

To: Jo Swinson
From: ShEx Post Office Team
Date: 10 December 2013



Subject: Meeting with Alice Perkins and Paula Vennells
Wednesday 11 December (3.00 – 3.45)

Purpose:

1. You are holding a regular update meeting with Alice Perkins and Paula Vennells.

Attendees:

2. Alice Perkins (Chair, Post Office Ltd)
Paula Vennells (Chief Exec, Post Office Ltd)
Will Gibson and Richard Callard (ShEx)

Network Transformation:

3. Following your funding announcement that the Network Transformation programme would be fully funded through to completion, subpostmasters have been contacted to tell them what the programme is likely to mean for their branch – you have seen the letters sent to subpostmasters. Further details about the timings and appeals process are attached as annex A. Additionally, subpostmasters have been asked to complete a short (3 question) retail survey, for which they will receive a £2,000 payment. This will provide POL with better management information about each branch. So far, over 600 subpostmasters have completed this survey.
4. To date (Friday 6 December), there are 2,301 contracts signed, and 1,453 branches open and operating.

Crown Transformation:

5. POL received expressions of interest from potential franchise partners for all 70 branches offered, however it is re-advertising 32 branches where the interested parties were not suitable, or where suitable candidates expressed interest after the initial advertising period had closed. The first 24 local consultations on franchise proposals have opened (with a further 4 opening before Christmas). Of these, 18 are now closed and are pending a decision.
6. Transformation of the 292 retained Crown branches is ongoing, and POL has already transformed around 45 Crown branches, with the expectation of completing the programme in November 2014.

Crown industrial relations:

7. There have been 13 national strikes since 30 March. The CWU is now pursuing a campaign of continuous rolling regional action (Thurs 5th in the central region; Fri 6th in the northern region; Mon 9th in the southern region; Tues 10th in the central region, etc). The action is lasting between a half-day (afternoon) and a couple of hours at the end of the day. There has been minimal local press coverage. Separately, RM has recently settled with its workforce, agreeing a 9% consolidated deal over 3 years. The Post Office is still offering Crown employees £3,400 unconsolidated bonus payments over the three years to 2015, linked to performance towards Crown break-even.

Front Office for Government:

8. There remains a perceived lack of progress in growing revenues from government, which continues to serve as a plank of NFSP criticism. POL's 2013/14 budget forecasts declining Government Services revenue (falling from £133m to £116m – or 15% to 13% of total revenue). Performance over the first half has seen Government Services revenue decline £9m year-on-year to £75 million (2012–£84 million) due, in part, to a lower volume and rate per transaction for DVLA motoring work, delays in government transformation programmes resulting in fewer new revenue opportunities and, a (predicted) reduction in the number of active Post Office Card Account (POCA) accounts for benefit and pension claimants.
9. POCA is a key product for the network. DWP wants in the long term to end POCA because they want Universal Credit (UC) to be paid into bank accounts, not POCA. However they accept that the current contract, which ends March 2015, will need to be extended (the maximum is to 2017) to allow time to migrate working age claimants onto bank accounts. DWP is working with HMT to implement recommendations that will require banks to make basic bank accounts available (for free) to all working-age claimants. DWP is also considering options for a long-term, Post Office based, successor to POCA, probably focussed on pensioners, who do not need to move to bank accounts for UC. However they feel that both POCA and POL's proposal for a successor is too expensive and that more should be done to migrate POCA users onto bank accounts and reduce costs to DWP.

Financial performance:

10. Performance in the first half of the year has been weak, with net income (£503.9m) in P7 adverse to budget (£528.8m) by £24.9m. The poor performance is largely due to Mails (£16.0m adverse) and Lottery (£4.3m adverse). Although POL is confident that the introduction of a new mid-parcel size and price will halt the Mails revenue downward trend that emerged in the first half, there is a high degree of risk around POL being able to meet its full year 2013/14 targets.