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GROUP EXECUTIVE		Reference: GE 13.07.17
Date: 13.07.17	Venue: Finsbury Dials	Time: 09.30hrs to 16.00hrs
Present:	In Attendance	Apologies
Paula Vennells (PV)	Tom Moran (TM)	Kevin Gilliland (KG)
Alisdair Cameron (AC)	Amanda Radford (item 2) (AR)	
Nick Kennett (NK)	Julie Thomas (item 7) (JT)	
Jane MacLeod (JM)	Tom Wasilewski (item 8 & 9) (TW)	
Alwen Lyons (AL)	Andy Parsons (item 10) (AP)	
Rob Houghton (RH)		
Martin Kirke (MK)		
Mark Davies (MD)		
Martin Edwards (ME)		
Agenda Item 1		
CEO Update		
Purpose		
CEO update to the GE		
Discussion		
PV explained the following: <ul style="list-style-type: none"> The Peregrine paper had been withdrawn from the meeting. The retail paper covered two things: a move to a concessions model which was a change in strategy and offered new opportunities and risks, and the commercials of any deal, including controls in place to manage the contract and the customer offer The Chairman had been briefed about the proposed delay to the Belfast Data Centre disaster recovery testing, and was supportive of the approach. However contingency planning was required. A paragraph would be included in the CEO report to the July Board and followed up at the ARC in September A letter had been sent to the Prime Minister to thank her for the support at PMQs and to stress the continued importance of PO. The Taylor report on 'modern workplace practices, may have an effect on the cash in the economy and in branches. PV had met the new Marketing Directors and was impress by the calibre being appointed. The new marketing structure would be discussed at a future GE meeting. The appointment of Martin Edwards and Mark Davies to full Group Executive members had been approved by the NomCo & RemCo. 		
Outcomes		
The GE agreed the following actions: <ul style="list-style-type: none"> Provide a briefing note to the GE on the effect of the Taylor report on 'modern workplace practices' on mainstream employment. Bring a paper on the new Marketing Structure to a future GE DECISION: The NomCo And RemCO had approved the appointment of Martin Edwards and Mark Davies as members of the Group Executive.		MK NK
Agenda Item 2		
Performance – Financial Results & Review of Business Scorecard		
Purpose		
To review the Financial Results and the Business Scorecard and discuss any areas which are shown to have a RED status.		
Discussion		
AR joined the meeting <ul style="list-style-type: none"> AR reported the P3 performance against budget and the Business Scorecard. Although the report shows a favourable EBITDAS performance against P3 budget and YDT, the underlying performance after allowing for timing difference is adverse by £1.2m in P3 and £1.8m YTD Trading continues above budget but agents' remuneration is being investigated. The balance sheet headroom reduced in p£ to £116m. The marketing underspend of £2m is a calendarisation issue and will unwind, NK to provide a note to AR. Now getting flash reports for FRES so the data should be more accurate, however there was some 		

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concern about the trading although the FRES management remain confident that they will hit the targets. The challenge is with digital sales.

- The number of branches has fallen significantly over the last 2 periods and was thought to have consequences for bonuses and the funding agreement. However the white space strategy would help to alleviate. There may be a need to discuss with BEIS if this target is driving the wrong decisions in the short term.
- Is there a risk around the audits for HNGA revealing losses and driving more branch closures? 10% of the pilot HNGA branches are being audited and to date this has revealed no systemic problems.
- There is a short term vulnerability as the work to identify and audit high risk branches pushes ahead.
- There may need to be a review of required opening hours for new contracts if the pressure on branch numbers remains. Provide a paragraph for the CEO report to explain the pressure on branch numbers.
- Discussion on Gross Profit Margin and DPC (Direct Product Contribution), and the relevant reporting.
- Initial work on Temporary staff cost produced for the finance pack but allocations need to be checked.
- Biggest risk to non-staff costs is agents' debt/losses, with some big amounts coming through. Work is underway to reduce network cash and reengineer the debt recovery process. The budget assumed a £2m provision release which now looks optimistic.
- Looking to use data analytics to see the most effective was to mine the data and highlight risks. Need to recognise the AML work is an issue as well.
- Have we flagged the issue to George Thomson, NFSP as he has been helpful in the past at getting messages out to the network that the Business is taking this seriously and changing its approach?
- Deep dive on losses at the CRG.

AR left the meeting

Outcomes

The GE agreed the following actions:

- Check if the number of branches remains a gateway measure for bonuses and what the target is
- Check if the number of branches is a requirement for the funding agreement and if so clarify the target and the consequence of any breach
- Provide a paragraph for the CEO report to explain the pressure on branch numbers.
- Flagged the issue to George Thomson, NFSP as he has been helpful in the past at getting messages out to the network that the Business is taking this seriously and changing its approach.

MK

**ME
TM
TM**

Agenda Item 3

FS Portfolio

Purpose

Assessment of FS&T portfolio to confirm sectors of greatest value and opportunity to POL ahead of the discussion at the Board.

