

Post Office Limited – Strictly Confidential

POST OFFICE LTD BOARD MEETING (Company Number 2154540)

**Meeting to be held at 10am on 21st January 2014
in the Boardroom at 148 Old Street, London EC1V 9HQ**

To be preceded on 20th January 2014 by drinks at 1830 followed by dinner at The Peel room, South Place Hotel, 3 South Place, London EC2M 2AF and by a NEDs' Breakfast from 0830 at the Zetter, Clerkenwell

1000	1	Strategic Plan Milestones	Sue Barton
1100	2	Budget 2014-15	Chris Day/Sarah Hall
1200	3	Financial Performance Update	Chris Day
1230		LUNCH	
1300	4	Trading Performance	Martin George/Paul Brown
1345	5	Subpostmaster Engagement Satisfaction measure	Fay Healey
1415	6	Industrial Relations/Pay negotiation update	Tom Moran/Kevin Gilliland
1445	7	Chief Executive's Report	Paula Vennells
1515	8	Minutes of Previous Meetings and matters arising Status report update	Alice Perkins
1520	9	<u>Items for Noting</u> <ul style="list-style-type: none">• Update on Retail Offer available in Crown Branches• NS&I and POL contract update• Cyber/Information Security Report• Significant Litigation Report• Health and Safety Report• Sealings	
1535	10	Any other business	
		Date of next meeting: 26 February 2014	
1545		CLOSE	

Confidential**POST OFFICE LTD BOARD****2013/20 Strategic Plan – Monitoring Delivery****1. Purpose**

This paper is provided in response to the Board request for clarity of the Strategic Commitments/ Outcomes on which the Board should focus over the coming year.

2. Background

- 2.1. The Post Office 2013/20 Strategic Plan has now been approved and the Board must now turn its attention to managing/ monitoring its successful execution and the realisation of our ambition to become a commercially sustainable organisation.
- 2.2. In this context, this paper sets out the key strategic commitments for the period through to March 2015. Commitments that are of priority interest to BIS have been highlighted.

3. Financial performance

- 3.1. The overarching commitment within the Strategic Plan is that we will transform the Post Office into a commercially sustainable business. In this context, FY2014/15 sets out two key commitments.

Strategic Plan commitment	Target
EBITDAS	£61m loss
Crown Network profitability	Breakeven run rate in March 2015

- 3.2. In monitoring progress against these commitments, it is essential that we track both income growth and cost reduction. Historically, Post Office has struggled to deliver sustained income growth with areas of growth being offset by areas of decline. If this trend is not reversed in 2014/15, we will create significant short and long term problems:

- **The Crown Network will not achieve breakeven:** the success of the Crown Transformation programme is dependent on both cost reduction and income growth. As we highlighted in the Strategic Planning process, the programme has little opportunity to take cost action beyond that is already planned. Any shortfall against income targets can therefore be expected to fall straight to the bottom line and undermine the achievement of the breakeven run-rate.
- **Our agency network will be at risk:** as network transformation rolls out, we are moving more and more of our agents on to a variable payment structure.

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To make this viable for existing agents and attractive for new agents, we must grow our customer transactions and the associated value. If we fail in this area, we will struggle to maintain the network size and quality of partners for our business. Strategically, this would be a major issue.

- Commercial sustainability will not be achievable: our Government subsidy will reduce significantly over the plan period. If we do not address both the income and cost elements of our business, we will not create the headroom that is needed to invest in our future.
- 3.3. Over the period FY14/15, we will therefore monitor progress against these additional metrics. The focus in these areas is more about direction of travel than achieving the absolute metric.

Strategic Plan commitment	Target	Associated period
Total net income (including FRES profit share)	£959m (£925m + £34m profit share)	FY 2014/15
Proportion of agents costs which are variable	77%	FY 2014/15
Existing central business costs	£278m (reduced by £12m)	FY 2014/15
Non agent staff costs	£236m (reduced by £23m)	FY 2014/15
Cost to income ratio	106%	FY 2014/15

- 3.4. The Board Monthly Board pack provides details on all of the above. In relation to the additional metrics, we will update the Board on the direction of travel on a quarterly basis.

4. Network transformation

- 4.1. The Network Transformation programme is one of the key foundations for our Strategic Plan improving our market competitiveness by both improving our customer offer and variablising our costs so that they are better aligned to our income.
- 4.2. The Strategic Plan includes indicative targets for both signature and openings with best and worst case scenarios provided.

Strategic Plan commitment	Target FY 2014/15
Cumulative locals signatures	1971 to 2284
Cumulative mains signatures	1778 to 2085
Cumulative signatures total	3749 to 4369

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Cumulative locals openings	1299 to 1540
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Cumulative mains openings	1627 to 1809
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Cumulative openings total	2926 to 3348
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4.3. In relation to finalising these targets and also reviewing progress against the Strategic Plan, we committed to the following:

- Targets will be updated **by end of January 2014** when sub-postmaster reaction to the announcement of the new approach is better understood.
- **In February 2014**, Post Office and BIS will then use the sub-postmaster retail survey to further refine this analysis and agree an appropriate target regime for the programme.
- A formal review of the programme **in September 2015** to understand the need/ desire to introduce some form of cliff.

4.4. Sitting alongside these high level commitments are two other network commitments. These are set out in the table below.

Strategic Plan commitment	Target	Associated period
Creation of a Community Post Office fund	£20m	Undefined
Seek to grow the post office network to a total size of at least 12,000 access points to the extent that it does not detract from long term commercial viability of Post Office.	12,000	By March 2015

4.5. The Scheduled Modernise strategy contained in our May 2013 Strategic Plan submission made the case for going beyond the original plans of network transformation. Specifically we wanted to:

- Create a fund that would allow our community branches to access investment. These branches are not capable of moving on to the new Locals model and will therefore still receive an element of fixed pay. By providing investment, we recognised that these branches may be able to reduce the amount of funding that was needed in the long term and/ or create new customer offers to support our growth areas such as collections and returns. In the strategic plan, we therefore included a commitment to create a £20m community fund. We did not specify when that fund would be made available or the profile of the investment over the plan period.
- Expand our network by 2,000 additional access points by 2020. This element of our strategy was driven by our commercial strategy which indicated a need for us to consider additional access points to support our activity in the collections and returns market and trial the concept of new branch formats structured around our CVP concept, e.g. SME branches and financial services only branches.

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- 4.6. Our plans in relation to network expansion are of particular interest to BIS as our ability to not only sustain our network but grow it would be the best possible testimony to return on Government's investment in the Post Office. However, BIS recognise that this should only be done where it does not undermine the core of our strategy. BIS have therefore asked that we seek to grow our network to 12,000 access points by March 2015. Whilst we believe this increase in access points is achievable, this commitment may be amended through discussions with BIS if it would have an adverse impact on Post Office's existing business, its customers, clients or commercial partners (including sub-postmasters), or the implementation of NTP or the NFSP support of NTP. If we need to utilise this provision – we will be proactive and make the case. ExCo will provide the Board with an update on this at the end of each financial year quarter.
- 4.7. Again the Monthly Board pack provides updates on the key areas set out above. On a quarterly basis, we will provide the Board with a progress update on each of the above areas. In relation to the Network Transformation target regime and absolute targets, this should be scheduled for discussion at the February NomCom and Board.

5. Mutualisation/ engagement

- 5.1. The final element of our Strategic Plan commitments relates to mutualisation and specifically the engagement activities that we set out in this area. If we are to transform our culture and improve the connection we have with our people, our sub-postmasters, their representatives, our partners and wider business stakeholders, these activities must be progressed. The activities and associated milestones agreed with the Board in June 2013 are provided below.

Strategic Plan commitment	Milestone dates
Post Office Board recommends Public Purpose to BIS	Q4 FY2013/14
Post Office and BIS announce Public Purpose	Q1 FY 2014/15
Creation of NFSP and Post Office communications forum	Q1 FY 2014/15
First meeting of Post Office Advisory Council	Q1 FY 2014/15
Cross stakeholder culture working group	Q1 FY 2014/15

- 5.2. This element of the plan is of key interest to BIS and it is therefore essential that we are on the front foot in terms of providing updates on activities. We should therefore look for every opportunity to promote progress on engagement and building wider stakeholder relationships. Any opportunities for BIS to participate and promote these activities should be taken.
- 5.3. While the mutualisation milestones are due to be completed by the end of Q1 FY 2014/15, we will continue to monitor progress against our engagement activities; tracking the on-going performance of each of the initiatives which are underway.

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6. Additional areas

6.1. The above sections outline the key commitments that are set out in the Strategic Plan. While, these will be the primary focus for the ExCo and the Board, it is also important that we continue to review all business activities and submissions to ensure they are aligned with the principles of our business strategy. These are as follows:

- **Our business activities should reflect our commitment to be a commercial business with a social purpose:** this is our north star for everything that we do and therefore every initiative and activity should be focused on creating value for the overall business. While this applies across all our market areas, front office of Government is the area where we have the greatest risk of compromising this principle and the one which the Board should monitor most closely.
- **Our new products and services should be developed in the context of customer value propositions (CVPs):** if we are to maximise return on investment and build a clear brand and market position for both existing and new customers we must remain focused on our customer value propositions and the extent to which we are building our capability to cross sell products and services. Our income growth is based on attracting new customer segments and increasing the product holding of each of our customers. CVPs are at the core of this and we should therefore test all new product ideas to ensure they align with this approach.
- **Our focus must be on delivering the outcomes from every investment:** over the past year we have developed in a number of new products/ product improvements. These include the current account, collections and returns, mortgages and PSP. To ensure that these investments maximise their return, it is essential that we continue to monitor these post-launch. This is monitored through the Transformation Board and Finance team's post implementation review. The results of these will be shared with the Board at the half year and full year.

6.2. In addition to the above, ExCo and the Board should also review the risks set out in the Strategic Plan. These are competition, industrial relations, and management and third party capacity. These should be reviewed as part of the Board's business risk agenda.

7. Recommendations

The Board is asked to note the key strategic commitments as set out in this paper and agree that these can be used by Company Secretary to drive the agenda and papers for future Board meetings.

Susan Barton
January 2014

Confidential**Appendix A: Strategic Plan & Funding Commitments 2014/15 to 2019/20****1) High level financial commitments**

	14/15	15/16	16/17	17/18	18/19	19/20
EBITDAS (£m)	(61)	0	30	94	109	120
Crown profitability	Breakeven run rate in March 2015	NA	NA	NA	NA	NA

2) Underpinning financial metrics

	14/15	15/16	16/17	17/18	18/19	19/20
Total net income (£m)	959	1040	1135	1221	1300	1360
Proportion of agents costs which are variable	77%	81%	85%	88%	90%	90%
Existing central business costs (£m)*	(278)	(244)	(232)	(229)	(226)	(224)
Non agent staff costs (£m)*	(236)	(225)	(222)	(220)	(219)	(218)
Cost to income ratio	106%	100%	97%	92%	92%	91%

* The full benefit of Crown franchising has been included in the 'Existing central business costs' line. In practice, the benefit will be split between this and 'Non agent staff costs', which will result in some movement between the two lines.

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3) Network transformation metrics

a) Signatures – worst case

	14/15	15/16	16/17	17/18	18/19	19/20
Cumulative Locals	1971	3202	4564	4800	4800	4800
Cumulative Mains	1778	2080	3334	3500	3500	3500
Total signatures	3749	5282	7899	8300	8300	8300

b) Signatures – best case

	14/15	15/16	16/17	17/18	18/19	19/20
Cumulative Locals	2284	3403	4564	4800	4800	4800
Cumulative Mains	2085	2575	3449	3500	3500	3500
Total signatures	4369	5978	8013	8300	8300	8300

c) Openings – worst case

	14/15	15/16	16/17	17/18	18/19	19/20
Cumulative Locals	1299	2534	3640	4535	4800	4800
Cumulative Mains	1627	1918	2484	3319	3500	3500
Total signatures	2926	4452	6124	7854	8300	8300

d) Openings – best case

	14/15	15/16	16/17	17/18	18/19	19/20
Cumulative Locals	1540	3053	3802	4557	4800	4800
Cumulative Mains	1809	2348	2881	3338	3500	3500
Total signatures	3348	5400	6683	7895	8300	8300

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Strategic Plan Commitment	Target	Associated date
a) Update of NTP targets	To refine targets to reflect sub-postmaster initial reaction to new deal	By the end of January 2014
b) Joint review (Post Office and BIS) of responses to the sub-postmaster survey with a view to agreeing the appropriate target regime for the programme	To agree the appropriate target regime for NTP	In February 2014
c) Formal review of the NTP programme and progress to understand the need/ desire and format of an explicit cliff	To have agreed approach on explicit cliff	By September 2015
d) Creation of a Community post office fund	£20m	Undefined
e) Introduction of additional network access points	Envisage having a network of 13,500 Seek to achieve 12,000*	By 2020 By 2015

*As stated previously, while we believe this increase in access points is achievable, it should be noted that this commitment may be amended through discussions with BIS if it would have an adverse impact on Post Office's existing business, its customers, clients or commercial partners (including sub-postmasters), or the implementation of NTP or the NFSP support of NTP. If we need to utilise this provision – we will be proactive and make the case.

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POST OFFICE LTD BOARD

Update on the 2014-15 Budget

1. Purpose

- 1.1 The purpose of this paper is to update the Board on the preparation of the 2014-15 budget.

2. Background

- 2.1 The budget meets the strategic plan EBITDAS of (£61m) (operating profit £99m). The capex, exceptional items and cash flow budgets are still under review by the Transformation Board so are not covered in this update.
- 2.2 A summary of the approach taken and proposed budget is included in the presentation attached at Annex A.

3. Progress update

- 3.1 The Executive Committee set targets and the budget was built 'bottom up' to achieve the targets. The Cost Reduction programme savings were tracked into the budget. There have been other cost increases and these have been challenged and prioritised to deliver a budget that meets the strategic plan. There are savings tasks included which are allocated and owned by the Executive Committee and action is underway to underpin these with specific savings.
- 3.2 Now that the Post Office-wide budget has been largely confirmed, the preparation of the Crown P&L budget will begin. This may necessitate changes in some targets.
- 3.3 The capex and exceptional items budgets will be reviewed and challenged by the Transformation Board in late January/ early February.
- 3.4 The Executive Committee will develop a Key Performance Indicator scorecard and propose bonus metrics to the Remuneration Committee during February.

4. Recommendations

- 4.1 The POL Board is asked to
- Note that the budget aligns to the Strategic Plan;
 - Note that Cost Reduction programme activities of £34m have been taken into the budget;
 - Note the net risk position against the budget and that management action continues to underpin savings activity;
 - Agree the shape of the 2014-15 budget;
 - Note next steps outline above; and
 - Note that Final Board budget approval will be in March 2014.

Chris Day
January 2014



2014-15 Budget Post Office Board Annex A

21st January 2014



Budget background 2014-15:

- Final year of Strategic Plan includes a reduction in Network Subsidy Payment of £40m to £160m
- Budget delivers EBITDAS of (£61m) (profit of £99m) as set out in the Strategic Plan:
 - approach to budget follows that taken in 2013-14 with additional stretch to improve the net deficit – income ambition, cost reduction, delivering strategic transformation
 - continued roll out of the new network models
 - reducing the existing cost base – £34m cost reduction initiatives taken to budget – but note new costs
 - reduction and re-focus of project opex to £17m from £28m
 - improvement in total cost:income ratio from 111% to 106%
- The proposed 2014-15 plan is stretching but considered achievable by ExCo



The 2014-15 budget P&L achieves the strategic plan target:

£m	2012-13 Outturn	2013-14 Budget	2013-14 Q3 CFO FYF	2014-15 Strat Plan	2014-15 Budget	2014-15 Budget v Strat Plan	2014-15 Budget v 2013- 14 Q3 CFO FYF
PILLARS							
Mails & Retail	404.0	414.6	397.9	430.0	423.9	(6.1)	26.0
Financial Services	279.6	277.4	277.4	295.0	295.2	0.2	17.8
Government Services	133.2	115.9	114.5	117.0	117.0	0.0	2.5
Telephony	45.0	50.4	50.7	60.0	61.8	1.8	11.1
Other	40.7	36.7	39.1	38.0	36.5	(1.5)	(2.6)
Income Contingency	0.0	5.0	0.0	(15.0)	(9.4)	5.6	(9.4)
TOTAL NET INCOME	902.5	900.0	879.6	925.0	925.0	(0.0)	45.4
Staff Costs	(257.4)	(256.1)	(260.2)	(236.0)	(238.7)	(2.7)	21.5
Agents Costs	(478.1)	(480.0)	(462.9)	(490.0)	(491.0)	(1.0)	(28.1)
Non-Staff Costs	(261.3)	(258.4)	(260.0)	(269.0)	(274.0)	(5.0)	(14.1)
Total Expenditure	(996.8)	(994.5)	(983.1)	(995.0)	(1,003.7)	(8.7)	(20.7)
FRES - Share Of Operating Profits	31.9	31.5	33.0	34.0	35.0	1.0	2.0
EBIT - BAU	(62.4)	(63.0)	(70.5)	(36.0)	(43.7)	(7.7)	26.7
One off Project costs (POOC)	(53.4)	(35.0)	(27.5)	(25.0)	(17.3)	7.7	10.2
EBIT - Post Project Costs	(115.8)	(98.0)	(98.0)	(61.0)	(61.0)	0.0	37.0
Network Payment	210.0	200.0	200.0	160.0	160.0	0.0	(40.0)
EBIT pre exceptionals items	94.2	102.0	102.0	99.0	99.0	0.0	(3.0)

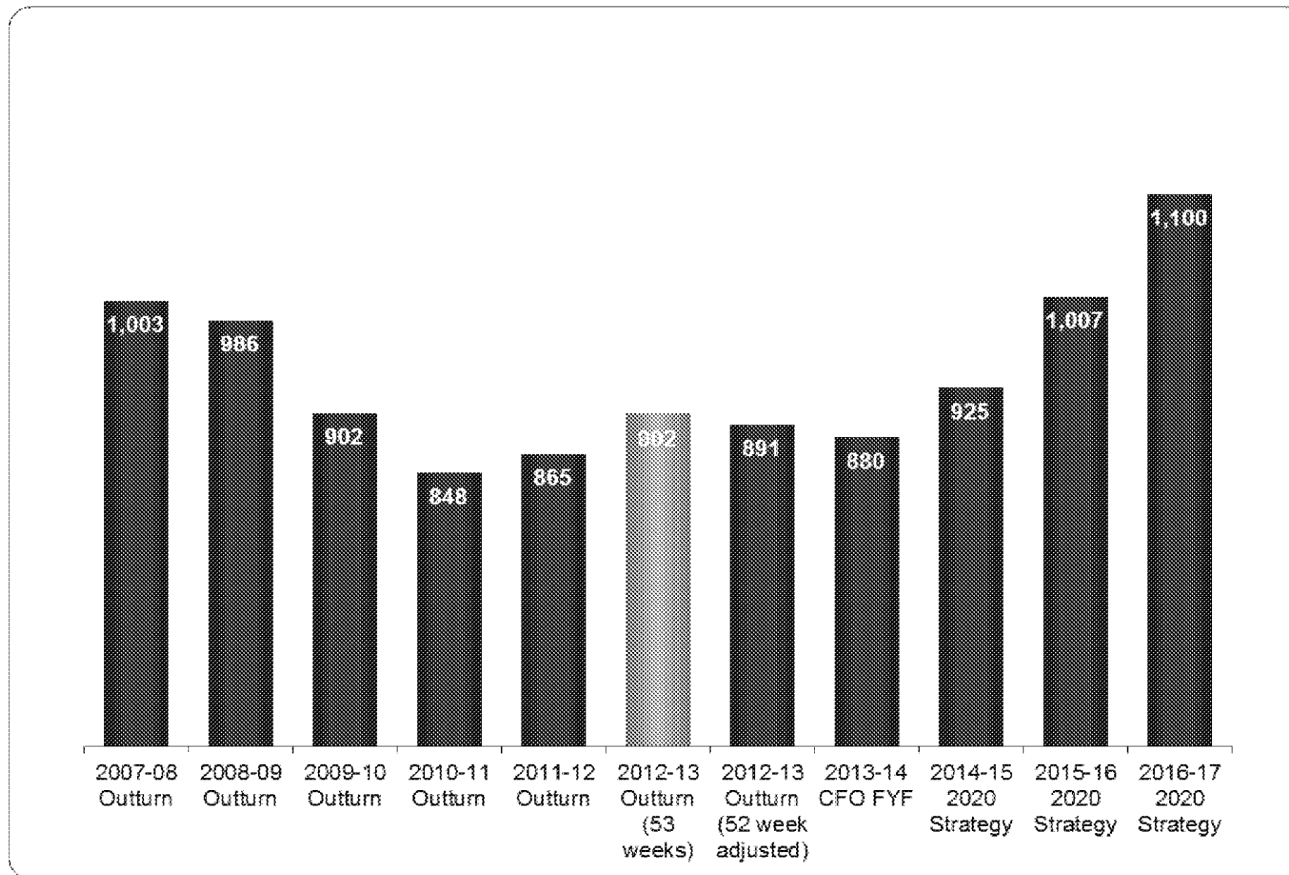


Net income budget achieves strategic plan £925m: 5% growth from 2013-14 Q3 CFO FYF, 9% growth from FYF adjusted for decline:

