

National Federation of Sub-Postmasters (NFSP), Post Office Limited (POL) and Government Working Group Meeting, Monday 4 November

14:30-16:00, Committee Room 7, Palace of Westminster Corridor, House of Commons

External attendees:

Calum Greenhow – Chief Executive Officer, NFSP
Tim Boothman – Chair and Director, NFSP
Stuart Rogers – NFSP Executive Director and Postmaster of Ashburton Post Office
Nick Read – CEO, Post Office Limited
Debbie Smith – Retail Chief Executive, Post Office Limited
Nick Beal – Head of Agents & Development, Post Office Limited
Patrick Bourke – Corporate Affairs Director, Post Office Limited
Alice Cookson – Head of Corporate Affairs, Post Office Limited

Internal attendees:

Kelly Tolhurst – Parliamentary Under Secretary of State at the Department for Business, Energy and Industrial Strategy
Carl Creswell – Director, Professional Business Services, Retail and Post
Beth White – Deputy Director, Post Office Policy
William Wilson – Senior Policy Advisor ()
Alex Cole (UKGI) – Corporate Finance Manager, UKGI Post Office Shareholder Team
Jess Tysoe – Private Secretary
Calum Grant – Chief Media Officer

Purpose of meeting and Handling:

On 13 June 2019 you chaired the first meeting of the NFSP/POL quarterly working group. The working group was convened following growing media reports and parliamentary scrutiny around postmaster pay and the sustainability of the Post Office network, with the purpose of allowing Government to facilitate an open and frank dialogue between POL and the NFSP on these important issues.

The meeting led to a commitment for POL and NFSP to hold further discussions about options on pay, which led to POL announcing interim pay increased on 8 August as well as a commitment for BEIS to promote POL as an option for Government services to other Departments (which you did in your letter of 5 August).

On Monday 4 November you will chair the second meeting of the working group. The focus will be on the agent pay review, stranded postmasters and our long-term vision work. We also anticipate the closing AOB will touch on the Select Committee report, particularly in light of the letter sent by Calum Greenhow (CEO, NFSP) to Rachel Reeves MP (Chair, BEIS Select Committee).

Agenda:

No	Item	Time
1.	Introductory Remarks by Kelly Tolhurst and outstanding actions	5
2.	Agent Pay Review	35
3.	Stranded Postmasters	25
4.	Long Term Vision	10
5.	AOB	10

Chair's briefing**1. Introductory remarks by Kelly Tolhurst****1.1 Points to make:**

- Thank the attendees for finding the time to attend and for their continued commitment to the working group and valuable engagement with Government.
- Welcome Nick Read to the Post Office and the working group and reiterate that you look forward to POL, BEIS, UKGI and NFSP working together
- Reiterate Government commitment to the Post Office network:
 - that we have already achieved a lot by working together via this – and other – fora, on the agent pay review;
 - delighted with the announcement after the July POL Board about increases in pay for postmasters;
 - that you fully appreciate the importance of the renegotiated higher rates for postmasters as a result of the renegotiated Banking Framework agreement; and
 - that you are delighted about the reversal of Barclays' decision to opt out of cash withdrawal aspects of Banking Framework 2. Emphasise that you are humbled by the emotional attachment the public has shown for the Post Office network, and this is something that the case of Barclays made very clear.
- Highlight actions from the last meetings:
 - BEIS officials have continued to engage OGDs on priority areas such as Banking Framework 2, the Post Office Card Account (POca) and the availability of rural services;
 - You have signed and sent a letter and 'pitch document' to all Secretary of States of all Government Departments to encourage them to think about the role that POL can play in the delivery of Government services; and
 - You had a positive meeting with Doug Gurr, Head of Amazon UK, and that you encouraged him to join up with POL at senior level.
- Introduce the agenda items.

2. Agent Pay Review

2.1 Points to make:

- POL have agreed to deliver a 10-minute conversational presentation on the proposed options to increase postmasters' remuneration, over and above what was announced in August (?).
- Pending Board approval on 29 October POL aims to make further announcements setting out:
 - A £33 million package of increases to remuneration; or
 - £20 million increases in remuneration plus £10 million incentive payments.
- These options have been tested with the NFSP, multiple partners and 30 independent postmasters. Their feedback has been broadly positive, with the NFSP favouring increasing fixed pay and independent agents asking for 'Holiday Cover' (or a service that provides this).
- Following the presentation, you will then chair a discussion and Q&A. We recommend you open the discussion by:
 - expressing your appreciation to POL for the work done so far on agents' pay, acknowledging the encouraging steps POL has taken to manage postmasters in a more supportive way;
 - underline the importance of improving engagement across the network, as highlighted by the Select Committee recently [if this is true!];
 - network stability hinges on postmasters feeling appropriately rewarded for the work they do. This is why it is so important we work jointly to address short and long-term challenges to enhance the overall value and attractiveness of the Post Office proposition.
- You will then open the Q&A section. We recommend focusing on (i) next steps for the pay review in terms of announcements and implementation of actions and (ii) challenging POL and the NFSP to discuss measures other than pay that will contribute to network stability.

