items number 1422 to 1431 inclusive in the seal register.

Input Sought

For the Directors to resolve that the affixing of the Common Seal of the Company to the documents set out against items numbered 1422 to 1431 inclusive in the seal register is hereby confirmed.

POST OFFICE LIMITED
Register of Sealings

Date
18 July 2016

Company Number
21554540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
1422	01/06/2016	31/05/2016	Lease in respect of premises at Toplin House, 242 Ferndale Road, Lambeth, London SW9 between M J Squire and H R Squire as trustees for Squire & Partners (a partnership) and Post Office Limited.	Victoria Moss	Jean Reynolds
1423	01/06/2016	31/05/2016	Deed of Surrender relating to premises at Toplin House, Ferndale Road, London SW9 between Michael James Squire and Henry Raglan Squire and the Post Office Limited.	Victoria Moss	Jean Reynolds
1424	01/06/2016	31/05/2016	Licence to Alter premises at Toplin House, Ferndale Road, London SW9 between M J Squire and H R Squire and Post Office Limited.	Victoria Moss	Jean Reynolds
1425	07/06/2016	07/06/2016	TR1 relating to 4 Abbey Place, Tavistock, Devon between Post Office Limited and Ekraj Limited.	Victoria Moss	Jean Reynolds
1426	08/06/2016	08/06/2016	Executive Director's Service Contract between Post Office Limited and Paula Vennells.	Victoria Moss	Nisha Marwaha
1427	08/06/2016	08/06/2016	Power of Attorney granted by Paula Vennells in favour of Post Office Limited in accordance with the terms of the Director's Service Contract between the same parties.	Victoria Moss	Nisha Marwaha
1428	08/06/2016	07/06/2016	Licence to underlet relating to Flat 4, 130c Lord Street, Southport between Post Office Limited, Kingscrown Properties Limited and Dawn Hunter.	Victoria Moss	Jean Reynolds
1429	08/06/2016	07/06/2016	Licence to underlet relating to Flat 21, 130c Lord Street, Southport between Post Office Limited, Kingscrown Properties Limited and Jean Brookes.	Victoria Moss	Victoria Moss
1430	24/06/2016	21/06/2016	Underlease relating to Part Ground Floor, 131 Brent Street, London, NW4 4AA Post Office Limited and M. Harsini Limited.	Victoria Moss	Jean Reynolds
1431	28/06/2016	28/06/2016	Deed Of Variation Of Agreement between Post Office Limited and Postal Heritage Services Limited and Postal Heritage Trust Limited and Mail Rail Trading Limited	Victoria Moss	Sealing Folder

Post Office Board and Committee Dates

Last updated : 18/07/2016 @ 15:15

2017	ARC	RemCo	NomCo	POL Board
January	30th 14.00hrs to 16.00hrs			31st 09.30hrs to 14.00hrs
February		9th 10.00hrs to 11.30hrs	9th 11.30hrs to 13.00hrs	
March	27th 14.00hrs to 16.00hrs			28th 09.30hrs to 14.00hrs
April				
May	18th 10.30hrs - 12.30hrs	30th 09.00hrs to 10.00hrs	30th 10.00hrs to 11.00hrs	30th 11.15hrs to 15.30hrs
June				27th and 28th TBC
July		25th 09.00hrs to 10.00hrs	25th 10.00hrs to 11.00hrs	25th 11.15hrs to 15.30hrs
August				
September	25th 14.00hrs to 16.00hrs			26th 09.30hrs to 14.00hrs
October				31st 09.30hrs to 14.00hrs
November	16th 10.30hrs to 12.30hrs	24th 09.00hrs to 10.00hrs	24th 10.00hrs to 11.00hrs	24th 11.15hrs to 15.30hrs
December				