- Growth across all pillars
- Minimal contingency held against the plans (£9m/1%)
- Significant growth areas:
 - Mails – £26m – Collections & Returns, reclaiming the parcels market
 - FS – £18m – insurance, lending, investments and international money transfer
 - Telephony – £11m – cost of sales (new supplier), energy and mobile
- Continued decline in traditional areas of £30m is more than offset by growth activity

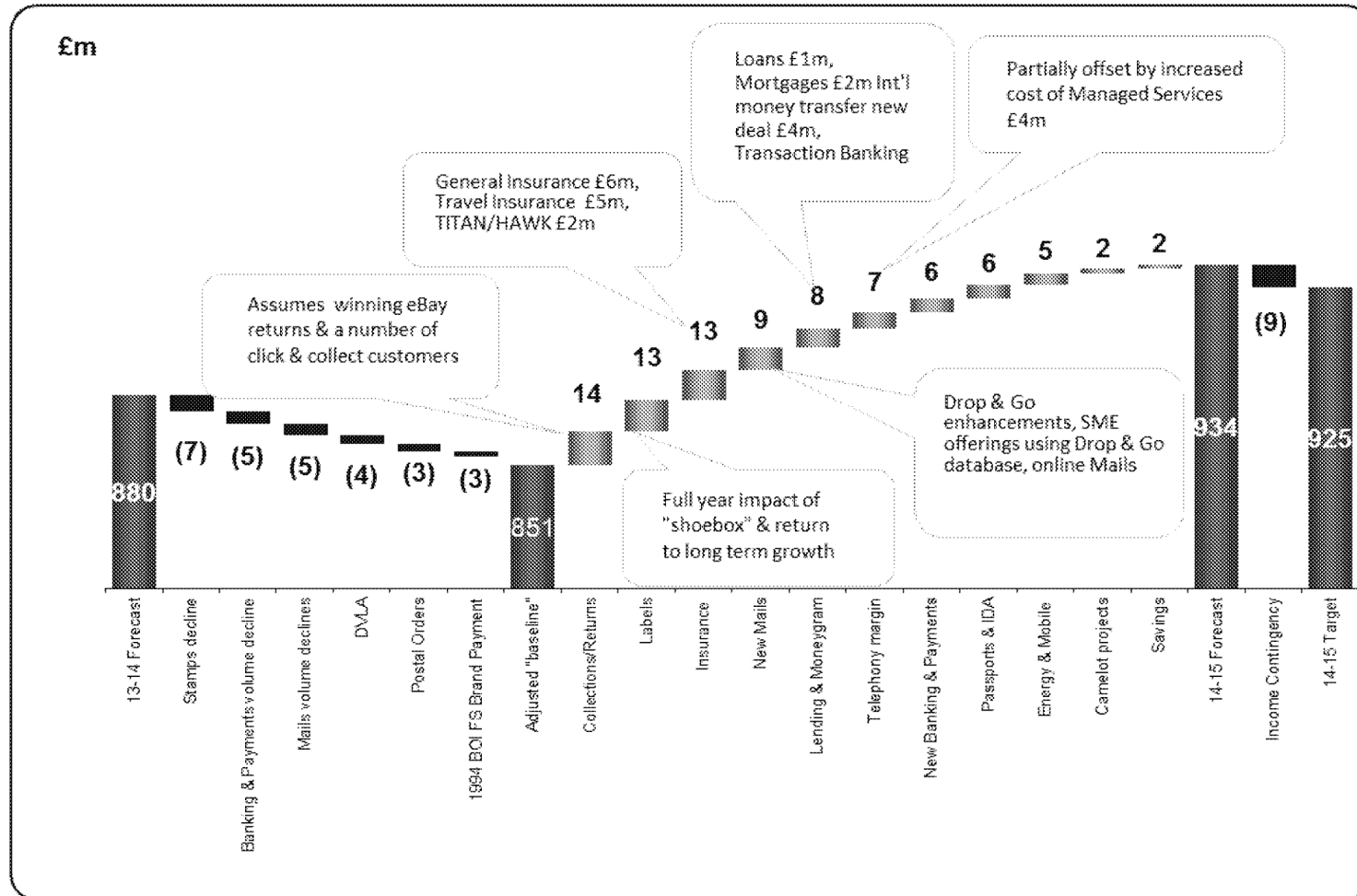


Income trend turned positive in 2011-12 and the growth returns in 2014-15:



- 2013-14 budget included significant traditional product declines of £40m (DWP, NS&I, DVLA, banking, bill payment, POCA, stamps) offset with new growth
- 2014-15 still sees traditional product volume decline but new growth areas accelerating

Net income grows by 5% year on year vs current forecast despite impact of decline in traditional products:





Expenditure to income ratio improves by 5 percentage points in line with strategic plan:

£m	2012-13 Outturn	2013-14 Budget	2013-14 Q3 CFO FYF	2014-15 Strat Plan	2014-15 Budget	2014-15 Budget v Strat Plan	2014-15 Budget v 2013-14 Q3 CFO FYF
Staff Costs	(257.4)	(256.1)	(260.2)	(236.0)	(238.7)	(2.7)	21.5
Agents Costs	(478.1)	(480.0)	(462.9)	(490.0)	(491.0)	(1.0)	(28.1)
Non-Staff Costs	(261.3)	(258.4)	(260.0)	(269.0)	(274.0)	(5.0)	(14.1)
One off Project costs (POOC)	(53.4)	(35.0)	(27.5)	(25.0)	(17.3)	7.7	10.2
Total Expenditure	(1,050.2)	(1,029.5)	(1,010.6)	(1,020.0)	(1,021.0)	(1.0)	(10.5)

Staff % of Net Income	28%	27%	29%	25%	25%
Agent % of Net Income	51%	52%	51%	51%	51%
Total Expenditure % of Net Income	112%	111%	111%	106%	106%

Key assumptions

- No consolidated pay awards
- Transformation payments for Crown and Supply Chain in lieu of pay awards
- IAS19 rate unchanged at 20.5%
- RPI assumed at 3.1% or in line with contract
- LIBOR assumed at 0.53% and base rate at 0.5%
- Franchising of Crowns complete by Q1 2014-15



Most of our cost reduction commitments have been delivered but additional costs have emerged:

- Cost reduction targets set (£25.7m staff and £15.6m non staff)
- The Cost Efficiency Board identified initiatives to underpin this of c£40m
- The savings initiatives have been tested and £34m has been included within this budget
- The remainder continue to be progressed but are not considered robust enough or appropriate to include at this stage
- The challenge for the ExCo has been to cover incremental cost increases of around £30m - IT related (£5.5m), increased mail costs due to past undercharging and VAT (£4.0m), costs incurred at the end of 2012-13 but early spend not to be repeated (£9.1m), cost transferred from project opex (£9.9m), FS incremental cost (£1.3m)



People costs budget includes 8% year on year reduction across all areas but mainly from Crowns:

£m	2012-13	2013-14	2013-14	2014-15	2014-15	2013-14	2013-14	2014-15	2014-15
	Outturn	Budget	Q3 CFO FYF	Budget	Budget vs. 2013-14 Q3 CFO FYF	Headcount	FTE	Headcount	FTE
Central	(4.3)	(9.5)	(12.7)	(12.5)	0.2	15	9.0	15	9.0
Commercial	(6.6)	(7.4)	(7.1)	(6.3)	0.8	111	111.0	123	122.0
Communications	(2.0)	(2.3)	(2.2)	(2.2)	0.0	35	34.2	39	38.2
Finance	(10.1)	(11.8)	(10.9)	(10.3)	0.6	264	256.7	242	234.6
Financial Services	(2.1)	(4.5)	(4.6)	(6.1)	(1.5)	70	70.0	106	104.5
HR Bonus	(19.5)	(18.0)	(19.5)	(17.0)	2.5	-	-	-	-
HR	(5.0)	(4.8)	(4.7)	(4.1)	0.6	110	110.0	101	101.3
Graduate Scheme	0.0	0.0	0.0	(0.2)	(0.2)	-	-	6	6.0
Crown Work Experience	0.0	0.0	0.0	(0.1)	(0.1)	-	-	8	7.7
Legal & Security	(5.0)	(5.10)	(4.9)	(4.6)	0.3	87	87.0	81	81.0
Network	(20.1)	(21.3)	(20.0)	(21.7)	(1.7)	501	498.9	628	626.1
Crowns	(113.7)	(102.1)	(103.1)	(87.4)	15.7	4,081	4,081.0	3,018	2,759.3
Supply Chain	(55.6)	(55.1)	(56.0)	(53.5)	2.5	1,603	1,797.0	1,566	1,719.8
Strategy	(13.4)	(14.2)	(14.5)	(12.2)	2.3	239	239.0	187	187.0
Incremental	0.0	0.0	0.0	(0.5)	(0.5)	-	-	15	15.4
Totals Costs	(257.4)	(256.1)	(260.2)	(238.7)	21.5	7,116	7,294	6,135	6,012.0



Subpostmasters' costs increase reflecting sales volume and franchising – overall cost/income ratio remains flat at 51%:

- Plan is derived from income plans but some plans are at a high level so there is a degree of estimation – income plans need to be confirmed and detailed to allow accurate budget
- Assumes £9m cost of franchising of Crowns in line with CTP staff cost savings (29 branches franchised in 2013-14 and 41 in Q1 of 2014-15)
- Includes £2m cost of NFSP pay deal agreed
- Includes £6m saving from moves to the Locals model
- £1m saving on Core Tier Payments (following lower sales in 2013-14)
- Saving of £1m from the new WHS contract

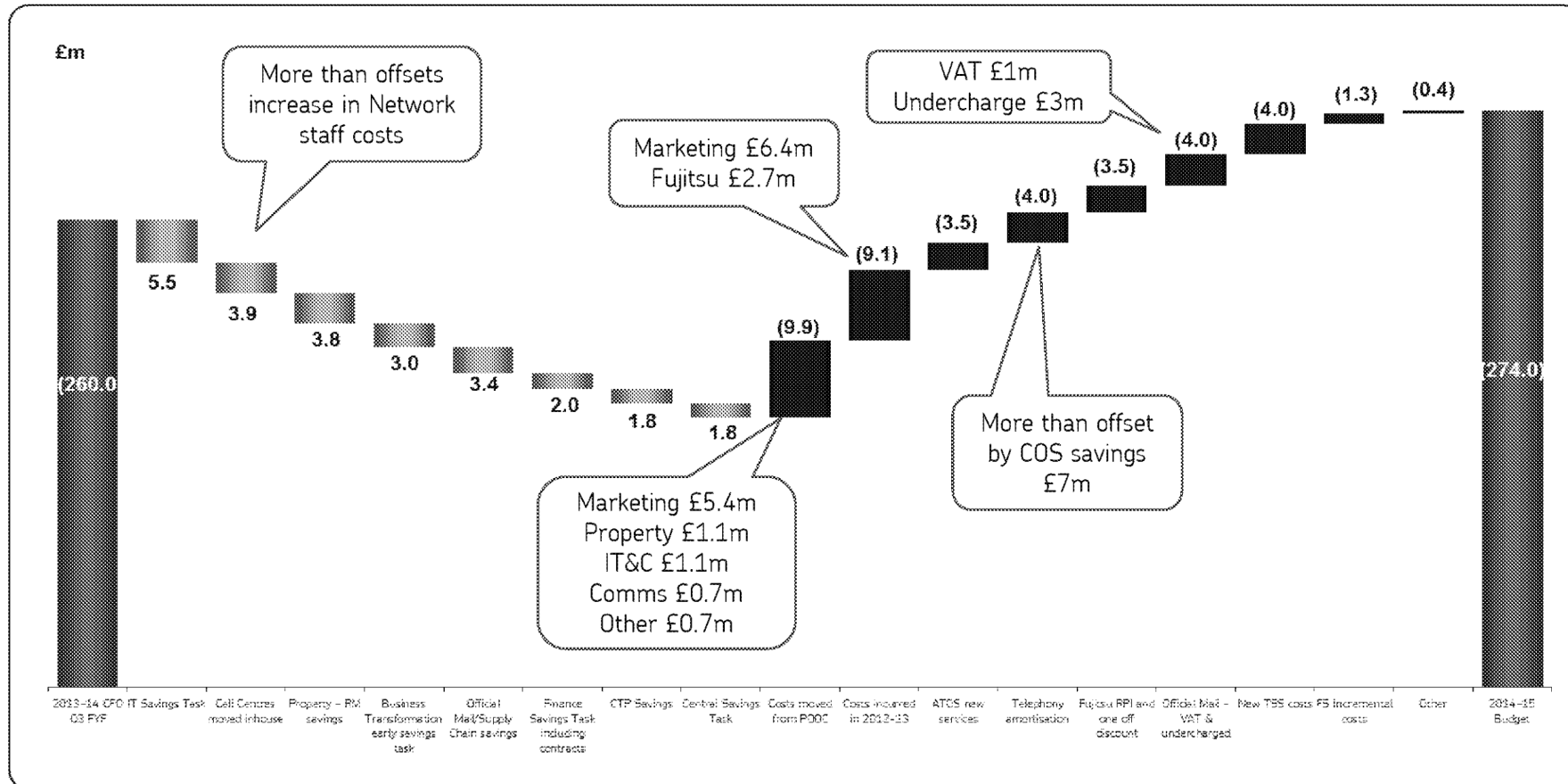


Non staff costs increase by 5% driven by higher IT and postage costs, spend accelerated in 2012-13 and transfers from project opex:

£m	2012-13 Outturn	2013-14 Budget	2013-14 Q3 CFO FYF	2014-15 Budget	2014-15 Budget vs. 2013-14 Q3 CFO FYF
Central	(15.9)	(3.2)	1.4	6.6	5.2
Commercial	(17.7)	(15.4)	(18.0)	(30.4)	(12.4)
Communications	(1.6)	(2.1)	(1.9)	(3.0)	(1.1)
Finance	(9.2)	(14.0)	(15.3)	(12.6)	2.7
Unallocated Official Mail	(7.7)	(7.4)	(7.2)	(10.1)	(2.9)
Financial Services	(5.0)	(5.6)	(5.2)	(6.1)	(0.8)
HR	(4.1)	(6.1)	(6.2)	(6.2)	(0.1)
Legal & Security	(4.6)	(4.4)	(4.7)	(3.9)	0.7
Network	(64.9)	(65.2)	(64.4)	(56.7)	7.7
Crowns	(4.6)	(2.2)	(3.4)	(3.2)	0.2
Supply Chain	(34.6)	(32.8)	(33.4)	(32.5)	0.9
Strategy	(91.1)	(100.1)	(101.7)	(115.8)	(14.1)
Totals Costs	(261.3)	(258.4)	(260.0)	(274.0)	(14.1)



Non staff costs – savings embedded but offset by other cost increases and transfers from project opex:





Project opex reduced to £17m and limited to income generating activities:

	£m		£m
Commercial	10.1	Mails - launch mobile offering and energy, SME propositions, customer experience, online developments, network expansion, new product propositions	3
		Lottery & Retail	1
		Mobile	2
		Digital Multi Channel & Customer Management	1
		HMPO (digital)	1
Financial Services	8.5	Eagle (committed) sales capability	4
		Travel Insurance (Titan)	2
Operating Model	0.6		
	19.2		
less 10% reduction task	(1.9)		
	17.3		

- Project spend has been challenged and prioritised
- £9.9m of project opex budget has been transferred to non staff BAU reflecting that it is not one off (eg marketing, property maintenance)
- Prioritisation on revenue generating activity supporting 2020 plan



Risks and Opportunities – net risk of up to £32m as activity continues to underpin savings task:

	£m
Income opportunities/(risks)	
Income contingency	9.4
Banking and payments transactions decline at a faster rate	(2.0)
Delivery of sales effectiveness	0-(3.0)
Bol unable/unwilling to provide competitive products	0-(2.0)
Hawk cannot be agreed with Bol	(2.0)
International pricing risk	(3.7)
Mails volume risks	(5.0)
Withdrawal of paper car tax discs from October	(1.0)-(4.0)
Cost opportunities/(risks)	
Cost reduction programme activities not taken to budget	6.0
Non staff: Savings from procurement activity (Scales, Uniforms and branch consumables)	(0.9)
Non Staff: Assumption of bringing forward next years spend on consumables, printing and vehicle parts)	(1.2)
Royal Mail charges assumed to be negotiable downwards	(2.5)
Year 1 run costs for ongoing projects not included in BAU or POOC (SAP, Separation licences, NCR self serve, contact centre IT costs)	(3.5)
Mails segregation penalty (max)	(6.0)
Other service level penalties (DVLA, UKBA)	(1.3)
Royal Mail projects not budgeted (low risk - no known projects)	(3.5)
Cost/Savings tasks not fully underpinned by activity	(6.8)
	<u>(24.0)-(32.0)</u>



The Board is asked to:

- Note that the budget aligns to the Strategic Plan
- Note that Cost Reduction programme activities of £34m have been taken into the budget
- Note the net risk position against the budget and that management action continues to underpin savings activity
- Agree the shape of the 2014-15 budget
- Note next steps
 - Preparing channel sales targets
 - Preparing the Crown P&L for 2014-15
 - Review and finalisation of capex and exceptional items budgets
 - Setting the KPI scorecard
- Note that final Board budget approval will be in March 2014

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POST OFFICE LIMITED

Performance Report

December 2013

Produced By : Financial Control and Compliance Team

For Queries & Comments Contact : Sarah Hall or Kam Bassra

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Headlines

December 2013

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Profit & Loss

P9 operating profit of £14.4m was £5.2m favourable to budget.

- **P9 net income** was £3.8m adverse, mainly Mails (£2.4m), Lottery (£0.7m) and Government (£1.1m). Month end was 29 December so the Christmas trading week (branches closed for part week) fell into P9 this financial year, but was in P10 last financial year (month end 23rd December) and the target does not fully reflect this so P10 may show some recovery. The main shortfall against budget was second class labels £1.3m, Lottery £0.7m and Motoring £0.5m. Compared to a 'like for like' 4 week period up to 29 December the Mails performance was almost flat with prior year (£0.3m lower).
- **P9 costs** were £9.0m favourable comprising of £4.9m favourable non staff costs (including VAT recovery of £2.6m relating to prior year) and favourable agents costs of £4.3m due to lower sales and the transfer of £1.6m Network Transformation related VAT and NI (relating to agents compensation) to exceptionals.

YTD operating profit at P9 was £86.1m, which was £11.5m favourable to budget of £74.6m, and £12.8m adverse to prior year of £98.9m.

- **YTD net income** performance of £650.3m remains the key concern with an adverse variance which has increased to £28.3m compared to budget (mainly Mails £19.5m and Lottery £5.4m).
- **YTD staff costs** were almost to budget at the end of P9 following a favourable result in the month mainly due to savings from strike action. Within this, the adverse costs reflecting the bonus payments relating to the prior year, are partially offset by lower sales related bonuses this year. The Cost Management Programme is on track to deliver savings of c£3m in 2013-14.
- **YTD agents' costs** were £27.3m favourable to budget, mainly due to lower sales income £16.8m and sales mix £3.0m (parcels).
- **YTD non people costs** were £8.2m favourable to budget, driven by £6.3m VAT recovery relating to H1 and the last year, and more than covers the adverse variance due to Horizon costs originally budgeted for in the prior year.
- **YTD Project costs** were £2.6m favourable with the underspend driven by the movement of separation costs to exceptional items and some client funding and delays compared to original plan in Financial Services.