3. Hard to Place Branches and 'Stranded Postmasters'

3.1 Handling note: you will invite the NFSP CEO Calum Greenhow to deliver a 10 minute presentation on the issue of the hard to place branches. His presentation will be based on a recent NFSP survey based on 200 'stranded' postmasters. The survey found that most postmasters who decided to resign under Network Transformation (NT) did so because they felt the new contract – with the removal of fixed pay in favour of purely transactional remuneration – would have been unviable due to the declining Post Office income and an insufficient retail business to support it. Other common reasons for resigning included age, health issues, or other personal commitments. However, these 370 postmasters are unable to retire/sell their branch and qualify for compensation for leaving due to POL policy of "one-in-one-out". The NFSP has been lobbying us heavily to facilitate a discussion with POL as the issue of stranded postmasters is a priority for them.

3.2 Points to make:

- The NFSP have agreed to deliver a 10-minute presentation on the issue. After this, you will chair an open discussion. We recommend that you emphasise this is an operational matter for POL, yet a very important one, hence why Government is happy to facilitate joint working on this issue. You can do so by:
 - That Network Transformation has been a success in stabilising the network and reducing reliance on Government funding.
 - However, it is important that the 'hard-to-place' issue is looked at so that those postmasters that wish to leave can do so without forfeiting their investment. This will also ensure the orderly completion of NT.
 - Solutions to this issue have to be both practical and fair – not only for those postmasters that wish to retire – but also for those that have taken the decision to leave the network without qualifying for leavers' payments as a replacement operator could not be found.
 - You are looking forward to seeing both parties entering into meaningful discussions on the issue over the coming months and you – as well as your officials – will be happy to facilitate this.

4. Long-Term Vision

4.1 Handling note: On 23rd October the BEIS policy team sent you a submission to provide an update on the Government's Long-Term Vision for the Post Office. In parallel POL are working with McKinsey on their Proposal, Strategy and Growth (PSG), which they discussed with us on Monday 21st October). We recommend inviting officials to update on our long-term vision work, followed by an invitation to Nick to provide a brief update on POL's PSG.

4.2 Points to make:

- Hand over to BEIS Policy colleagues to provide a brief update on BEIS's work on the Government's long-term vision for the Post Office up to 2030 (5 minutes).
- Invite Nick Read to provide a brief update on POL's PSG work (ten-year vision for the Post Office) (5 minutes)
- Close the discussion by reinforcing your appreciation that BEIS are working with POL to ensure a coherent long-term vision is developed.

Additional Background:

- In June 2019 POL initiated its Agent Pay review as both Government and POL have been experiencing a significant challenge by MPs, the media and BEIS Select Committee to increase remunerations for agents – which has reduced in real terms of £109 million in 2018/19 when compared with 2011/12). The Board signed off two interim measures in August – namely bringing forward Banking Framework 2 remuneration increases from October to August increase in fixed remuneration for branches that still receive – the 2020/21 full year effect of which is £17 million. The Agents' Remuneration review will report its recommendations to the Board on 29 October and a comprehensive package of changes will be introduced. We will provide you further information on the outcome of the review once we hear more from POL. There will also be two measures targeted solely at multiples, to reward the greater stability of branches run by multiple retailers as opposed to individual postmasters. **Note: the NFSP is *not* aware of these measures targeted specifically at multiples because POL are still discussing how to communicate these.**
- The issue of stranded postmasters is a legacy of NT and refers to the 370 postmasters in the network that wish to leave and qualify for their leavers' payment but cannot do so as an alternative operator to take over their branch has not been found. Via NT, POL have been provided with significant Government funding to make the Post Office a more sustainable business by modernising the network and making changes the model that postmasters operate. This funding enabled significant payments to be made to postmasters to support the changes required – though investment, transition compensation or payments to leave the business where they chose to, or their branch was not sustainable. It is POL's policy not to compensate postmasters who wish to leave if that leaves the community without a post office. So far, there have not been concrete solutions proposed either by the NFSP or POL. For now, unconverted hard-to-place branches will continue to receive fixed pay and have benefitted from the 10% fixed remuneration increase announced by POL in August.
- On BEIS's long-term vision, you agreed that we should take forward work to design a long-term vision for the Post Office up to 2030. We have sent you a submission outlining our initial thinking on 21 October 2019. The priority areas at this stage include building a more rigorous evidence-based approach to future funding requirements to sustain the uncommercial network as better defining POL's social purpose.
- Please note that the BEIS Select Committee recommended that the Communication Workers Union (CWU) participates in this working group with immediate effect. Calum Greenhow – CEO of the NFSP – wrote to Rachel Reeves and yourself to explain why including the CWU would be ineffective at best and counterproductive at worst. Calum's view – shared by POL – is that the CWU is seeking to undermine the work of the NFSP in a bid to win over more members. Should the issue of CWU engagement come up, we recommend that you tell the NFSP and POL that you will meet anyone with a

legitimate interest in the Post Office – including the CWU. However, Government is not in a position to comment on specific recommendations from the Select Committee as of yet. This includes the issue of participation to the working group meeting which will be looked at with all other recommendations in due course.

