

Briefing for meeting with Tim Parker, 11 September 2018

Tim has recently been appointed for a second term as chair of Post Office Limited (POL). His first term included:

- Transformation of the branch network, which has stabilised at ~ 11, 500 branches
- Cutting costs and moving into profitability. Results for FY 17/18 are imminent and will show EBITDAS of £35m compared to £90m loss in 2013/14
- Funding Agreement with HMG covering the 3 years to April 2021, allowing for £210m of public investment and £160m of subsidy payments

Challenges and opportunities

- Litigation – a group of former sub-postmasters claim they were wrongly fined or prosecuted for discrepancies that they say arose from POL's Horizon IT system and associated processes. The trial begins 5 November and POL will brief BEIS Perm Sec and minister on 17 October. UKGI have not yet been satisfied that the business has done enough to identify, assess and manage the risks
- IT transformation – POL have made good progress in modernising an antiquated IT architecture. The next step is a migration of back office systems. This has been put back repeatedly, and now looks likely to happen late 2018 or early 2019

IRRELEVANT

- Traditional business facing competition and migration to online delivery
- Retail strategy to develop new formats and improve the franchise model (only 3% of branches are directly managed). This needs to link with the growing role in basic banking and a proposed discussion paper on the long-term future of Post Office.
- Spending Review will look beyond period of current Funding Agreement and will need a mechanism for POL to fund strategic investments eg acquisitions
- Getting the right capacity in POL's management team and ensuring it is not overstretched by the Board's ambition. Board has previously raised concerns about a lack of commercial expertise in relation to critical negotiations

UKGI / POL relations

- While we have a strong relationship with both Tim and POL's CEO (Paula Vennells), there has been some recent tension with specific individuals pushing back at what they see as undue interference. This has centred around the litigation case and financial reporting - where we have been

operationalising the Funding Agreement's requirements for quarterly reports to UKGI

- Policy sponsorship of POL is moving from UKGI to BEIS and a new framework document is being agreed with POL to formalise governance arrangements
- It would be good to get Tim's take on this