Following a review of risks and opportunities the CFO FY PBIT forecast has been held at £102m as cost savings continue to cover income shortfalls.

Cashflow

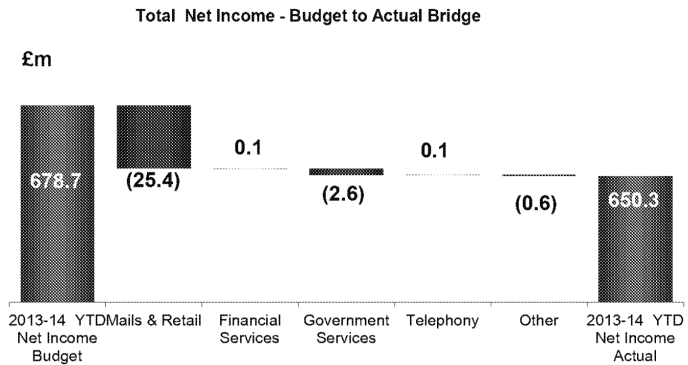
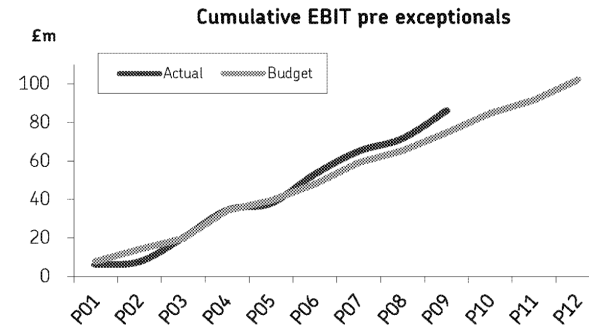
The YTD cashflow was an inflow of £121m which is running slightly ahead of expectations in the Q2 FYF. Some of the variances, in particular in relation to the higher network cash during IA, are expected to unwind in due course.

Crown P&L - YTD

The Crown loss is £2.3m adverse to budget. Income was £2.6m adverse to target. Costs were £0.2m adverse, offset by share of JV which was £0.4m favourable.

Note: The non staff figure now consolidates Interbusiness into this one line reflecting the change in relationship with Royal Mail which is now treated as a third party supplier.

Please note that further supporting detail to this report is available if required in the Appendices which are saved separately in the Reading Room.



Financials

- Total Net Income (excl NSP) £m (Bonus)
- Operating profit £m (Bonus)
- Free cashflow £m
- Crown Profit (Loss) £m (Bonus)

Non Financials

- Queue time % < 5 minutes - Top 1k branches
- NT Conversions - (Mains & Locals) (Bonus)

	Year to Date		
	Act	Target	Var
Total Net Income (excl NSP) £m (Bonus)	650.3	678.7	(28.4)
Operating profit £m (Bonus)	86.1	74.6	11.5
Free cashflow £m	121.2	5.2	116.0
Crown Profit (Loss) £m (Bonus)	(22.1)	(19.8)	(2.3)
Queue time % < 5 minutes - Top 1k branches	81.5%	79.7%	1.8%
NT Conversions - (Mains & Locals) (Bonus)	2407	2369	38

Profit & Loss Statement

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December 2013

£m	Current Month			Prior Year Period		Year to Date			Prior Year YTD		Full Year			Prior Year	Prior Year
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q2 Forecast	Budget	Variance	Outturn	Variance
TOTAL GROSS INCOME	84.6	88.1	(3.5)	91.1	(6.5)	735.2	763.8	(28.6)	765.4	(30.2)	998.8	1,012.2	(13.4)	1,023.6	(24.8)
Cost of Sales	(9.0)	(8.7)	(0.3)	(9.7)	0.7	(84.9)	(85.1)	0.3	(88.8)	3.9	(111.2)	(112.2)	1.0	(121.2)	10.0
TOTAL NET INCOME	75.6	79.3	(3.8)	81.3	(5.8)	650.3	678.7	(28.3)	676.7	(26.4)	887.6	900.0	(12.5)	902.4	(14.8)
Staff Costs	(20.3)	(20.7)	0.4	(19.2)	(1.1)	(193.6)	(193.5)	(0.1)	(189.2)	(4.4)	(259.2)	(256.1)	(3.1)	(257.4)	(1.8)
Agents Costs	(38.1)	(42.5)	4.3	(42.3)	4.2	(337.3)	(364.7)	27.3	(355.6)	18.3	(468.9)	(480.0)	11.1	(478.1)	9.2
Non-Staff Costs (including Interbusiness)	(17.2)	(22.0)	4.9	(19.8)	2.7	(189.9)	(198.2)	8.2	(184.0)	(5.9)	(261.2)	(257.6)	(3.6)	(260.7)	(0.5)
Depreciation	(0.0)	0.0	(0.0)	(0.3)	0.3	(0.3)	(0.7)	0.4	(0.7)	0.4	(0.8)	(0.9)	0.0	(0.4)	(0.4)
Total Expenditure (pre POOC)	(75.6)	(85.2)	9.6	(81.6)	6.0	(721.2)	(757.0)	35.8	(729.6)	8.4	(990.1)	(994.5)	4.4	(996.7)	6.6
FRES - Share Of Operating Profits	1.5	1.5	(0.0)	1.4	0.1	28.3	26.8	1.4	27.2	1.0	33.0	31.5	1.5	31.9	1.1
EBIT - BAU	1.4	(4.4)	5.8	1.1	0.3	(42.6)	(51.5)	8.9	(25.7)	(16.9)	(69.5)	(63.0)	(6.6)	(62.4)	(7.1)
One off Project costs (POOC)	(2.4)	(1.8)	(0.6)	(2.2)	(0.2)	(21.3)	(23.9)	2.6	(29.9)	8.6	(28.5)	(35.0)	6.5	(53.4)	24.9
EBIT - Post Project Costs	(1.0)	(6.1)	5.2	(1.1)	0.1	(63.9)	(75.4)	11.5	(55.6)	(8.3)	(98.0)	(98.0)	0.0	(115.8)	17.8
Network Payment	15.4	15.4	0.0	15.8	(0.5)	150.0	150.0	0.0	154.5	(4.5)	200.0	200.0	0.0	210.0	(10.0)
EBIT pre exceptionals items	14.4	9.3	5.2	14.8	(0.3)	86.1	74.6	11.5	98.9	(12.8)	102.0	102.0	0.0	94.2	7.8
Interest	0.2	(0.5)	0.7	(0.4)	0.6	2.5	(3.5)	6.0	(0.9)	3.4	(2.0)	(5.0)	3.0	(0.8)	(1.2)
Impairment	(9.1)	(15.9)	6.8	(1.6)	(7.4)	(59.3)	(113.2)	53.9	(40.0)	(19.3)	(140.0)	(167.5)	27.5	(65.6)	(74.4)
Exceptionals & Redundancy & Severance Costs	(12.1)	(13.0)	0.9	(3.9)	(8.3)	4.1	(133.2)	137.3	(39.4)	43.5	(37.9)	(184.4)	146.5	(77.0)	39.1
Government Grant Utilisation	15.1	18.6	(3.5)	8.6	6.5	179.1	253.7	(74.6)	55.4	123.7	253.1	316.9	(63.8)	98.2	154.9
Profit/(Loss) On Asset Sale	(0.0)	0.0	(0.0)	(0.1)	0.1	2.5	0.0	2.5	(28.0)	30.5	2.5	0.0	2.5	(27.7)	30.2
Colleague Share/ Business Transformation Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(3.3)	3.3
Total Profit/(Loss) Before Tax	8.5	(1.5)	10.1	17.4	(8.8)	214.9	78.4	136.6	46.0	169.0	177.7	62.0	115.7	18.0	159.7

Period vs. Budget

Operating profit (EBIT) of £14.4m was £5.2m favourable to budget.

BAU was £5.8m favourable:

- Lower non staff costs of £4.9m due to lower costs from RM and VAT benefit of £2.6m.
- Lower agents pay of £4.3m. £2.8m related to lower sales and £1.6m transfer of NT VAT and NI costs to exceptionals.
- Lower staff costs of £0.4m.
- Offset by:
- Lower income of £3.8m due primarily to mails

One-off variance of £0.6m adverse relating to increased POOC expenditure in the period.

Below EBIT

Impairments were favourable due to slower progress than plan on NTP.

YTD vs. Budget

Operating profit (EBIT) of £86.1m was £11.5m favourable to budget.

BAU variance of £8.9m favourable was mainly due to:

- Lower agents costs of £27.3m mainly due to; £16.8m relates to lower sales income, £3.0m sales mix (parcels), £1.6m WHS provision,
- Lower non staff costs of £8.2m due to VAT recovery relating to H1 and prior year of £6.3m, offset by Horizon costs originally budgeted for in prior year, but incurred this year,
- Higher FRES JV income of £1.4m.

Offset by

- Lower income of £28.3m, mainly Mails £19.5m and Lottery £5.4m, Mails performance was impacted by lower parcel volumes following the RM price changes in April, but new parcel formats have been introduced at the end of October. Lottery continues to underperform.

Project One-off variance of £2.6m favourable. The underspend is driven by the movement of Separation costs to exceptionals and slower spend in previous periods.

Below EBIT

Exceptional costs are favourable mainly due to a £102m credit relating to the change in pensions terms. The underlying variance is due to slower pace of capital spend and operating exceptionals, including agents compensation, compared to budget. Government grant utilisation follows this trend, but also included utilisation against the remaining 2012/13 exceptional costs. The profit on sale related to the lease surrender of Midway House.

YTD vs. Prior Year

Operating profit (EBIT) of £86.1m was £12.8m adverse to prior year.

Like for like BAU adverse variance of £16.9m was mainly due to:

- Lower net income of £26.4m. The variance versus prior year is driven primarily by the stamps buy forward last year and lower parcel volumes this year. Government Services also decreased as a result of lower rates from the new DVLA contract and falling Card Account customers. NSI income fell as more customers have moved away from POL.
- Higher staff cost of £4.4m adverse to prior year due to higher pension costs, pay awards and increased headcount, and
- Higher non staff costs of £5.9m due to increased IT costs (mainly Horizon), timing of marketing spend, and the removal of the FX bureau rebate received in H1 last year partially offset by the increased VAT recovery this year.

Offset by:

- Agents costs £18.3m favourable variance to POL; £12.9m due to lower sales, predominantly Mails buy forward pre price increase, £2.8m lower fixed pay from unfreezing the Core Tier Payment and roll out of Locals and £3.2m accrual release relating to the DVLA rate changes. Partially offset by £1.0m increase in Mails Segregation payments.
- Higher JV income of £1.0m.

Non like for like favourable variance of £4.1m was due to:

- Lower project costs of £8.6m, and
- Lower Network payment of £4.5m.

Below EBIT

NT exceptionals including compensation were ahead of the equivalent pace in 2012/13. 2013/14 grant utilisation includes £30m against 2012/13 exceptional costs not covered by the 2012/13 grant.

CFO High Level Profit Forecast At Period 9

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	£'m	Income	JV Income	Costs	NSP	EBIT	Explanation of items	P9 v P8
Budget	900	32	(1,030)	200	102			0
Downsides								
Mails income	(23)					(23)	Improved trend at the start of P10 reflecting sales recovery actions	3
Lottery income	(7)					(7)	Continuing volume decline with no recovery seen over Christmas	(2)
Gov't Services income	(4)					(4)	No IDA income; deterioration due to poor Moring volumes in P9	(1)
Telephony income	0					0	No mobile income -£1m; offset by lower CoS (excess broadband charges taken into 12/13)	0
FS income	(5)					(5)	ATM's -£2m; 'unassigned income' -£2m; Other products -£2m	0
Other income/ POOC contingency	(5)			5		0	Income challenge £5m matched with POOC budget	0
Staff efficiency				(2)		(2)	Savings task on track YTD, but being masked by timing of Managers pay award. £1m-£2m risk if confirmed this year	0
Staff cost risk on phasing of CTP				(1)		(1)	Delay to VR letters during union negotiations costing c£100k per week	(1)
Fujitsu costs				(2)		(2)	Cost budgeted in 12/13 but flowed into 13/14	0
IT&C efficiency task				(3)		(3)	Strategy budget task, offset by IT&C savings shown below	0
Mails segregation penalty				(1)		(1)	Max contractual penalty of £6m, negotiated down to £3m, latest view is £1m	0
Bonuses				(1)		(1)	PY flow through	0
Agents pay - sales impact				20		20		0
NT Locals delays				(2)		(2)		0
Agents segregation payments				(1)		(1)	£1m budgeted and £2m expected	0
POOC overspend				(2)		(2)	Project Sparrow (Horizon litigation) unbudgeted	0
VAT on expenditure with Royal Mail				(1)		(1)	RM charges incur VAT from October net of saving from VAT recovery rate improving in H2	(1)
Non staff savings task				(1)		(1)	Finance task not underpinned	0
	(44)	0	8	0	(36)			(2)
Mitigating actions								0
Mails income - dangerous goods	7					7	New income for domestic dangerous goods checks, assumes volumes and compliance levels achieved.	0
Mails income - format changes/campaigns	6					6	£3m from 'shoebox' from end Oct; £3m International conformance	0
Lottery price rise						0	Camelot price rise from 3rd October has not had desired impact	(2)
Gov't - UKBA Cost of Sales correction	1					1	Overstated CoS from 12/13	0
Gov't - volume trends	2					2	Passports (market share) and UKBA AEI volumes (clearance of backlogs)	0
FS income - Santander volumes	2					2	Horizon volumes higher than clients; now taken and completed.	0
FS income - Junction deal	3					3	£2.5m backdated additional commissions when Junction deal is signed. Deal now signed and booked in P8	0
FRES upside (higher ATV's)			1			1	Aligns to FRES budget, could be further upside as higher Average Transaction Values - on track	0
PhotoMe income	1					1	£1m backdated income now mostly recognised	0
Supply Chain external income	2					2	Volume related	2
IT&C savings				3		3	Tactical savings in IT and Managed Services to deliver budget task	0
Telephony implementation				2		2	3 month saving from amortisation of set up costs, due to delayed migration, already recognised in YTD	0
Agents mix				5		5	Sales mix shifted to products with a lower % of agents pay vs budget mix	1
Agents DVLA timing				3		3	DVLA lump sum payments were accrued last year but budget did not assume this. Already reflected in YTD position	0
POOC				5		5	Separation to exceptionals, Cust Mgt to capex	0
Contingency				(3)		(3)	To use for accelerating activity from 14-15	0
Agents VAT				1		1	Improved VAT recovery % on agents costs	1
Agents pay - sales recovery				(8)		(8)	Estimated	0
VAT upside				3		3	Impact of higher recovery rate in 12-13 and H1 13-14	0
	24	1	11	0	36			2
Latest View at P9	880	33	(1,011)	200	102			0
<i>Variance to budget</i>	<i>(20)</i>	<i>1</i>	<i>19</i>	<i>0</i>	<i>(0)</i>			<i>0</i>

Crown Profit & Loss Statement

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December 2013

£m	Period			Prior Year Period		Year To Date			Prior Year YTD		Full Year			Prior Year
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q3 Forecast	Budget	Variance	Outturn
Income and Distributions														
Variable income														
- Mails	4.2	4.7	(0.5)	5.2	(0.9)	30.0	33.1	(3.1)	34.6	(4.6)	39.7	43.2	(3.5)	44.8
- Financial Services	2.1	2.1	0.0	2.5	(0.4)	21.8	21.6	0.2	23.5	(1.7)	28.5	28.2	0.3	30.4
- Government Services	1.3	1.3	0.0	1.8	(0.5)	15.7	14.7	1.0	18.8	(3.1)	21.2	20.2	1.0	26.4
- Telephony	0.0	0.1	(0.0)	0.1	(0.0)	0.6	0.8	(0.3)	1.0	(0.4)	0.8	1.3	(0.4)	1.3
Fixed income	1.6	1.6	(0.0)	2.0	(0.5)	18.8	18.4	0.4	21.1	(2.2)	25.5	24.8	0.7	28.2
Gamma/ Other	1.7	2.1	(0.4)	0.7	1.0	9.7	11.5	(1.9)	8.0	1.6	12.0	14.5	(2.5)	10.9
Renewals and Retentions	1.8	1.9	(0.0)	1.6	0.3	14.5	13.5	1.0	7.4	7.1	18.5	17.9	0.6	11.1
Total Income including Gamma/other	12.8	13.8	(1.0)	13.8	(1.0)	111.0	113.6	(2.6)	114.3	(3.3)	146.2	150.1	(3.9)	153.2
Direct Product Costs	(0.5)	(0.5)	0.0	(0.4)	(0.0)	(5.0)	(4.9)	(0.1)	(5.2)	0.2	(4.8)	(5.0)	0.1	(8.3)
Branch costs														
- Staff	(8.2)	(8.6)	0.4	(8.1)	(0.1)	(81.1)	(80.7)	(0.4)	(86.4)	5.3	(106.5)	(106.0)	(0.4)	(117.9)
- Property	(2.9)	(2.9)	0.0	(2.8)	(0.1)	(31.3)	(31.5)	0.2	(25.9)	(5.3)	(35.3)	(35.4)	0.0	(36.9)
- Other branch costs	(0.3)	(0.3)	0.0	(0.4)	0.0	(3.1)	(3.0)	(0.2)	(4.1)	1.0	(4.3)	(4.7)	0.4	(6.3)
Infrastructure costs	(3.1)	(3.0)	(0.1)	(1.8)	(1.3)	(18.3)	(18.2)	(0.2)	(16.3)	(2.0)	(22.7)	(22.9)	0.1	(22.5)
Allocated central costs	0.1	0.0	0.1	(0.6)	0.7	(2.6)	(3.0)	0.4	(5.4)	2.8	(9.0)	(8.4)	(0.6)	(7.7)
Total Expenditure	(14.9)	(15.3)	0.4	(14.1)	(0.8)	(141.3)	(141.2)	(0.2)	(143.4)	2.0	(182.6)	(182.2)	(0.4)	(199.7)
JV Share of Profits	0.4	0.4	(0.0)	0.3	0.1	8.2	7.8	0.4	7.1	1.1	9.6	9.1	0.5	9.6
Statutory PBIT	(1.7)	(1.1)	(0.6)	0.1	(1.7)	(22.1)	(19.8)	(2.3)	(22.0)	(0.1)	(26.8)	(23.0)	(3.8)	(37.0)

Summary

- Income £2.6m less than plan.
 - Mails - A strong performance on SD £46k kept Mails focus income above target in Dec but standard income fell by £0.5m impacted by both IA (13 days) and underlying phasings issues in terms of both customer behaviour, particular in week 39, and the expectation that Mails would make further strides in reducing the income deficit over the Christmas pressure period
 - The success of the extended product range during the main Christmas period has helped to close the income gap on Retail sales to £0.1m
 - Main drivers of favourable Government income are UK Visa & Immigration (UKVI) (due to backlog in applications) £0.8m, ID Services £0.7m and Passports £0.2m, offset by Motorist services (DVLA Licences and AEI) which are £0.6m behind target.
 - Financial Services - Savings retained their above target performance despite the loss of fixed rate products in the final weeks of the period
- Costs are £0.2m higher than plan.
 - Staff overspend due to delays in CTP partially offset by savings from industrial action. The earlier payroll cut off in Dec means the staff savings from the Dec IA (£0.3m) will not be brought to account until Period 10.
 - The costs associated with the extended opening hours are showing an in-month variance of £0.5m however £0.3m is offset in HR for the employment of Christmas Apprentices with a further £0.1m due to payroll timescales being brought to account in Period 10
- FYF is £3.8m adverse to budget reflecting the lower Mails income.

Cost Management update
December 2013

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Progress since P8 update

Value and confidence

Overall, progress remains broadly on track for delivery of the FY13/14 and FY14/15 initiatives, significant changes are:

- i. There has been an increase in FY14/15 savings anticipated from the Royal Mail Inter-Business charge for IT, where the target has increased to c25% of the current £11m annual charge, from the previous c10% estimate.
- ii. Marketing spend for FY14/15 is under review and, as a result, a potential reduction of £1.6m has been moved from Medium confidence to Low.
- iii. Fleet management cost savings from Supply Chain re-procurements are now included net of £0.8m of related charges.