Biographies:

NFSP



Calum Greenhow (CEO, NFSP)

Calum has been CEO since June 2018 and was previously the NFSP's Non-Executive Director for Scotland. Prior to his appointment as NFSP CEO, Calum had served as the sub-postmaster at West Linton post office, near Edinburgh, since 1995.



Tim Boothman (Chair and Director, North West, NFSP)

Tim has also been a sub-postmaster since 1998 and has operated his current post office at Chapel En Le Frith, Derbyshire since 2005. Tim became NFSP Non-Executive Director for the North West region in 2014 and was recently elected as the organisation's Chair.



Peter Hall (Head of Policy and Research, NFSP)

Peter has worked at the NFSP since 2017. His background is in social research.



Stuart Rogers BEM (South West Executive Director, NFSP)

Stuart has been the postmaster for the Ashburton Post Office branch since 2013. Stuart also sits on the Board of the National Federation of Sub-postmasters (NFSP) and is their South West representative. He is passionate about investing in a community hub that provides vital services for residents and businesses in the town. Stuart has worked tirelessly to raise local awareness of the banking services that are available at the Post Office counter, ensuring that his customers are not disadvantaged and can continue to access cash and everyday banking services. Stuart also secured an

external ATM for his branch, providing added convenience for customers. He has also introduced the first ever Postmaster apprenticeship scheme.

POL



Nick Read - Post Office CEO

Nick worked for United Business Media Plc and Federal Express Worldwide, rising to chief financial officer for the EMEA (Europe, Middle East and Africa) region.

He joined Vodafone UK in 2001, becoming chief executive on 1 May 2006, when Arun Sarin was the chief executive of Vodafone. He has served as the chief financial officer of Vodafone since 2014 and became the chief executive officer of Vodafone Group in October 2018.

In May 2018, Vittorio Colao announced that he would step down as Vodafone CEO, effective October 2018, and that he would be succeeded by Read, the finance director.



Debbie Smith - Chief Executive, Retail, Post Office.

Debbie joined Post Office in January 2018 as CEO Retail. Prior to this she trained as a Pharmacist and worked at Boots the Chemist where her career spanned 29 years in a number of senior roles including Stores Director in the UK, and latterly Managing Director of Boots Ireland. Debbie was also on the boards of Business in the Community Ireland and the Retail Ireland.

Debbie is passionate about working for businesses that have purpose beyond profit, care for colleagues and customers, and make a difference in communities. All reasons why she joined Post Office and also why she is excited about working with Business in the Community and being a member of the Place Leadership Team.

Post Office is a business in every community across the UK and it plays an important social and economic role in providing essential services such as mails, access to cash and banking services and bill payments services to those who otherwise may feel isolated.

As CEO Retail at Post Office, Debbie is accountable for the leadership and future development of the largest retail network in the UK with over 11,500 branches and of the mails, retail, bill payments and banking customer service propositions



Patrick Bourke, Corporate Affairs Director.

Patrick joined the Post Office in September 2014, working alongside the General Counsel in the Legal Risk and Governance Directorate. He is now Corporate Affairs Director, a post he has held since April 2017, being responsible for all corporate and public affairs work across the business. Patrick began his career working as a solicitor in Brussels and London working in the field of competition law, from where he moved into the UK Civil Service, working as the Senior Civil Servant responsible for the European and International business of the Ministry of Justice for 3 Secretaries of State. Immediately prior to joining the Post Office, he opened the Isle of Man's Brussels Office, as their first Director of EU Affairs and EU Representative, in the aftermath of the financial crisis.



Nick Beal

Nick joined Post Office in 1987 and have worked in various sections of the business – branches, branch management, branch operation training, product development, client management, IT business analysis, development, training and operations. Since 2004 his roles have related primarily to network transformation and postmaster related areas. Since around 2012 his 3 main accountabilities have been postmaster remuneration, postmaster contracts and the relationship with NFSP.



Alice Cookson (Head of Government Affairs, POL)

Alice joined the team in September 2017. She takes responsibility for the day to day management of Parliamentarians and other elected officials, leading a team of public affairs managers who are based throughout the UK. Before joining Post Office Alice worked for the public affairs team at Royal Mail, and prior to that at Gatwick Airport and Sport England.