The net impact on Value and Confidence in FY14/15 is an increase in Value of £0.7m to £43.7m, and an increase in both High and Low confidence as further work reduces the Medium confidence band. FY13/14 remains unchanged.

Delivery and governance

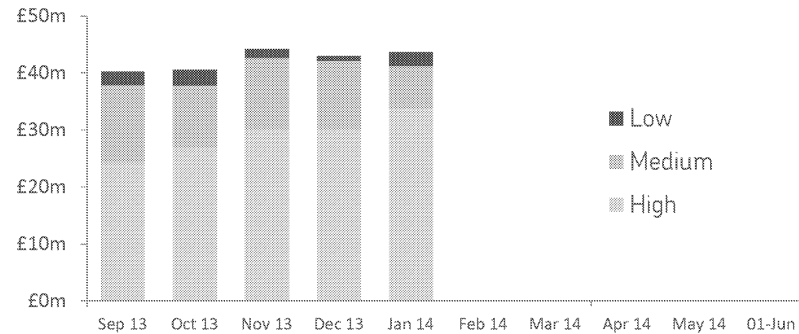
Analysis of FY14/15 budget submissions shows that of the £43.7m of potential savings identified, £36.2m has been incorporated (83%). Delivery of these initiatives will now be ensured by the on-going performance review processes.

This leaves roughly 30 initiatives that have not been incorporated, mainly due to a lack of capacity, uncertainty or timing issues. These will continue to be driven forward by the Cost Management Task Force, or kept in reserve for later implementation.

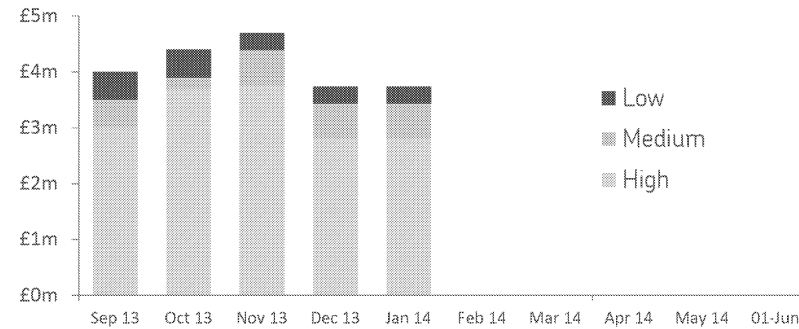
Strategic initiatives for FY15/16 and beyond

The strategic cost reduction and transformation programme continues to define our requirements of a strategic transformation partner, to enable us to go to market in Q4 FY13/14. The team will return to the Board in February 2014 with an update and in March 2014 for approval to go to market.

Cost reduction opportunities: Confidence and value FY14/15



Cost reduction opportunities: Confidence and value FY13/14



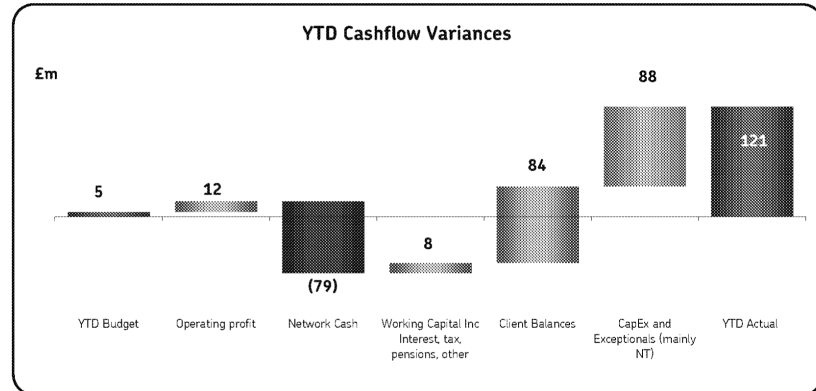
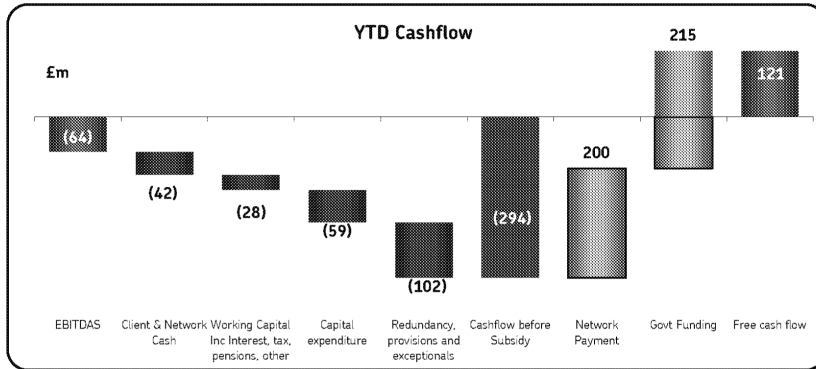
Overview of high impact initiatives (excluding CTP)	Directorate	FTE impact	FY14/15 (£m)				Significant changes since P8 update
			L	M	H	Total	
- Procurement savings in Network and Supply Chain (£2.6m Facilities Management; £1.2m Fleet Maintenance; £1.5m Official Mails, £1.0m Branch consumables etc)	Network & Supply Chain				6.2	6.2	Increased confidence from M to H. Fleet Maintenance saving are now shown net of £0.8m related costs. £1.0m savings in branch consumables, uniforms, etc. £0.2m increase in benefits to reflect full year impact FY14/15 marketing budget under-review. £1.6m saving previously included is less likely to materialise Increase from previous £0.7m saving from wider scope
- Reduce cash delivery frequency and move to single person operation	Supply Chain	50		1.8		1.8	
- Marketing spend efficiencies	Commercial		1.6			1.6	
- Reduce cost and volume of Official Mail	Finance			1.3		1.3	
- Restructure product and marketing to reduce duplication and increase customer focus	Commercial	10		1.1		1.1	
- Manchester Cash Centre Closure	Supply Chain	20			0.7	0.7	
- Restructure Audit and Training team in the Agency network	Network	20		0.7		0.7	
- Deliver remainder of Finance Roadmap Programme savings	Finance	15			0.7	0.7	
- Restructure call centres transferring from Royal Mail and improve efficiency	Network	20			0.6	0.6	

Cashflow Analysis

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December 2013



Cashflow

The YTD cashflow (inflow of £121m) is slightly ahead of expectations in the Q2 FYF (full year outturn of £104m). Some of this is expected to unwind, in particular network cash which is higher as a contingency for IA.

The main reasons for the higher cash inflows continue to be:

- Capital expenditure and exceptionals are now combined £88m favourable to budget due to lower than planned NTP and CTP expenditure, which is higher than anticipated at Q2 and may increase further in the final quarter.
- Working capital is net £8m favourable to budget and is likely to remain favourable due to the level of project spend.
- Client balances are £51m more favourable than the Q2 forecast. This will reverse as it is driven by a low ATM debtor (contributing £43m favourable) due to customer withdrawal patterns around the Christmas holidays being lower than expected in the days leading up to period end.
- Network Cash balances are £79m adverse to the budget which, as noted above, reflects higher cash in the network due to IA contingency. This will return to budget when the IA position is settled.

£m	YTD		Full Year	
	Actual	Q2 Forecast	Budget	Variance
Working Capital	86.1	102.0	102.0	0.0
Depreciation	0.3	0.9	0.9	0.0
Working Capital	(46.0)	(41.2)	(41.2)	0.0
Client Balances	(3.2)	(11.4)	(44.4)	33.0
Network Cash	(38.5)	114.6	114.6	0.0
Dividends	4.2	(4.5)	(4.5)	0.0
Capital Expenditure	(59.4)	(140.0)	(167.5)	27.5
Government funding	215.0	215.0	215.0	0.0
NSP in advance	50.0	0.0	0.0	0.0
Exceptional Items	(101.5)	(144.8)	(198.8)	54.0
Pensions	2.7	2.3	2.3	0.0
Proceeds from asset sales	2.5	2.5	0.0	2.5
	0.0	0.0	0.0	0.0
Free cashflow before interest, tax	112.2	95.4	(21.6)	117.0
Interest	(1.2)	(2.0)	(5.0)	3.0
Tax	10.2	10.3	10.3	0.0
Free Cashflow	121.2	103.7	(16.3)	120.0

Network Cash

£m	Prior Year	Mar-13	P9		
	P9	Opening	Actual	Budget	var
Retail, Cash Centres	538	650	751	655	(96)
Bureau	53	59	55	45	(10)
Cheques, debit cards	75	161	102	129	27
Network Cash	666	870	908	829	(79)

	Opening	P9
Headroom (£m)	838	860

Business Scorecard

December 2013

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Key Performance Indicators	Current Month			Year to Date			Prior Year	Full Year			2012-13 Outturn
	Act	Target	Var	Act	Target	Var		Latest view	Target	Var	
Growth											
Total Net Income (excl NSP) £m (Bonus 20%)	75.6	79.3	(3.8)	650.3	678.7	(28.4)	676.7	880.0	900.0	(20.0)	902.4
Operating profit £m (Bonus 25%)	14.4	9.3	5.2	86.1	74.6	11.5	98.9	102.0	102.0	0.0	94.2
Earnings before ITDA and Subsidy £m*	(0.9)	(6.1)	5.2	(63.6)	(74.7)	11.1	(54.9)	(97.2)	(97.2)	0.0	(115.4)
Free cashflow £m	13.8	(96.4)	110.2	121.2	5.2	116.0	136.6	103.7	(16.3)	120.0	132.2
Customer											
Customer Satisfaction**	85.6%	88.0%	(2.4)%	87.5%	88.0%	(0.5)%	87%	88%	88%	0%	87%
Easy to do business with (Bonus 20%)**	36%	44%	(8)%	43%	44%	(1)%	N/A	43%	44%	(1)%	N/A
Net Promoter score**	(5)	5	(10)	(3)	5	(8)	N/A	(3)	5	(8)	N/A
Queue time % < 5 minutes - Top 1k branches	63.0%	73.5%	(10.5)%	81.5%	79.7%	1.8%	79.8%	81%	81%	0.0%	80.7%
Horizon availability	99.9%	99.7%	0.2%	99.9%	99.7%	0.2%	99.8%	99.9%	99.7%	0.2%	99.8%
Branch - Compliance (new basket)	99.6%	98.0%	1.6%	98.4%	98.0%	0.4%	98.6%	98%	98%	0.0%	97.8%
People											
Engagement Index % (Once a year) (Bonus 10%)	51%	56%	(5)%	51%	56%	(5)%	55%	51%	56%	(5)%	55%
(No.) % of BME appointments over total recruits at senior leadership and senior manager	0%	4%	(4)%	10%	4%	6%	N/A	10%	4%	6%	N/A
(No.) % of Female appointments over total recruits at senior leadership and senior manager	14%	40%	(26)%	49%	40%	9%	N/A	49%	40%	9%	N/A
Modernisation											
Crown Profit (Loss) £m (Bonus 12.5%)	(1.7)	(1.1)	(0.6)	(22.1)	(19.8)	(2.3)	(22.0)	(26.8)	(23.0)	(3.8)	(37.0)
NT Conversions - contract signatures (Mains & Locals) (Bonus 12.5%)***	139	130	9	2,407	2,369	38	507	3,000	3,000	0	1,450
NT Branches Open (Mains & Locals)***	32	58	(26)	1,467	1,610	(143)	N/A	1,950	1,950	0	507

Bonus worthy metrics

* ITDA Interest, Tax, Depreciation, Amortisation

** Monthly = 3 month average. YTD = 12 month average

*** YTD and FY = cumulative including prior years

Network Transformation Scorecard

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December 2013 Reporting prior months data (i.e. one month in arrears)

Sample size is still small but provides a starting point to build on. All branches in the financial section have been operating for greater than 12 months to allow for steady state, and branches that had previously received overscale / one off payments have been removed to provide a clean baseline.

Key Performance Indicators	Actual	Target	Var	Actual Sample Size	Commentary
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MAINS

Converted > 12 months **8**

POL	Finance Approved Investment per Mains £000	(39)	(39)	0	8
	Total Income: Post vs Pre Conversion				
	Branches live 12-24 months	(10)%	(4)%	(7)%	2
	Branches live 24-36 months	1%	(4)%	4%	6
	Focus Income: Post vs Pre Conversion				
	Branches live 12-24 months	(27)%	5%	(32)%	2
	Branches live 24-36 months	(4)%	7%	(11)%	6
Agent	Agents Remuneration: Post vs Pre Conversion	4%	(7)%	11%	2
	Operator Feedback on Retail Sales Performance	9%	9%	0%	37
Customer	Average Increase in Opening Hours	37%	20%	17%	700
	Customer Satisfaction	98%	90%	8%	1,773

Mains

Financial performance

Income - Branches live in the 12-24 group are performing slightly worse against certain standard products like bill payments, etop ups and moneygram when compared with branches in the control group. Branches live for more than 24 months are performing better than the control group against these products. Overall the sample size for mains is still relatively small to draw any conclusion

Agents Pay - Slightly less than the control group in line with income.

Non financial performance

Retail Sales Performance - sample size and results are likely to be more variable due to the changes on how this is measured as requested by the programme board.

Customer satisfaction - consistently above 90% for both Mains and Locals

LOCALS

Converted > 12 Months **73**

POL	Finance Approved Investment per Local £000	(11)	(11)	0	0
	Total Income: Post vs Pre Conversion			0	
	Branches live 12-24 months	(14)%	(5)%	(9)%	64
	Branches live 24-36 months	0%	(4)%	5%	9
	Annualised Agents Fixed Pay savings per conversion £000	10	10	0	0
Agent	Customer Sessions 12- 24 months	(0)%	(4)%	4%	62
	Customer Sessions 24- 36 months	11%	(6)%	17%	9
	Operator Feedback on Retail Sales Performance	11%	9%	2%	13
Customer	Average Increase in Opening Hours	112%	80%	32%	480
	Customer Satisfaction	93%	90%	3%	1,420

Locals

Financial performance

Total Income - The Local model assumption was that income would reduce by c5% due to the removal of certain products. Early Locals have shown a shift towards simpler, more convenience-orientated products like cash withdrawals and bill payments. Growth in these products - with associated footfall - has been offset in income terms by poorer performance on more complicated products.

Non financial performance

Customer sessions - Retailers are benefiting from greater footfall that should support their retail growth. The footfall is delivering quicker but lower value Post Office sales which in turn should allow the retailer to utilise their staff in a different way or reduce their staff costs.

Operator feedback, customer Satisfaction and extended opening hours all remain positive

Financial targets reflect the equivalent performance of the control group (2399 Mains and 4879 Locals)

1392 live branches within the 2268 contracts signed - End Nov 2013

0-12 Months (Dec 12 - Nov 13) - 1081

12-24 Months (Dec 11- Nov 12) - 175

> 24 Months (prior to Dec 2011) - 136

Note: The scorecard includes 65 branches of the 175 (12-24 months) and 27 branches of the 136 (24-36 months).

Branches with a break in customer session or branches that had previously received overscale payments have been excluded.

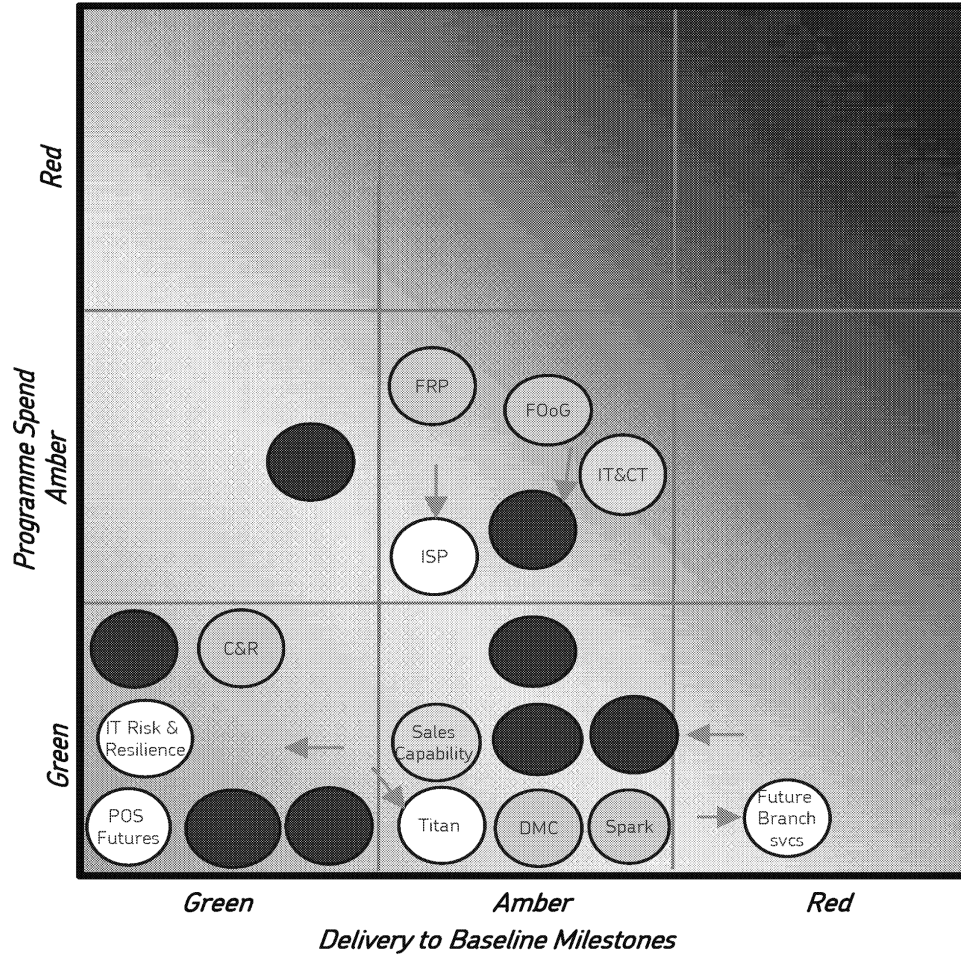
Change Management Overview

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December 2013

Highlights heatmap status of key transformation programmes, and points of escalation to Transformation Board on selected projects including resulting Transformation Board action / guidance. Also highlights wider points of discussion / action.



Transformation Board (TB)- Key Points of Focus

Network Transformation:- The programme hit its Q3 target at the end of December and is currently running ahead of target with 2,466 contracts delivered to date (13 January) versus a target of 2,436. The Q4 target of 3000 contracts signed continues to be achievable. 1,484 new model main and local branches are now open across the network, with 466 required to be delivered if we are to hit our end of year target of 1,950.

Crown Transformation:- Rollout of the new self service kiosks to branches is still planned for February, but there remain some material risks in the delivery plan. Significant progress has been made on franchising since December with 16 franchise decisions announced since then. The forecast FY13/14 Crown P&L position remains challenging due to wider income outlook and reduced in-year staff savings. However the confidence level in FY14/15 staff savings has now increased.

Separation:- The majority of business orientated separation projects have now been implemented and are live in POL (including eSourcing, Fleet and Branch Network) or are on track to be concluded by the end of March 2014, the only exception being Facilities Management where a six month extension has been agreed. The IT oriented strategic review has concluded that there is benefit for both POL and RMG in relaxing the September 2014 target date for IT separation, on an exception only basis. This specifically relates to IT Networks, EUC, and HR. Formal changes are to be endorsed at the March 2014 MSA Board.

Wave:- ExCo approval has been given to continue developing the Post Office Mobile proposition on the basis of directly contracting with a number of parties rather than a managed service. Updated proposals from suppliers have been received and are being reviewed. EE are holding their position that they would like to contract through Transatel, their MVNA (Mobile Virtual Network Aggregator) which is not our preferred contracting model. This is being escalated with EE.

Digital & Multi Channel:- On the 14th January, Post Office Ltd has signed the contract for the delivery of the Common Digital Platform with its strategic partner, Accenture. This is a critical step in providing the business with the necessary tools to achieve its goals in terms of becoming a leading customer focused, omni-channel retailer in its own right. The Common Digital Platform will not only provide a new, flexible infrastructure to replace our current website (enabling us to separate from the current Royal Mail owned platform); but it offers us an environment where we can be in greater control of the products and services we offer to our customers - ensuring that our customers can access them how they want and when they want.

Spark:- An updated proposition paper for Post Office Energy has been discussed at ExCo and is due for review by the Post Office Board on the 21st January. ExCo were supportive of the approach subject to developing granular detail on the sales model, operating model and mitigations required to avoid the main risks with launching a Post Office branded white-label energy product. This work will be completed prior to a further ExCo update in March.

○ Colour of Circle reflects 2013-14 financial benefits
→ Shows movement from last period

HP&BB	Home Phone & Broad Band migration
Polo	Current Account
C&R	Mails Collections & Returns
FRP	Finance Roadmap Plan
NT	Network Transformation
FOoG	Front Office of Government
IT&CT	IT and Change Transformation
ISP	Independence & Separation Programme
Wave	Mobile proposition
Titan	Travel Insurance delivery model
DMC	Digital & Multi Channel
Spark	Energy proposition

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POST OFFICE LTD BOARD

Trading Performance

1. Purpose

The purpose of this paper is to:

- 1.1. Update the Post Office Limited Board (Board) on current trading performance and progress against the associated recovery plan.
- 1.2. Update the Board on the latest thinking on the achievability of the 2014/15 target income as set out in the 2013/20 Strategic Plan.

2. Background/ context

- 2.1. The 2013/20 Strategic Plan sets out our plans to generate sustained income growth. Specifically this looks to develop our sales capability and use customer value propositions to cross-sell and up-sell our product offering whilst we develop and introduce a range of new Post Office branded products. This is in addition to exploiting new market opportunities in the Mails and Financial Services Market.
- 2.2. Within this context the 2013/14 Budget set an income target of £900m. This target is owned jointly by the Commercial, Financial Services and Network Sales teams and governed through the Trading Board. Over the past nine months, the Trading Board has faced significant issues that undermined the achievability of the Budget; further analysis is detailed in the Trading Performance Working Paper which can be found in the Board reading room. Recovery plans were established and the teams have been exploring opportunities to address the deficit and deliver the FY13/14 target.
- 2.3. Through the recovery plans, the teams have addressed a number of the underlying issues. The current forecast suggests that the actions implemented to date, while not fully addressing the shortfall, will allow us to exit the year with a deficit of ~£20m. Prior to recovery actions being introduced, the worst case scenario was a projected deficit of £45m to £50m.
- 2.4. The Trading Board continues to pursue its revenue recovery plan to continue closing the remaining gap with a view to delivering an exit run rate that is consistent with achieving the FY14/15 Budget of £925m. At this stage, the Trading Board can confirm the FY14/15 income is deliverable, though it is clearly not without risk.
- 2.5. In the remainder of this paper, we provide more detail on each of the elements of the income delivery for FY13/14 along with our assessment of the deliverability of FY14/15 Budget.

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3. High level income profile

(£m)	Budget FY13/14	Forecast FY13/14	Budget FY 14/15	Required Growth
Mails & Retail	415	398	424	26
Financial Services (excluding FRES profit share)	277	277	295	18
Government Services	116	115	117	2
Telephony (including Home Services)	50	51	62	11
Other	42	39	36	
Contingency			(9)	
Total*	900	880	925	45
FRES profit share	32	33	35	2

**please note this excludes income from Supply Chain and other*

4. FY 13/14 – trading to date

- 4.1. Post Office has had trading performance challenges throughout FY13/14. These issues started with the introduction of new pricing from Royal Mail in April 2013 and were then compounded by lower than expected performance on the new terminals that had been introduced in Lottery, and a lower than expected level of transactions in Government Services. In Period 7 we also had a shortfall in Financial Services income but this was immediately addressed and recovered. As a result of these factors, YTD Period 9 (P9) net revenue stood at £650m which was £28m below budget and £26m below previous year.
- 4.2. These trading challenges have been a continual focus for the Trading Board. The attention of the teams has needed to go beyond managing the delivery of the FY13/14 planned activity and consider fundamental corrective actions and mitigation plans. The teams have been managing income across the portfolio, looking for every opportunity to address the deficits and risks within the plan.
- 4.3. The details of the recovery plan have been provided previously to the Board. Through this recovery plan, the teams have addressed a number of the underlying issues. Our latest forecast suggests that the actions implemented to date, while not fully addressing the shortfall, will allow us to exit the year with a deficit of ~£20m and create good momentum into 2014/15.

5. FY 14/15 – delivering the target

- 5.1. In developing the FY14/15 Budget, it was clear that while there had been no structural change in the Personal Financial Services market that challenges Post Office's ability to accelerate growth, our Commercial market expectations had changed:
- In the Mails market, the introduction of the 'shoebox', combined with advertising and promotional pricing activity had recovered some of this shortfall but there remained a gap against our originally targeted run rate.
 - In Government Services, we had seen a decline in Government Services transaction levels and a delay in the introduction of identity services. This continues the declining trend for our income in this market and raised

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concerns about the achievability of our original targets.

- In Telephony we had issues with the migration of our Telephony services to a new provider and while these have been successfully addressed, we needed to have confidence this would not undermine our long term potential in this market.
- In Home Services, the launch of our planned mobile service offer has been delayed.

5.2. In this context, the Commercial team has conducted an assessment of its performance. In the case of Mails this includes an assessment of the wider parcels market.

5.3. Having consolidated all the latest thinking from the Commercial Team, Financial Services team and Network Sales, the key message is that the 2014/15 net revenue target of £925m appears challenging but achievable.

6. Next Steps

6.1. Over the next 3 months Commercial, Network and Financial Services will be working towards:

- Delivering the remainder of the revenue recovery plan for 2013/14 to ensure that the exit run rate is sufficient to achieve 2014/15 revenue targets.
- Finalising revenue and cost budgets to ensure that investment funds are available to deliver the 2014/15 revenue targets.
- Working on existing and new opportunities to mitigate the risks to 2014/15 revenue whilst also testing the underlying assumptions to identify any further risks.

7. Recommendations

The Board is asked to:

- 7.1. Note the impact of market changes and recovery actions on 2013/14 net revenue.
- 7.2. Note progress in arriving at a revenue target for 2014/15 which maintains the integrity of the strategic plan.

Martin George
Commercial Director
15 January 2014

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POST OFFICE LTD BOARD

Update on Subpostmaster Engagement Metrics

1. Purpose

The purpose of this paper is to:

- 1.1 update the Board on the creation of a metric for subpostmasters levels of engagement in their “franchise” relationship with the Post Office;
- 1.2 outline the headlines from the survey;
- 1.3 highlight work that is already in progress to increase subpostmaster engagement;
- 1.4 and sign off the metric to be used in the business scorecard.

2. Background

- 2.1 Creating a different culture that is more aligned to a mutual organisation will require a shift in the behaviours and mindset of everyone who works for and with the Post Office. We need high levels of engagement to deliver on our transformation, our long term strategy and to meet customer needs.
- 2.2 The Burns Report identified that we need to listen to and involve stakeholders in new and different ways to create this change. Whilst we need to create the same levels of commitment to our brand and to the service we deliver, we also need to recognise that the contractual relationship which we have with our employees and our subpostmasters is different. The historic relationship with subpostmasters means that many still do feel and act like employees, this itself providing complexity to the challenge being addressed.
- 2.3 The June 2013 Board Paper ‘*Mutualisation Next Steps – Paper 1 - New ways of working: employees, subpostmasters and their representatives*’ outlined a number of actions including specific actions around how we engage with subpostmasters.
- 2.4 The Network Transformation Programme adds further complexity, especially with the change in strategy from voluntary take up. To deliver our business objectives, we will need to increase our focus on bringing people with us to deliver the vision.

3. Creating an appropriate metric

- 3.1 In setting the scorecard measures for 2013-14, it was agreed that we would broaden the engagement measure for 2014-15 to include subpostmasters, and in doing so, we would create a baseline during this financial year.
- 3.2 ExCo agreed to introduce a survey for subpostmasters - with a two-fold purpose. Firstly, it provides subpostmasters with another mechanism to voice their opinions – acting as an engagement mechanism in its own right and providing real insight and solid quantitative and qualitative data to identify priority areas.

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Secondly, to establish a baseline measure of current levels of engagement in subpostmasters' relationship with the Post Office that can be used to track progress.

- 3.3 The first subpostmaster survey took place in October 2013. The results have been shared with ExCo and key business stakeholders and will inform the engagement and communications strategy and other action plans going forward.

4. Development of the survey

- 4.1 The principles for developing the question set were to:
- only survey on areas where we were prepared to respond to the findings;
 - be able to sensibly segment data;
 - be able to create an index allowing us to baseline in 2013 and then monitor progress;
 - gather both quantitative and qualitative data.
- 4.2 The purpose of the index that has been created is to measure levels of engagement in the 'franchise' relationship that subpostmasters have with the Post Office. This is not the same measure as that used in traditional models of employee engagement, although some of the topics covered are broadly similar.
- 4.3 The index includes questions covering some of the key constructs of engagement including advocacy, satisfaction and intent to stay.
- 4.4 The survey was designed and run in conjunction with Ipsos MORI, external research specialists. They were also able to validate the statistical robustness of the index.

5. Survey Headlines

- 5.1 Overall 2,979 completed questionnaires were received from independent subpostmasters in the period 30 September – 18 October 2013.
- 5.2 The headline results are:
- Subpostmasters see the Post Office as important for the future growth of their wider business (85% positive), advocate its products and services (76% positive) and support the move to offering more financial services (72% positive).
 - Network Business Support Centre is seen as effective (83% positive).
 - The majority report receiving the right tools and information to run their branch effectively (59% positive).
 - There are mixed views around overall satisfaction with support that is available (40% positive).

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- Half (48%) intend to continue running their Post Office branch in 5 years' time, with a third (34%) recommending the running of a Post Office service to prospective subpostmasters.
- Low scoring areas include the Post Office's understanding of what their business needs to be successful (20% positive), understanding the Post Office's future strategy (26% positive), and understanding the reasons behind Post Office's decisions that affect their business (27% positive).
- Subpostmaster engagement level index measured at 45%¹. See Appendix 1 for full details of the questions and scores that comprise this index measuring the level of engagement in the 'franchise' relationship.
- The impact of having been through the Transformation process is significant, with those post-NT having much more positive results. Key differences are shown in table 1 below:

	Overall	Branches who have been through NT	Difference (NT branches vs. overall)
Post Office helps you identify priorities to grow your business	40%	57%	+17%
Confident in long term growth potential of their business	21%	35%	+14%
Satisfied with the support you receive from the Post Office	40%	53%	+13%
Intend to continue running a business with Post Office in 5 years' time	48%	59%	+11%
Would recommend operating a Post Office service to a prospective sub-postmaster	34%	44%	+10%
Confident in the quality of Post Office products and services	59%	68%	+9%
Communication you receive from the Post Office is of relevance to you	57%	65%	+8%

Table 1: Difference in positive % results overall v branches through NT

- 5.3 Clearly the data cannot prove cause and effect, but it is encouraging to see such positive results for those who have been through the Network Transformation programme. Further detail is split out by Mains and Locals, and will enable us to more carefully segment and target activity.
- 5.4 Key driver analysis reveals that communications has the highest impact on engagement for subpostmasters (see Figure 1 overleaf, and Appendix 2 for further details), followed by customer offering and finally, the resources and support provided. These areas, therefore, should be targeted to improve overall levels of engagement for subpostmasters.

¹ Note that there is no benchmark data available as this measure is unique to Post Office

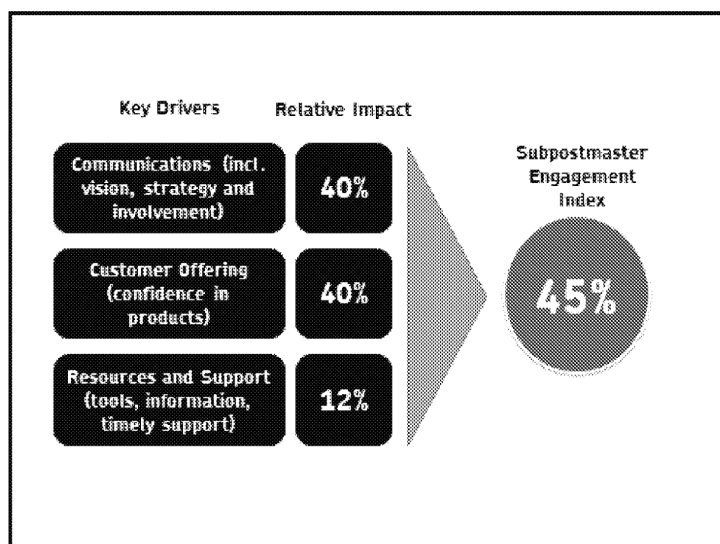
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Figure 1 – Key Driver Analysis of subpostmaster engagement

6. What is currently happening that will impact subpostmaster engagement

- 6.1 The Network Transformation Programme has already put in place a strengthened communications plan to address the need for subpostmasters to understand and buy into our strategy. Key activity to specifically address understanding the strategy have been, for example, 53 Network Transformation workshops – held in the evening to increase the opportunity to attend. Further regional events are planned from April 2014.
- 6.2 We have been working on increasing opportunities for subpostmasters to be involved by developing branch user forums, as well as promoting the use of on-line tools to increase collaboration and the sharing of information and knowledge. This also provides an opportunity to communicate in a different way – especially with social media. Subspaceonline is being updated and SubspaceNews as an email publication will increase the scope for interaction. We have an ongoing programme to improve digital communications across the whole Network.
- 6.3 We have also looked at how we can better connect internally to ensure that the messaging across Post Office is co-ordinated and we can reduce the “noise” and traffic. The Communications Operating Board is now in place, and will provide a forum to ensure that we focus on communicating the right things at the right time.
- 6.4 More face to face engagement and involvement is a key principle of the engagement agenda across the business – and we plan to trial, for example, a form of “super-briefers” in the Agency Network, as well as piloting the round-table approach. Both of these approaches have been successfully deployed in the Crown Network, but as they are resource intensive, we will pilot these approaches and then decide if they should form a part of the overall strategy. A visibility programme of regular visits to branches by Exco launched in November 2013 with the intention of extending to SLT during 2014/15.

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- 6.5 Other engagement tools that are in the overall strategy also provide opportunities for involvement. The Post Office Advisory council started its' search for members this month – and ExCo are optimistic that interest from subpostmasters to join will be significant.
- 6.6 In terms of addressing subpostmasters' confidence in our products and in Financial Services as a key strategic pillar, this needs to be addressed both through the communications strategy and through the support and training that we provide to enable the confident selling of products. Targeted product and sales training takes place regularly over the year – and this will be reviewed in light of the survey data.
- 6.7 The overall level of support provided by the business is the last of the three key drivers – with a lower impact than the previous two. We have been working on developing Network Support Structure, as part of the Business Improvement Programme. The focus of this work is to look at the structural design for network and admin support function touch points – to create fit-for-purpose support across the whole network.
- 6.8 The survey is a rich source of data, but we also have other sources of insight that will inform our plans. The Network Transformation Programme and Business Improvement Programmes work directly with subpostmasters and provide direct feedback on a continuous basis. We conduct regular focus groups with subpostmasters from a communications perspective and a core focus of the Branch User Forums will be engagement and communications. And as we start to work with new retail partners, we are gaining different views into what support is required across the network, and ways in which we can deliver it.

7. Conclusion and Next Steps

- 7.1 There are a number of actions that will help us to gain a greater understanding of agent engagement across the network, using this data as a starting point:
 - We will engage with the NSFP to discuss the results and to get underneath the data in the same way that we would with our employee data to help shape future plans.
 - We will develop and run a qualitative and quantitative version geared towards the engagement in the Multiple Partner relationship in Q1 2014/15.
 - We will run a pulse survey during Q2/3 of 2014/15 and a full survey at the end of the year – alongside the employee engagement survey.
 - We are in the process of mapping engagement data to customer experience research to explore the engagement value chain, where we have data that will allow us to do so.
 - The analysis and understanding of drivers will be used to shape and prioritise plans and work that is already underway – to ensure that we are focusing and prioritising the right things.
 - The overall metric will also be used as a KPI on specific programmes, such as the Business Improvement Programme.

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- 7.2 We are confident that this metric will enable us to measure the right things, providing useful insight into where we need to focus our efforts, and enabling us to measure how successful our interventions have been. It will be included in the scorecard setting discussions and the overall target will be brought to the Board as part of the scorecard agreement process.

8. Recommendations

The Board is asked to:

- 8.1 Note the survey results and the work underway to increase subpostmaster engagement.
- 8.2 Agree the metric of subpostmaster engagement as a suitable measure for inclusion in the scorecard for 2014/15.

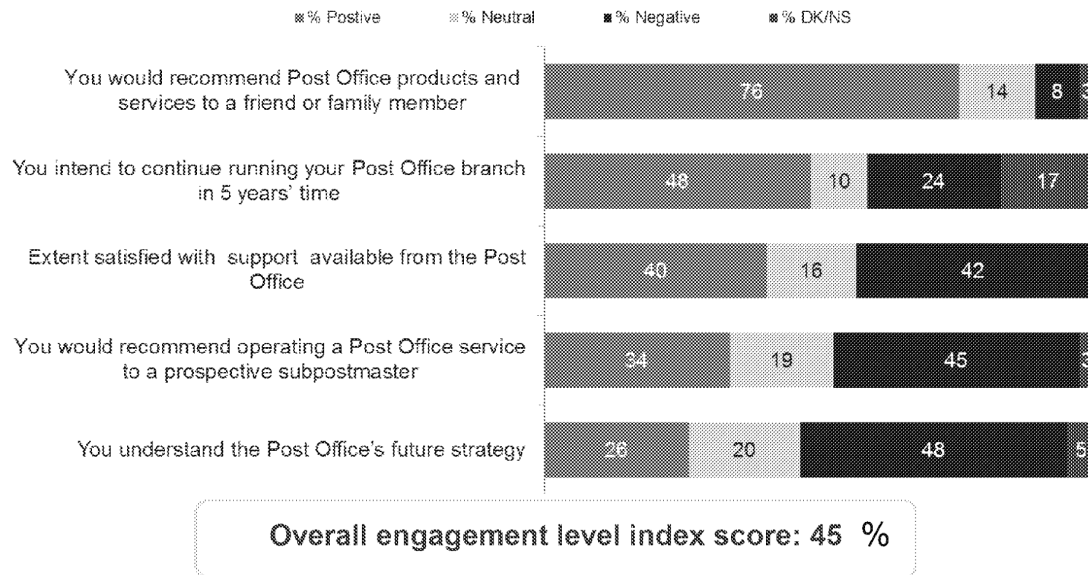
Fay Healey & Mark Davies
13 January 2014

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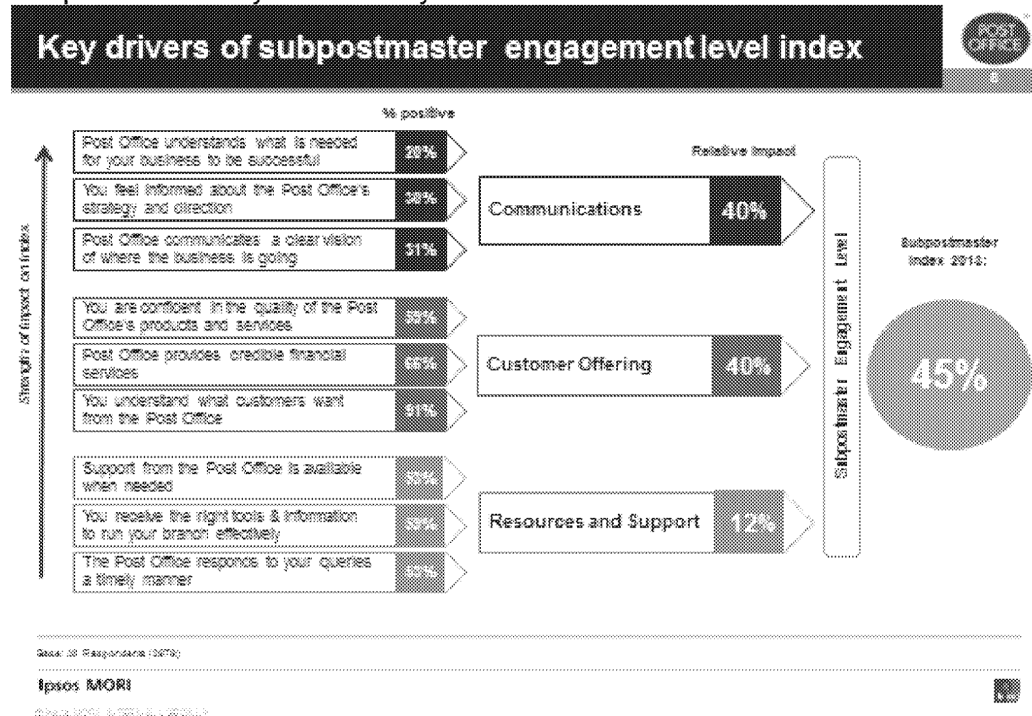
Appendices

Appendix 1 Subpostmaster engagement level index

Fig 1.1. The questions comprising the engagement level index and associated survey scores



Appendix 2 Subpostmaster Key Driver Analysis



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POST OFFICE LTD BOARD
Chief Executive's Report**1. Network Transformation (NT) Programme and Network Expansion**

- Following the re-launch of the NT programme in late November, we have held 36 evening workshops across the country to explain the new approach to agents and answer their questions. A Post Office senior manager and a member of the NFSP Executive Council have shared the platform at each event, with the NFSP showing strong support and adding considerable credibility to the sometimes difficult messages conveyed. Over 550 potential locals have attended the events to date, and the helpdesk (which is providing additional advice) has taken over 4,500 calls. A further 21 workshops are taking place in January. To date, 4,500 agents have completed their retail surveys – over half of the applicable population. This is in line with the volume we expected at this stage, but with the deadline of the end of January approaching we are now sending targeted reminders to encourage the remaining agents to complete the survey (and thereby qualify for their £2k incentive payment). Of the responses received so far, around a quarter have indicated that they want to convert, 45% have asked to leave and the remainder have not expressed a preference at this stage. This mix is in line with our expectations.
- The programme remains on track to meet the original year-end target of 3,000 contracts signed, rather than the lower targets expected as a result of the new strategy. There were 2,458 contracts signed as at 10 January, against the target of 2,420, and we have more than 300 contracts in train with the multiples. There were 1,475 new model branches open on 10 January, so the internal target of 1,950 by year-end remains challenging but achievable. Branch openings booked for January and February are in line with the required beat rate of the mid-30s per week.
- Detailed planning is underway to deliver the commitments we made in our strategy to expand the network with new access points. This has started with an assessment of the commercial priorities for expansion from the perspective of each product team, to ensure we are generating new income rather than just cannibalising it from existing branches. In parallel we have held positive initial discussions with a number of potential commercial partners, including TfL, Network Rail and some large multiple retailers. A separate ExCo sub-group has been set up to oversee both the design and implementation process, and we will keep the Board updated as our proposals develop.

2. Crown Transformation Programme (CTP)

- We remain on track to transform 117 Crown branches by the end of this financial year, with 46 completed to date. Over 450 members of staff have attended our two-day training events so far, which focus on the new ways of working in the transformed branches and how to give the best service for customers. Feedback from attendees has been very positive, with satisfaction levels at 95%.
- 26 proposed franchise branches entered public consultation prior to Christmas 2013, with 20 of these consultations now completed. Decisions on 16 of these branches have been announced to staff and the public, with WH Smith the retail partner for 14 of them. The remaining decisions are due to be announced by early February. We have been working

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closely with Consumer Futures to address the questions they have raised regarding each franchise. The re-advertising of 32 of the proposed branches has generated around 150 fresh expressions of interest, and engagement with these prospective partners is now underway.

- An update on the position with the CWU will be provided as part of the separate agenda item on industrial relations, and the latest financial forecasts for the Crown network will be covered as part of the Performance Report.

3. Digital and multi-channel programme

- The Christmas trading success of those retailers with a strong multichannel service highlighted the need for us to press on with our own plans for building our digital capabilities. The new mobile optimised version of our website went live on 10 December, and has received 875,000 unique visitors to date. Alongside the release of the first iteration of the new Common Digital Platform in April, we are developing a 'My Account' capability to act as the key customer interaction tool across all channels. This is a critical enabler to us becoming a multichannel retailer in the eyes of our customers, ensuring they feel that they are interacting with a single organisation that has targeted insights into what they want. Initially the tool will be used for accessing our online mails services, but over the next 12-18 months will be extended to provide a single log-in for our full range of new and existing account-based products, and will also be integrated with our IDA solution for government services.
- During February and March we will be launching a number of customer facing multi-channel initiatives in 6-12 branches, including Wi-Fi access, online appointment booking (initially for AEI services) and digital queue booking which provides customers with a virtual ticket with waiting time updates texted to their mobile phone. Handheld devices will be deployed in the trail branches to help provide these services, and we will also be trialling queue sensing cameras to provide managers with real time data to help them allocate resources more effectively and to support the virtual ticketing service.

4. Mails

- An assessment of trading performance in mails (and the other product pillars set out below) is provided in the separate Board paper.
- The Drop & Go service has continued to perform strongly, with over 18,000 sign-ups to date (compared with our original full year target of 12,000). The service has generated £1.65m of income over the year to date (28% above target), and is expected to grow substantially in future years supported by a number of initiatives that we currently have in train. These include additional support for branches to help them attract local businesses, advertising through a Post Office hub on the Ebay website (which has already received over 60,000 unique visitors), and targeted offers and promotions for Drop & Go customers which, in time, will be extended to a wider range of business-related products and services. An online account management tool will also be launched by the summer.
- Some teething problems have been encountered with our first Click & Collect client (Lovehoney) due to individual branches being unfamiliar with the correct procedure for processing the parcels (for example in some cases the items have been incorrectly sent

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back to the mails centre). The product and network teams are working together to deploy an urgent action plan to iron out these issues and ensure all branches understand the correct procedures. In parallel, we are also working with Royal Mail to agree 'go live' dates for Amazon, eBay, ASOS and other large potential clients, the timetable for which is larger dictated by their own development windows.

5. Financial Services (FS)

- The external profile of the Post Office as a significant challenger bank has continued to grow over the past month. On 13 January we announced that we are extending our current account pilot to a further 81 branches in the East Midlands and East of England, bringing the total to 110 branches. And on 8 January we announced that we will be joining the Help to Buy scheme and increasing the number of branch Mortgage Specialists to 100, to deal with the increasing demand for face-to-face consultations. Both announcements were welcomed positively by the media, and followed the news on 6 January that we had been awarded Best Overall Mortgage Provider, Best Fixed Rate Mortgage Provider and Best Cash ISA in the MoneyNet Personal Finance Awards 2014. Building on this momentum, we will be launching a new marketing campaign from 20 January with TV, press and digital advertising for our mortgages, savings products, home insurance and over 50s life insurance.
- A separate noting paper is provided on our Premium Bonds service, which we may have to terminate in the absence of a new funding arrangement with government. An update on the latest position in relation to the VOA's proposed rating of ATMs will be provided at the Board meeting.

6. Government services

- We are continuing to engage with DWP on the future of POCA, both directly and via BIS, with no definitive decision reached at this stage. There is clearly a strong desire from some in the department to preserve their future financial flexibility by not signing up to more than a one or two-year extension at this stage. Our next meeting with DWP officials is scheduled for 16 January, and so we will provide an oral update on the latest position at the Board meeting.
- In the Autumn Statement on 5 December the Chancellor announced that physical car tax discs would no longer be needed from October 2014. While we always envisaged this change over a longer time horizon, this announcement was unexpected (by both us and BIS). This presents us with significant income risks, particularly as DVLA also intend to introduce a Direct Debit option from the same date. We are therefore currently reviewing the provisions in the contract that allow us to renegotiate our prices and service levels in the event of a significant change in government policy, in order to seek to mitigate these impacts.

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7. HomePhone and Broadband

- Call Centre performance has been stable since the beginning of December with 77% of calls during the month answered within 20 seconds against an SLA target of 80%. The average speed of answer was 48 seconds. Performance into January has been even more encouraging with daily performance consistently above 80% in all lines of business including technical support. We are closely monitoring technical support as we have seen a 20% increase in HomePhone faults due to the adverse weather, but to date these have not negatively impacted call answering metrics. The level of new complaints continues to decline across all channels, but is still higher than we would like. The backlog of complaints is close to business as usual levels and complaints are being dealt with within agreed timescales. Our focus is therefore now shifting back to pushing up sales, with specific activity to re-engage the branch network in promoting the product.

8. Energy

- We have completed a re-evaluation of the full range of options for entering the energy market, taking into account developments in both the political and economic environment since our initial appraisal in the summer. This review has concluded that a white-label approach remains the preferred option in terms of offering the best financial returns and an acceptable risk profile. However, further work is required to develop the detailed operational and commercial model before making a final decision and proceeding to the selection of our supplier. The team expect to complete this work over the next four weeks at which point they will report back to the ExCo and then the Board.

9. Project Sparrow

- The mediation scheme closed on 18 November, having received 147 applications. Of those applications:
 - 4 have been rejected by the independent working group as ineligible;
 - 4 have been withdrawn following further discussions with Post Office;
 - 17 are paused as they are the subject of an internal investigation; and
 - 27 full case questionnaires have been submitted for investigation by the Post Office, with 4 of those investigations completed and passed to Second Sight to complete their report.
- The progress of cases through the scheme is likely to be slower than we had initially expected, due in part to the need to refine processes with the independent Chair and Working Group and to learn lessons from early cases. We remain confident that we will have completed the majority of the Post Office investigations in the 2nd quarter of 2014/15, but it is not clear at this stage what proportion of cases will have cleared mediation by this point.
- We are continuing to take steps to maximise the rate at which cases progress through the process, including recruiting and training 22 investigators, quality assuring the reports they write to ensure they are thorough and of a consistently high standard, and working with Second Sight to address capacity issues by relieving them of their responsibilities in

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relation to the administration of the scheme and encouraging them to make their own reports focused and concise. We are keeping the overall progress of the scheme under constant review and timelines will become clearer once the first cases reach mediation, which is expected in March. We are also exploring other options to expedite the resolution of cases and minimise costs, including developing an early settlement policy to identify cases we might settle prior to Second Sight investigation or prior to mediation.

10. Risk management

- At the last Board meeting we presented the ExCo's view of the current top ten risks faced by the company. Since then a number of steps have been taken to strengthen our approach to manage these and other major risks. The terms of reference and membership of the Risk & Compliance Committee (RCC) have been reviewed in order to sharpen the focus on practical, rather than abstract, risk matters. This will include monitoring of the top ten risks, stewardship of the organisation's risk and policy frameworks and the ongoing development of an appropriate risk culture. The committee membership now also expressly includes the CEO, and it is envisaged that formal reports from the committee will be a standing agenda item at future ExCo meetings.
- The Risk & Compliance team has been working with the risk owners to produce a more detailed analysis of each of their main risks, identifying both the key causes and the mitigating controls, which will be reviewed at the January RCC. In addition that meeting will undertake a 'deep dive' into the risks of poor customer outcomes arising through mis-selling of FS products. Meetings have been held with each of the ExCo members to identify "quick wins" which could be used to accelerate the embedding of a culture of risk management. Finally, Internal Audit has been brought into the General Counsel area to promote the ongoing links between the second and third lines of defence.

11. NFSP update

- Following a review that we suspect was prompted by the CWU, the Certification Officer confirmed on 15 January that the NFSP would no longer be recognised as an official trade union, primarily on the basis that it does not (and arguably never did) meet the required legal definition because its members are not classed as workers. Whilst this decision may cause some short-term noise, in practice we do not believe it materially changes the nature of our relationship with the NFSP as we have always regarded them as an independent membership organisation rather than a trade union. They remain the only body we formally recognise for representing operators' interests in pay and other negotiations. Some NFSP members may choose to cease their membership and join the CWU, but we do not expect these numbers to be large. There are currently only around 200 sub-postmasters in the CWU, so it would require a significant influx for them to be able to mount a challenge to the NFSP's unique status as a representative body.
- We are resuming engagement with the NFSP next week on developing the legal agreement to underpin our long-term relationship, with both sides having agreed to pause this work following the special conference last November. As indicated in the NT section above, we have been pleased and reassured by the NFSP's resolute support since the new strategy was announced.

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**POST OFFICE LIMITED BOARD
Status Report**

No.	REFERENCE	ACTION	BY WHOM	STATUS
1. Network Transformation and Crown Offices				
1a	October 2013 POLB 13/100(d)	Consider more radical options post-2015 to drive automation and further reduce the property requirement.	Harry Clarke	The CTP programme, together with the Crowns network team, will review the post-2015 Crowns strategy once detailed planning for FY14/15 is finalised, and report back in Q4. An update will be provided to the February Board.
1b	October 2013 POLB 13/100(e)	Provide an update on the development of the Retail Offer available in Crown branches, including the possibility of introducing a third party offer or renting out the space.	Martin George	Update to the January Board
2. Finance				
2a	July 2013 POLB 13/48(g)	Produce analysis to explain economics of the Crown and agents network models and set up a workshop for those NEDs who would find it helpful.	Chris Day	Crown Complete (October Board). Agents – date tbd.
2b	October 2013 POLB 13/106(b)	Provide a detailed report as part of the financial report tracking the second half of the year with more detail on costs.	CFO	Will be covered in January Performance Update. Work ongoing to produce a suitable tracking report.
2c	October 2013 POLB 13/106(f)	A detailed budget debate to come to the January Board.	CFO	An interim view will be provided at the January Board meeting; this will give as full a picture as possible at this stage in the budget process, to be signed off in March.
2d	November 2013 POLB 13/127(c)	Prepare plan for consideration on Operating Model and Strategic Cost Reduction.	Lesley Sewell	The programme team are in the process of being established, there are high

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				level time lines and plans being developed and the intention is to update the Board with these high level plans in February. The programme will then come back in March to seek approval to proceed to market. Several briefing sessions have taken place with the ExCo sub group and Paula Vennells has also been briefed on progress to date.
2e	November 2013 POLB 13/135(b)	Detailed paper on revenue generation, including performance against plan, and new initiatives.	Martin George/ Nick Kennett/ Kevin Gilliland	January Board
2f	November 2013 POLB 13/135(c)	Include in CFO report revenue position in the current month compared to the previous month and the effect of the changes on the full year forecast.	Chris Day	January Board
3. Strategy				
3a	September 2013 POLB 13/87(e) & October 2013 POLB 13/104(e)	Provide a paper for January Board covering the opportunities in the Energy market.	Martin George	March Board
3b	November 2013 POLB 13/131(c)	Produce a 5 and 7 year plan setting out the transformation, highlighting the milestones and commitments.	Sue Barton	January Board
4. NFSP & Trade Association				
4a	May 2013 POLB 13/33	Present the detail of the subpostmaster engagement satisfaction measure when available.	Kevin Gilliland	January Board
4b	October 2013 POLB 13/98(c)	Ensure that the final legal framework agreement with the NFSP includes specific termination rights.	Sue Barton	End January 2014
5. Information Security				
5a	July 2013 POLB 13/51(g) September 2013 POLB 13/95(b)	Review of Second Sight report to be provided to ARC explaining how we awarded and managed the contract and include an internal 'lessons learned' review for Project Sparrow.	Belinda Crow/Alwen Lyons	To February ARC
5b	September 2013 POLB 13/93(b)	Produce a noting paper to clarify whether any claims on the Business from the Horizon work would be covered by Professional Indemnity or Directors &	CFO/Alasdair Marnoch	Appropriate notification to underwriters has been made.

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		Officers insurance and whether we had alerted our underwriters. Ensure that the appropriate notifications are made.		Work assessing claims is continuing. This is taking longer than expected due to a large number of claims from agents being received on the deadline date and a view of the extent of the claims is now expected by the end of February.
5c	November 2013 POLB 13/126(e)	Consider future approach to prosecutions alongside the improved support processes for sub-postmasters.	Chris Aujard/ Angela V-D-Bogerd	Underway; being led by Hugh Flemington
6. Board Effectiveness				
6a	July 2013 POLB 13/48(i)	Advise Board members of dates of SLT programme and Quarterly Business Updates	Alwen Lyons	SLT programme – TBC. QBU – 2014: March 5 th & 6 th July 23 rd & 24 th September 17 th & 18 th November 19 th & 20 th
7. Risk				
7a	November 2013 POLB 13/128(d)	Provide update of mitigation of risk of delivering poor customer outcomes through FS mis-selling. Consider at FS Sub Committee meeting in January.	Chris Aujard/ Nick Kennett	FS Committee 27 January
7b	November 2013 POLB 13/128(f)	ARC to review the top 6+4 risks at its February meeting. Include in Board agenda for March meeting.	Alasdair Marnoch/ Alwen Lyons	To February ARC and March Board.
8. Mutualisation				
8a	November 2013 POLB 13/133(a)	Public Purpose Statement to be submitted to the January Board.	Mark Davies	To February Board

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POST OFFICE LTD BOARD

Retail Update

1. Purpose

The purpose of this paper is to:

- 1.1. Update the Board on work in progress to review and develop the retail offer available in Crown branches, achieve higher sales and better conversion of sales to margin.

2. Background

- 2.1. The retail offer has undergone a number of changes over the last five years. In 2008, it was recognised that the product range had become disjointed and lacked relevance which had resulted in a cluttered branch experience and high levels of shrinkage. It had also become operationally complex for branch colleagues to manage. Sales revenue in 2008 was £10.6m from a product range which included kettles, toys, books, DVDs etc.
- 2.2. A review of the range was carried out by a then new retail product team in 2008 and resulted in a strong increase in the retail product contribution from (£0.22m) in 2008/09 to £4.5m forecast in 2013/14. This improvement was rooted in a much smaller and more relevant range of core mailing and stationery products which resulted in lower sales revenue and much lower shrinkage.
- 2.3. In 2011 a new contract was signed with the incumbent retail supplier VOW Retail Ltd (VOW) following an extensive supplier selection process. The contract was for a five year term and included an exclusivity agreement and much improved commercial arrangements for Post Office Ltd (POL).
- 2.4. Prior to 2011 there were numerous issues such as poor reporting, high shrinkage and stock loss, along with high risk product ranges such as TVs and DVD players. These issues have been largely addressed under the terms of the new contract through projects like automated stock control which were negotiated and agreed as part of the tender process.

3. Current position

- 3.1. The retail offer has maintained the same approach since 2008 (a core supply of mailing and stationery products). This approach has been integrated with other Crown strategic initiatives and in particular the development of the Crown Transformation Programme (CTP) and the previous Crown Office Refurbishment Programme (CORP). These programmes have both prioritised space within branch to reflect the most profitable product growth areas, in some cases this has led to a reduction in the available retail space.
- 3.2. The exclusivity arrangement in the current contract with VOW means that third parties are not allowed into the retail space, either as a third party offering or as a concession renting out the space. The contract is due to expire on 31st July 2016.

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- 3.3. As CTP progresses, the commercials behind the operating model and customer value will need to be evaluated continually to ensure that the most profitable return per cubic metre continues to be achieved. In particular the branch blueprint needs to deliver a customer experience relevant to the branch location and surrounding demographics and avoid providing a standard off the shelf solution, which may not fully optimise retail sales. This has been recognised through the systems thinking approach which has allowed branch teams a greater influence over the best retail product mix for their location.
- 3.4. The retail channel has experienced strong growth over recent years, especially in 2012/13 with sales of £11.5m primarily driven by a combination of the Olympics and associated collectibles (see Annex 1). This year revenue has been lower due to the absence of a 'big event' such as the Olympics. In addition packaging sales reduced in the first six months of trading as a result of lower parcel volumes caused by Royal Mail's pricing changes in April 2013. However, in the build-up to Christmas a number of new product line trials have been introduced, which have helped to bridge the income gap. The Period 9 end of year forecast for retail for the Crown channel was £9.5m against a budget of £9.5m, and this is expected to grow to £11.5m in 2014/15.

4. Planned activities

4.1. There are currently five key strands of activity underway:

- **Trial of new product lines in the build up to Christmas and beyond.** POL trialled a number of new and additional product lines in the build up to Christmas 2013 and will undertake further trials in 2014. Retail sales from the trials carried out pre-Christmas have been successful, driving incremental sales of £250k. The results of these trials will inform our future approach. Annex 2 shows the product lines which have been trialled to date and those planned for the year ahead.
- **Customer research to inform product lines.** Customer research has been commissioned to understand customer needs from a retail offer in order to ensure that product offerings are aligned to those needs. The local demographics of the branch and the match with POL brand purpose will also be considered. This research will commence in January 2014. As a result of this exercise, there will be amendments or additions to the trials mentioned in the paragraph above. These may involve a combination of new retailing display units and improved targeted product offering as well as factoring in seasonality and key events with associated product lines. This action will be in addition to improving some of the retailing basics such as product clustering, improved point of sale, effective use of technology and revised customer journeys in branch.
- **Review of the implementation of the blueprint to date.** The space planning expertise of retail design agency Edge will be used to undertake an assessment of Crown branches that have been transformed to date as well as reviewing the branch layouts which are due to be transformed between January and March 2014; this will take place in January 2014. The purpose of this exercise is to make sure that the branch implementation aligns to the blueprint, delivers a great customer journey and ensures effective and impactful placement of the retail product offering within each branch.

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- **Identification of immediate enhancements to the current blueprint.** The objective is to continue to improve the current blueprint in order to ensure that POL has a leading retail branch design in place. This will include a review of what is on offer, how and where the retail product range is being displayed, as well as how the blueprint can be most effectively translated into Mains and Local models whilst enhancing the customer journey in branch. These enhancements will be designed and developed ready to trial in March 2014.
- **Development of the Post Office branch of the future.** In order to become a leading retailer on the high street POL needs to develop a retail strategy that reflects its brand purpose and adopts an omni-channel approach. This will build on everything that has been learnt to date and will position POL as a modern and credible retailer that customers and partners will want to do business with. The goal is to deliver a world class retail offering in POL branches and this will be brought to life through building a Crown branch of the future in the first half of 2014.

5. Options considered

- **Option 1** – introduce a third party or rent out space (not recommended). This involves breaking or re-negotiating the terms of the current contract with VOW and would open POL up to significant risk. A longer term strategy is required, which has considered key information such as customer experience, life time values, competitive landscape and ultimately ensuring growing long term income.
- **Option 2** – continue to undertake retail review (recommended). Continue with the retail brand and blueprint review and bring recommendations to ExCo. In the meantime, continue to trial new product lines based upon financial evaluation, customer insight and brand fit.
- **Option 3** – do nothing (not recommended). It is clear that the offer as it currently stands is in need of a review to understand within the wider high street how POL can optimise its share of wallet, particularly as POL rolls out the CTP blueprints at pace.

6. Communications impact

- 6.1. There will be an upfront and on-going need to explain why these changes are happening. Alongside this, there will need to be clear communications about what is expected in branch.
- 6.2. A second part of the communications plan will need to involve listening to colleagues locally so that product offers and branch layout are relevant to their customers and maximise income for each branch.

7. Horizon scan

- 7.1. Over the next 3 months we will review our approach to retail from a strategic perspective. This paper deals primarily with how we will look to increase and enhance the current offer rather than completely re-consider the approach to retail. However, this additional piece of work will look at the current approach of largely outsourcing the retail business; POL currently employs only 3 people

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in its retail team as buying, warehousing, merchandising, distribution, stock control and even the POL retail online shop are all conducted by VOW under the terms of the current contract.

7.2. This review will seek to clarify whether the outsourced model remains the right approach or whether POL could conduct more retail activities in-house for a greater potential return. It will also look again at concessions and the potential for innovative retail partnerships including the approach to wholesale and retail in the agents' branches.

7.3. An update to this work should be provided in June 2014.

8. Recommendations

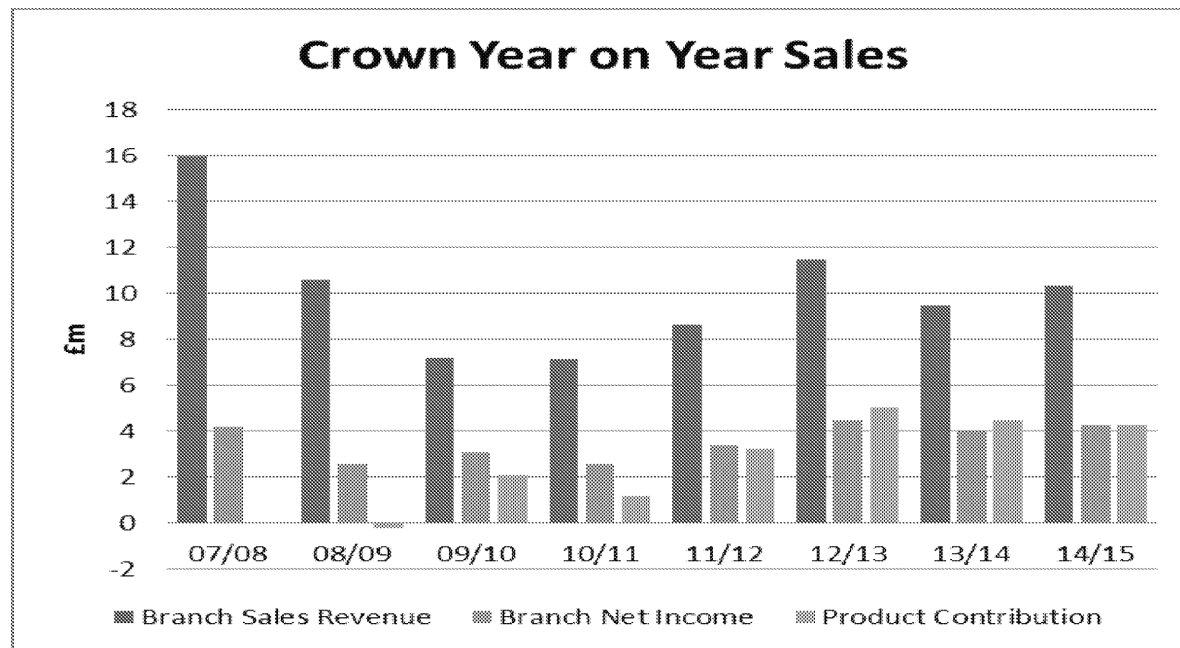
The Board is asked to:

- 8.1. Note the planned activities to develop the retail offer.
- 8.2. Note the plans to review the way in which retail is currently managed by POL.

Martin George
January 2014

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Annex 1: Retail Performance since 2007/08



Product Contribution includes: branch shrinkage, stock write off and supplier contractual payments e.g. annual rebates

£m	07/08	08/09	09/10	10/11	11/12	12/13	13/14 Forecast	14/15 Forecast
Branch Sales Revenue	16	10.6	7.2	7.13	8.65	11.5	9.5	11.5
Branch Net Income	4.18	2.6	3.1	2.6	3.37	4.50	3.96	4.3
Margin %	30%	29%	48%	43%	47%	47%	50%	50%
Shrinkage & Stock Write Off	-4.15	-2.82	-1.03	-1.4	-0.45	-0.45	-0.45	-0.5
Supplier Contract Payments						0.3	0.97*	0.5
Product Contribution	0.03	-0.22	2.07	1.2	3.22	5.02	4.47	4.30

*2013/14 includes £0.8m annual supplier rebate payment from 2012/13 as a result of strong sales performance due to the Olympics and Diamond Jubilee

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Annex 2: Summary of key product trial activities

When	Product Line Trials
Quarters 2/3 – 2013/14	<ul style="list-style-type: none"> • AA driving products including highway code, learning to drive books • Value card range, supported by 3 for £3 promotion
Quarter 3 – 2013/14	<ul style="list-style-type: none"> • Christmas promotions - Disney DVDs, childrens annuals and games, small electrical goods and accessories and seasonal stationery • Collectibles gifting catalogue, including extended range of 110 lines
Quarter 4 – 2013/14	<ul style="list-style-type: none"> • January Clearout Sale • Valentine’s Day – Gift confectionery • Regus Office products – targeting small business customers
Quarters 1/2 – 2014/15	<ul style="list-style-type: none"> • New Ranges, Products and Promotions • ‘Fashion’ branded stationery range trial e.g. Smiggle, Tinc • Trial new collectibles suppliers and products which compliment Royal Mail and Royal Mint product. Exclusive products with Royal Mail • Impulse travel/hygiene products e.g. tissues, hand sanitiser gel • Impulse confectionery lines, potentially merchandised from in-queue management systems • Commercial trade packaging targeting small business e-commerce customers • Seasonal travel products e.g. kids travel activity packs

Confidential**POST OFFICE LTD BOARD MEETING****National Savings and Investments (NS&I) Update****1. Purpose**

- 1.1 The purpose of this paper is to provide an update on the NS&I contract which is due to expire in March 2015.

2 Background

- 2.1 Post Office has a two year agreement from 1st April 2013 to offer NS&I Premium Bonds (PBs) through all branches.
- 2.2 This arrangement, which was funded by BIS, has enabled Post Office to continue to sell PBs in Post Office branches¹. Post Office receives a fixed fee of £7.0 million over two years, based on PB sales value of £2.3 billion.
- 2.3 PBs are an important footfall and revenue driver for agencies with over 10,400 branches having sold a PB in the last year; agencies account for 80 per cent of sales volume.
- 2.4 Mains receive £3 per sale, while other agents receive £2.5 per sale. In 2012/13 the commission income to agents for the sale of PBs amounted to circa £1.7 million. Crowns receive 25 percent of PB income.
- 2.5 In setting the aggregate sales value at £2.3 billion it was noted that the volume could be achieved earlier; consequently termination clauses were incorporated in the contract enabling either party to give three months' notice. This ensures that Post Office is not required to sell PBs for which it would not be paid.
- 2.6 To manage down sales volumes Post Office in conjunction with NS&I have undertaken a number of actions, including:
- From April 2013 all marketing literature was removed from branches, with PB application forms only available on request at a counter.
 - Since May 2013 customers have not been able to purchase PBs with cash. Traditionally cash payments account for less than 5% of sales

3 Position as at mid-December 2013

- 3.1 Despite these efforts weekly sales have remained at around 11,000 and £44 million. As at mid-December, aggregate sales were £1.62 billion, with the parties forecasting that aggregate sales volume will be reached in April/May 2014.
- 3.2 The continued strong growth reflects the attraction of PBs in a low interest rate and higher risk environment, and of the role consumers perceive of PB purchases in Post Office branches.
- 3.3 Based on the current trajectory Post Office will need to serve three months' termination notice by 1st February 2014 to be effective from 1st May 2014.
- 3.4 The Parties have agreed that public announcements would only need to be made one month before termination ie April 2014. This would allow sufficient time to agree internal and external communication messages.
- 3.5 The withdrawal would have no impact on the 2014/15 revenue.

¹ This followed an earlier termination by NS&I of the sale of all products, including PBs through the Post Office (Project Kittyhawk).

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4 Future Options

- 4.1 While the Parties are formulating plans to terminate the service, discussions are also underway with BIS and HM Treasury to ascertain the opportunity to extend the contract. The basis of these discussions are:
- The customer detriment and overall financial exclusion if consumers are only able to purchase PBs on-line or through a contact centre;
 - Financial impact on sub-postmasters (and resulting media interest) should PBs be no longer on sale in Post Office branches.
- 4.2 While there is general interest to support the continuation of the sale of PBs in Post Office branches, there is no agreement on the commercial terms.

5 Conclusion

- 5.1 The current contractual sales plan of £2.3bn is forecast to be achieved in April/May 2014.
- 5.2 Post Office is in discussions with BIS and HM Treasury to establish commercial terms to continue the service past May 2014.
- 5.3 In the event that no commercial agreement can be reached, Post Office will need to serve notice to NS&I by 1st February 2014 and withdrawal selling PB in branches from 1st May 2014. This is likely to lead to considerable sub-postmaster/NSFP and media interest.
- 5.4 The withdrawal would have no budgetary impact in 2014/15.

6 Recommendation

- 6.1 The Board is asked to note this paper.

Nicholas Kennett
Director, Financial Services
January 2014

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POST OFFICE LTD BOARD

Cyber Security

1. Purpose

The purpose of this paper is to:

- 1.1 Update the Board on UK Cyber Security industry initiatives;
- 1.2 update the board on key Information Security and Assurance Group (ISAG) activities;
- 1.3 outline risk reduction activities being implemented at Post Office in Cyber Security

2. Background

- 2.1 In 2011 the Government published a Cyber Security Strategy paper, which set out the government's vision of "a vibrant, resilient and secure cyber space". This initiative was also to provide a National Cyber Security Programme (NCSP) backed by £650 million of funding to 2015, which was extended in December 2013 to 2016 with additional funding of £210 million. This high level of focus and investment provided business with a financial commitment, and positive attention from government to address the increasing threat to UK PLC.
- 2.2 The funding is to build on existing projects and also support new investment, enabling the UK to retain its emerging reputation as a leader in the field of cyber security.
The strategy set out 4 clear objectives:
 - Making the UK one of the most secure places in the world to do business in cyberspace;
 - Making the UK more resilient to cyber-attack and better able to protect our interests in cyberspace;
 - Helping shape an open, vibrant and stable cyberspace that supports open societies; and
 - Building the UK's cyber security knowledge, skills and capability.
- 2.3 The government are currently undertaking a campaign of awareness as part of the above mentioned project; to explain to the UK's top CEO's the importance of ensuring their companies are managing the risk to their information/Data assets, and therefore their business. As part of this initiative the Post Office CEO was briefed by Government Communications Head Quarters (GCHQ)/CESG Communications Security Group(CESG). Post Office had already been undertaking the requirements of Cyber Security under the remit of the Information Security and Assurance Group within the CIO's function and there is a growing understanding and awareness across business of the importance of identifying business assets. Much of this will be information related and how risks are measured, managed and mitigated in an increasingly digital/internet orientated world.

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- 2.4 Post Office Ltd, as a business is unique in the UK; whilst designated 'Retail Sector' its business incorporates a broad range of industries. These businesses include, Telecommunications, Financial and Government Services, each area of bringing not only regulatory compliance issues, but specific and diverse Cyber/Data/Information Security requirements, coupled with shared and specific risks associated with each sector and industry, also a complex supply chain.
- 2.5 The remit of the Information Security and Assurance Group covers:
- Information Security
 - Cyber Security
 - Data Security
 - Data Protection

- Information Assurance

The Board is asked to note that an Information Security Committee (ISC) regularly convenes to discuss business wide progress, issues and incidents, including authorising the closing of incidents or investigating further; this committee is made up of Senior Leadership Team members from across the business. The criteria for attendees are that the individuals must be able to make decisions on behalf of their Directorate. Additionally there is an Information Security Working Group that undertakes the specific tasks recommended by the Committee.

Further to the ISC, ISAG operate a number of Information Security Management Forums (ISMFs) who are considered high risk and value to the business. These forums occur on a regular basis to monitor their security environment in relation to the provision of services they provide to the Post Office.

This paper is the first under the heading of 'Cyber Security' to inform the Board of the current position and the work in progress to mitigate risks.

3. Activities/Current Situation

- 3.1 There are currently eight active cases, no incidents or breaches that are assessed as being of significant risk to Post Office.

3.2 Incident Summary

During the reporting Period 9 (mid December 2013 – mid January 2014), there have been three reported incidents. Two of the identified incidents related to the incorrect administrative controls implemented by the Post Office Network and finally, a failure of technical controls within the Post Office computer user environment.

3.3 Contractual Due Diligence

There is now a process, working with the Company Secretariat to ensure that before contracts are signed with new and renewing suppliers there is a Due Diligence process to ensure the suppliers will comply with Post Office Information Security requirements.

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Work continues with the Sourcing team to tighten up the Information Security requirements of new product and service acquisitions. All future procurements will now include input from technical, data protection and compliance colleagues within ISAG, as required by the project. Standard ISAG requirement questionnaire and a formal gating certificate, have been drafted and are required prior to project sign-off.

3.4 Marketing Due Diligence

A number of activities are currently underway to support Marketing and their supplier network (including Brands Database). These activities include:

- Compilation of a controls framework for assessing the supplier network.
- Leading assurance reviews on a number of third parties considered 'high risk' to the Marketing function.
- Conducting site visits to assess the physical security controls in place across the supplier network.
- Supporting Marketing in future procurement activities on an on-going basis.

3.5 IT Supply Chain Transition to ATOS

Regular meetings are taking place with the ATOS' security team to discuss current and new actions affecting the transition to the Service Integrator including:

- Ensuring discontinued services are closed down in accordance with the contract exit clauses.
- That data is returned securely and destroyed in accordance with Post Office requirements.
- Reviewing services to ensure that Post Office certifications to information security standards are included and verified as contractual obligations.
- Business Continuity requirements are being challenged and will be assured through site audits.
- Requirements and Controls are being assessed around data exports to non-European locations, site visits will be undertaken.

The IT Supply Chain programme, and all other programmes in Post Office are now following Post Office Information Security requirements in a consistent format.

3.6 Risks

Risk and Compliance Tool

A review is underway to select a suitable risk and compliance tool that can be used to assess risk across the business, in support of Post Office Information Security certification.

Reporting Risk

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All Information Security and Assurance unmitigated risks are logged locally and escalated to the Risk and Compliance Committee, based on the overall risk to Post Office.

Assessing the Cyber Security Threat Landscape

Contact is maintained with a number of external authorities to maintain knowledge of known and emerging threats. These include but are not limited to:

- CPNI – Centre for the Protection of the National Infrastructure
- CESG – Communications and Electronic Security Group
- BCS Forensic Forum for Cyber Security – British Computer Society
- National Archives

3.7 Training and Awareness

A training and awareness communications plan has been defined, agreed and formally issued (this includes Data Protection) and roll-out activities have commenced for 2014. Key activities include:

- April 2014 - Combined e-learning module on Information Security and Data Protection for all central support staff.
- July 2014 - Combined training module on Information Security and Data Protection for all branch staff.

This is an essential element of Information Security and its subsets of Cyber Security, Data Security and Information Assurance. It is essential that the risks from internal colleagues are mitigated as well as those from any external threat or risk. ISAG will engage with HR to ensure that policies and training are joined up at a corporate level and are reflected appropriately across all Directorates within Post Office.

4. Recommendations

This paper is the first to inform the Board on Cyber Security. In the future I will report on Cyber Security, Information Security and Assurance and Data Security under the single heading of Cyber Security and Information Assurance. This will ensure there is one coherent Information Security risk position for Information across Post Office.

5. Request

The Board is asked to note the update and actions set out above;

Lesley Sewell
Chief Information Officer
15 January 2014

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JANUARY 2014

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

FILE NAME	CASE HOLDER	BUSINESS UNIT & CONTACT	DESCRIPTION	STATUS	XSP
Horizon claims (aka Project Sparrow)	POL/HF/RW	Belinda Crowe / Angela van den Bogerd	<p>This will also be addressed as part of the CEO's report.</p> <p>POL has received various claims from subpostmasters (SPMs) alleging defects in the Horizon system and POL's internal processes.</p> <p>These allegations were initially made in 5 claims brought through solicitors Shoosmiths. Similar allegations have been made through:</p> <ul style="list-style-type: none"> - SPMs' MPs; - the "Justice for Subpostmasters Alliance" (JFSA); - defences to court proceedings brought by POL to recover debts from SPMs; and - direct contact with POL. <p>Following discussions with James Arbuthnot MP and JFSA, in July 2012 independent investigator Second Sight Support Services Ltd (Second Sight) was appointed to carry out a review into these allegations.</p>	<p>Following the Second Sight Report, on 27.08.13 POL launched a mediation scheme (Scheme) aimed at resolving individual complaints made about Horizon. POL has also been developing and implementing a business improvement program to improve the way POL supports SPMs run their branches.</p> <p>The Scheme received 147 applications before applications closed on 18.11.13. The applications are now being progressed through the Scheme under the direction of a Working Group chaired by retired Court of Appeal Judge Sir Anthony Hooper, and comprising representatives from POL, Second Sight, and JFSA.</p> <p>To ensure POL continues to comply with the evidential, public interest, and disclosure standards required for prosecutions, POL has also completed a review of criminal prosecutions brought against SPMs which used Horizon data.</p>	Bond Dickinson

Significant Litigation Report

Chris Aujard
15 January 2014

Page 1 of 4

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			<p>On 08.07.13, Second Sight published a Report finding shortcomings in POL's internal training and support to SPMs on the Horizon system, but no systemic problems with Horizon itself.</p>	<p>To date, no claim has been made against POL in the civil courts, and no appeal has been made against any conviction in the criminal courts, following Second Sight's Report.</p> <p>POL is not currently issuing any new criminal summons, although it did continue those cases already underway before Second Sight's Report was published. There are currently only 5 live criminal cases before the courts (of which 3 concern post-conviction financial recovery only).</p> <p>It is anticipated that POL's approach to criminal prosecutions will be discussed at the February 2014 Board Meeting.</p>	
Employment	POL/HF/R W	Colin Stretch	<p>Six claims against POL are currently proceeding before the Employment Tribunals, one of which (for Race Discrimination) is currently awaiting judgment.</p> <p>Claims allege constructive dismissal, unfair dismissal for conduct, unfair dismissal for disability, victimisation, and race discrimination.</p> <p>Potential financial exposure to POL on four claims is c.£156,000, with two</p>	<p>Significant claims continue to be monitored (both internally and with external counsel) and risk assessed as they progress.</p> <p>POL's Communications team is engaged where the claim has the potential to be of interest to the media.</p>	Weightmans

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			cases yet to be valued. Claims could require policy changes if upheld (e.g. with respect to race or disability discrimination).		
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PART (B) – PRINCIPAL CRIMINAL CASES BROUGHT BY POST OFFICE LIMITED

DESCRIPTION	STATUS
Sub postmaster accused of theft of £78,660.63.	<p>Defendant pleaded guilty on 05/02/13 and was sentenced to 2 years' imprisonment.</p> <p>On 12/07/13 a Confiscation Order was made in the sum of £59,500. The Defendant had 6 months to pay that sum or receive a further 19 months' imprisonment. Payment was not made within that time, and the matter is now with the Court's Confiscation Unit to progress.</p>
Subpostmaster accused of two offences of theft of £175,260 and £9,999.43, and two offences of false accounting regarding the same sums.	<p>On 11/10/13 the Defendant was convicted of theft of £175k and sentenced to 2 years' imprisonment. As a consequence of this conviction, no evidence was offered with respect to the theft or false accounting of the £10k.</p> <p>Confiscation proceedings have been initiated by POL and are proceeding to a timetable set by the Crown Court. The next hearing of this matter will be on 04/04/2014.</p>
Subpostmaster accused of fraud of £115,172.11.	<p>Defendant pleaded guilty and on 03/05/13 was sentenced to 16 months' imprisonment.</p> <p>POL has recovered £61,000 to date, and is looking to deal with the outstanding sum under a Consent Order. POL may withdraw its Confiscation proceedings if a Consent Order can be agreed.</p>

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POST OFFICE LTD BOARD

Health & Safety Report

1. Purpose

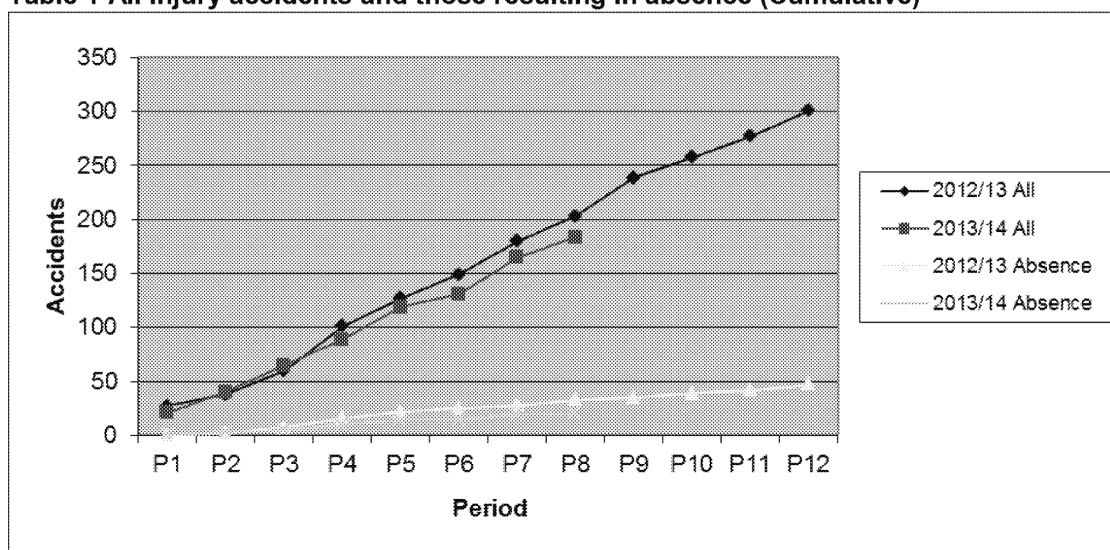
The purpose of this paper is to:

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

2. Current Situation

2.1 Injury accidents, up to period 8, are showing a favourable trend against last year, and against the target reduction of 5%. Accidents involving absence have decreased from 33 to 20 compared to the same period last year. The “per 1000 staff in post” comparison indicator, which takes account of head count fluctuation year on year, is showing a favourable trend for both ‘all accidents’ and ‘absence’ accidents. (Table 1)

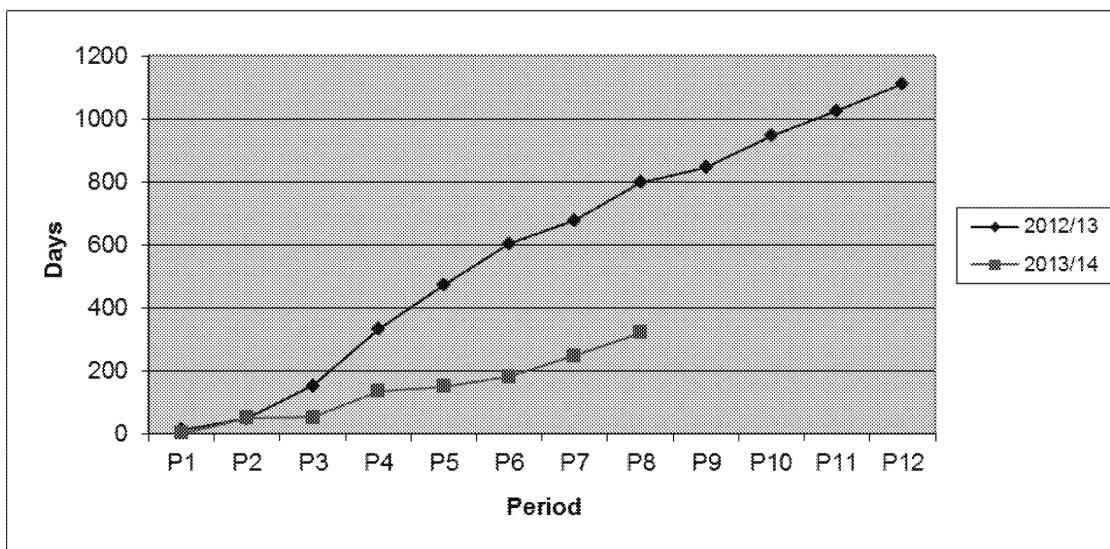
Table 1 All Injury accidents and those resulting in absence (Cumulative)



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

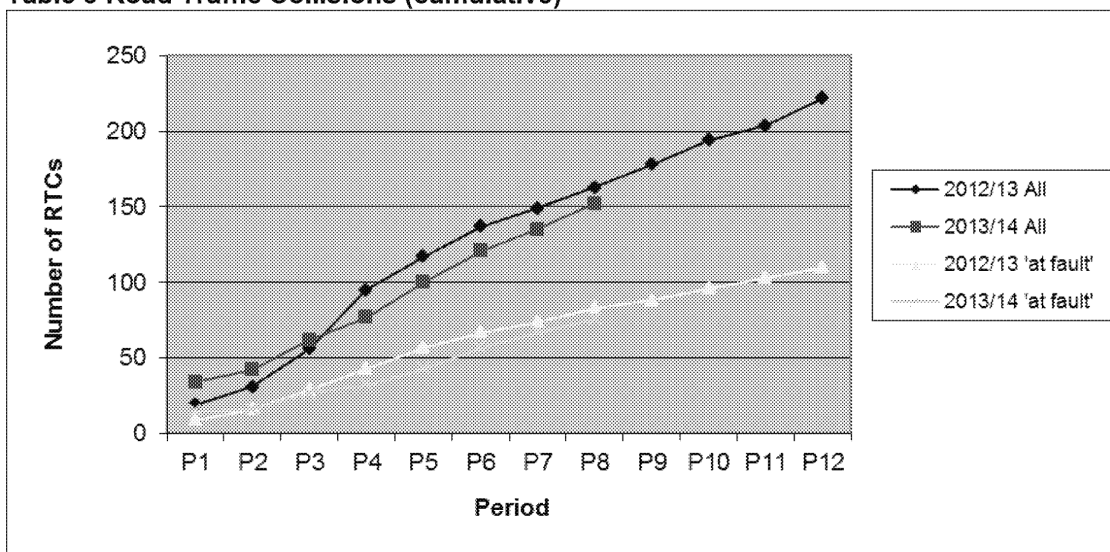
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Table 2 Days lost resulting from injury accidents (Cumulative)



2.3 The total number of road traffic collisions (RTCs) up to and including period 8 is down 6.7% on last year. The number of incidents where the Post Office driver is 'at fault' is 8.4% down against the same year to date period as last year. (Table 3) Road risk reduction opportunities continue to be the subject of analysis at the Road Risk Forum with a view to identifying improvement activities in addition to those already in place. (3.1 below) Reversing incidents are currently becoming a cause for concern and will be the subject of additional attention. Injuries as a result of road traffic collisions are infrequent. Road traffic collisions account for less than 3% of the overall number of injury accidents, however they have the potential for high impact in terms of injury and loss.

Table 3 Road Traffic Collisions (cumulative)



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- 2.4 The majority of accidents currently fall into three main categories: lifting and handling, stepping and striking and outdoor falls. These are high frequency events with, in the majority, relatively low severity. The lower frequency types of incident can carry the potential for very high impact, for example, assaults and road traffic collisions. .
- 2.5 Robberies on Post Office Cash and Valuables in Transit (CVIT) crews are down from 37 to 27 cumulative for the past 8 months. Physical injuries during robberies, of which there have been 6, a reduction of 5 on last year, remain relatively minor in severity. Five of the 27 robberies were enabled by the presence and/or threat of use of fire arms however on no occasions were the firearms discharged. Risk reduction activities are identified at 3.2. (Appendix 1 – Significant Incidents refers)
- 2.6 Robberies and attempted robberies on the Post Office network, cumulative to period 8, are lower than last year – 62 compared to 73 – 29 of the 62 were successful. Injuries sustained during robberies are down from 21 to 11. Robberies take place predominantly at sub post offices. Supporting activities have been introduced to continue to mitigate this risk and are identified at 3.2. (Appendix 1 – Significant Incidents refers).

Burglaries and attempted burglaries (which do not involve personal attack) have increased from 57 to 58 compared to the same 8 month period last year – 15 of the 58 incidents were successful..

3. Activities

3.1 Road Risk

Current activities to mitigate road risk are:

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

3.2 Robbery/Burglary Risk

Current activities to mitigate robbery and burglary risk are:

- Active liaison activities with the police and increased police support activity
- Liaison with Met. Police on the increase in gun enabled robberies
- Introduction of new deterrent technologies e.g. Smartwater – a solution that contains a unique identifier that is released automatically in the event of a robbery, spraying those involved and enabling identification of the individuals involved in the robberies

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- Significant reduction in opportunities for duress type robberies linked to the introduction of single person vehicles
- Increased security support visits to Post Offices in 'hotspot' areas
- 'Darker nights' security awareness campaign
- Increased use of crime alert communication techniques to Post Offices
- Trialling new point of transfer arrangements to reduce exposure
- Increased use of surveillance vehicles
- A three month 'Crime stopper' campaign in the West Midlands has commenced, aimed at reducing cash in transit robberies

3.3 Health and Wellbeing

Current activities to enhance wellbeing

- Programme of visits to all Post Office sites to offer and encourage the use of health check equipment that provides a wide range of indicators on physical wellbeing
- Plans in place to re-visit all Post Office Crown Branches and Supply Chain sites within 18 months
- Health and wellbeing 'Team Talk' modules
- Health and wellbeing poster themed campaigns
- Online wellbeing monitoring tool to support health check initiative
- Enhanced Occupational health service provision from January 2013

3.4 Safety

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

4. Residual Risks

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

5. Recommendation

The Post Office Ltd Board is asked to:

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

Fay Healey
January 2014

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Appendix 1

Significant Incidents (Period 8)				
Crowns and Network				
Location	Loss	Circumstances	Physical Injuries	Any further details
GRO	£0.9k	Wednesday, 20/11/2013, 14:30. A male of nervous disposition entered the Post Office and shouted "give me the money" staff thought he was joking. The male informed staff he had a gun, the males hand was in his pocket. He informed the staff not to press the alarm. A box was placed on the parcel hatch; the staff pressed the panic alarm which sounded. The male grabbed the cash from the box and fled on a pushbike dropping some of the cash.	None	
GRO	£8k	Tuesday 05/11/2013, 16:10, 2 males on a motorbike armed with a handgun and axe demanded cash. No injuries PO working cash given and they fled on the motorbike.	None	
GRO	£10k	Wednesday 06/11/2013, 06:45, 2 males removed rear brickwork and waited for the clerk to open up. Clerk was attacked but didn't attend hospital.	Bruising to ribs, face and black eye.	
GRO	£2k	Wednesday 06/11/2013, 14:30, Male walked behind the shop counter, the SPMR opened the secure door to see what was going on and a masked male was outside armed with a knife. The SPMR was pushed back inside, the alarm was triggered and the assailant grabbed some notes before he fled. No injuries.	None	

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<p>GRO</p>	<p>£0.9k</p>	<p>Friday 08/11/2013, 14:30, A young male wearing a balaclava entered the premises with a hand gun. The male approached the retail counter and forced the staff to open the secure area. The male fled on foot and the Police caught the male.</p>	<p>None</p>	
<p>GRO</p>	<p>Nil</p>	<p>Monday 11/11/2013, 12:15, A male wearing a balaclava entered the office with a hand gun. The male threatened to shoot a customer if they didn't hand the cash over. Panic alarm pressed and male fled empty handed. No injury and no loss.</p>	<p>None</p>	
<p>GRO</p>	<p>Nil</p>	<p>Wednesday 13/11/2013, 17:00, A male threatened a customer with a hammer and asked for money from the Post Office. No money was taken and the customer was shaken up but not hurt. The Police were informed, the alarms were activated. CCTV available.</p>	<p>None</p>	
<p>Supply Chain (Cash, delivery and collection)</p>				
<p>Nil</p>				

POST OFFICE LIMITED BOARD

Sealings 21 November 2013 – 14 January 2014 inclusive

Register of Sealings

The Directors are invited to consider the seal register and approve the affixing of the Common Seal of the Company to the documents set out against items numbered 1097 to 1117 inclusive in the seal register.

“The Directors resolve that the affixing of the Common Seal of the Company to the documents set out against items numbered 1097 to 1117 inclusive in the seal register is hereby confirmed.”

**Alwen Lyons
Company Secretary
14 January 2014**

POST OFFICE LIMITEDDate
14/01/2014

Register of Sealings

Company Number
2154540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
1097	25/11/2013	20/11/2013	Cancellation of Land Registry charge relating to GRO	Alwen Lyons	Jean Reynolds
1098	26/11/2013	25/11/2013	Licence to assign relating to the lease of Accrington Branch Post Office, Infant Street, Accrington BB5 1AE between POL, UBF Properties Limited and Umis Venture Limited	Gill Catcheside	Jean Reynolds
1099	26/11/2013	25/11/2013	Rent deposit deed for licence to assign relating to Accrington Branch Post Office, Infant Street, Accrington, BB5 1AE between POL and Umis Venture Limited	Gill Catcheside	Jean Reynolds
1100	28/11/2013	28/11/2013	Underlease relating to Part Ground Floor Premises, Bristol & West House, Boutport Street, Barnstaple, Devon EX31 1SA between The Co-Operative Bank Plc and Post Office Limited.	Gill Catcheside	To Jean Reynolds
1101	29/11/2013	29/11/2013	Deed of Surrender between Pavilion Trustees Limited and Pavilion Property Trustees Limited as Trustees for the Belfry Redhill Unit Trust, and Post Office Limited re Unit 25-26 The Belfry Shopping Centre, Redhill, Surrey.	Gill Catcheside	Jean Reynolds
1102	03/12/2013	03/12/2013	Agreement relating to the London Underground (Northern Line Extension) Order between London Underground Limited, Royal Mail Group Limited and Post Office Limited.	Gill Catcheside	Jean Reynolds
1103	03/12/2013	28/11/2013	Licence to assign in respect of premises known as Sharston Post Office, 240 Altrincham Road, Manchester, M22 9SB between the Council of the City of Manchester, POL, GRO	Gill Catcheside	Jean Reynolds
1104	03/12/2013	28/11/2013	Authorised Guarantee Agreement relating to Lease of land at Sharston Post Office, 240 Altrincham Road, Manchester, M22 9SB between POL and GRO	Gill Catcheside	Jean Reynolds
1105	03/12/2013	28/11/2013	Rent Deposit Deed for the Post Office forming part of the premises known as 240 Altrincham Road, Sharston, Manchester, M22 9SB	Gill Catcheside	Jean Reynolds
1106	05/12/2013		Service Tenancy Agreement relating to Barking STA, Unit	Gill Catcheside	Jean Reynolds

POST OFFICE LIMITEDDate
14/01/2014

Register of Sealings

Company Number
2154540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
			40, Vicarage Field Shopping Centre, Ripple Road, Barking between POL and GRO		
1107	12/12/2013	12/12/2013	Agreement for sale of property at 67 St Thomas Street, Weymouth, DT4 8HA between POL and Lambert Pressland Limited	Piero D'Agostino	Jean Reynolds
1108	12/12/2013	12/12/2013	TR1 between POL and Lambert Pressland Limited relating to 67 Thomas Street, Weymouth, DT4 8HA	Piero D'Agostino	Jean Reynolds
1109	12/12/2013	11/12/2013	Agreement for the surrender of leasehold premises known as Post Office forming part of 1 Priory Terrace, Leamington Spa between Damani and Damani Limited and POL	Gill Catcheside	Jean Reynolds
1110	12/12/2013	11/12/2013	TR1 of the Post Office forming part of 1 Priory Terrace, Leamington Spa between Damani and Damani Limited and POL	Gill Catcheside	Jean Reynolds
1111	18/12/2013	17/12/2013	TR1 relating to 67 Thomas Street, Weymouth, CT4 8HA between POL and Lambert Pressland Limited	Alwen Lyons	Jean Reynolds
1112	18/12/2013	18/12/2013	Thames Water Utilities Limited Development Consent Order Agreement between Thames Water Utilities Limited, Royal Mail Group Limited, Royal Mail Estates Limited and POL	Piero D'Agostini	Jean Reynolds
1113	02/01/2014	02/01/2014	Tenancy agreement relating to Unit 124 North Mall Southside Shopping Centre Wandsworth between POL and Metro Nominees (Wandsworth) (No.1) and (No.2) Limited	Chris Aujard	Jean Reynolds
1114	08/01/2014	06/01/2014	Licence to sublet relating to premises at Ground Floor (South Wing), Dearne House, Barnsley between Alterity Investments Limited, Royal Mail Group Limited and POL	Gill Catcheside	Jean Reynolds
1115	08/01/2014	06/01/2014	Sublease of premises at Ground Floor (South Wing), Dearne House, Barnsley between Royal Mail Group and POL	Gill Catcheside	Jean Reynolds
1116	08/01/2014	06/01/2014	Reversionary sublease by reference of premises at Ground Floor (South Wing), Dearne House, Barnsley between	Gill Catcheside	Jean Reynolds

POST OFFICE LIMITED

Date
14/01/2014

Register of Sealings

Company Number
2154540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
1117	14/01/2014	09/01/2014	Royal Mail Group Limited and POL Underlease of premises at Part of 22 Market Square, Poplar, E14 6AB between POL and Iridium Assets Limited	Gill Catcheside	Jean Reynolds