Discussion

The following questions came out of the Board away:

1. Where are the biggest threats?
2. Where are the biggest opportunities?
3. Can we/ should we build a business with a small market share?
4. Is the Bol partnership the right relationship does it have the capability?
5. Why cannot we go and get a deposit business - there is a misunderstanding of balance sheet?

- The FS portfolio is a high margin business and drives value for the business, the growth potential varies considerably.
- Bol highest margin.
- Need to answer the Board's questions on market share, to challenge the view that success is only possible with large market share. Give a view of the overall market, it is made up of a lot of small players? Get a sense of the market dynamic, expand the analysis in the paper to give an overview market by market, including return on equity
- ACTION: check that the figures in the paper align with the funding strategy or explain why Could we draw out the sense of the Brand and that POL are not paying dividends, difficult as Bol do pay a dividend.
- Careful of the tone, not pushing back at the Board but explaining the difference of opinion. Eg you raised X,Y,Z this our view and why Three core assumption to counter:
 1. We can only be profitable at scale
 2. Bol is a sub-optimal partner (Peregrine)
 3. There is no need to balance assets and liabilities on the balance sheet.

Outcomes

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The GE agreed the following actions: <ul style="list-style-type: none"> NK to take the GE input into account in producing the paper for the Board 		NK
Agenda Item 4		
IT Digital Roadmap and ATOS TOM Update		
Purpose		
To provide GE with an update on the IT Digital Roadmap and ATOS TOM update.		
Discussion		
<ul style="list-style-type: none"> Three lenses; Customer, Agent and Employee, all three require a change in capability and culture and a move to a more digital self-help, self-enablement approach. This has to be business led so how do we break into it and educate the leaders and give them a more external digital focus. Need to provide new tools and showcase what they can do, so that people 'pull' the services. Need to help people think digitally, a lot of the GE have lists of areas they would like to change to a digital solution but need help to do so First action to embed CIOs into teams, they need to help make things easier to digitise. Need to deliver credible digital improvements for agents to be taken seriously. Make sure things work for locals (corner shops) Need to think about how GE and GE-1 think differently. (not a sheep dip programme) We will gravitate to apps and building digital propositions, but do we have the capability to build internally, do we need to use people outside the business. Can take employee requests and digitise the list and will do this, but bigger gains in agent and customer areas. How do we start and then keep the momentum going, should we bring to GE every quarter. Planned view set out in section 6 of the paper but needs timeline added. Lots of areas which could be improved but we do not have the knowledge to take forward. Each area should have its own digital strategy, and then use the APIs for a more agile flexible approach Only have 3 CIOs, what more do we need to invest, need to know what capacity and capability looks like, what is the business case. Need more resource to embed digital, systems thinking leadership. We must not lose the momentum on the customer side Too early to come to the Board add to the Board agenda for September 		
Outcomes		
The GE agreed the following actions: <ul style="list-style-type: none"> RH, MK, ME work out what is required to embed digital systems thinking into the organisation GE session on social media landscape, to understand the cause, effect and value for PO social media work IT Digital Roadmap to be added to the September Board agenda Circulate the paper on the ATOS TOM update for discussion on Monday 17th June 		RH/ME/MK MD AL RH
Agenda Item 5		
Cash		
Purpose		
To update GE on cash including:- <ul style="list-style-type: none"> Walk through the scenarios used at the Board Short term delivery this year Explain what will be covered in the broader cash piece in October. 		
Discussion		
<ul style="list-style-type: none"> AC explained the cash, funding and headroom using the position of March 2017 as an example. The paper showed: <ul style="list-style-type: none"> Where PO cash was held; How it was funded; What was the facility headroom on the RCF (Revolving Capital Facility); What was the security headroom on the RCF; What was the actual headroom AC then explained the 5 areas being considered to improve the cash position: <ul style="list-style-type: none"> Use £100m less cash in the branches Secure an overdraft facility of £50m 		

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Use £100m less cash in the cash centres Place an additional £50m on the NRF (BoE balance sheet) every day The Board agree to manage with £50 less buffer	
<ul style="list-style-type: none">AC explained the options and their effect on the cash and headroom, the GE asked for a note setting out what had been explained	
NK left the meeting HVH joined the meeting	
Outcomes	
The GE agreed the following actions: <ul style="list-style-type: none">Provide a note for the GE explaining cash, funding and headroom.	AC
Agenda Item 6	
Funding Scenarios	
Purpose	
To discuss the possible options for different funding scenarios	
Discussion	
<ul style="list-style-type: none">ME explained the work with BEIS to try to secure a funding agreement. Unlikely to get an agreement before recess but hope to work with officials over the summer and get agreement before the party conferences season in the autumn.Another session at the start of the Board without the shareholder representative to understand what the options are if we receive less funding.Would be unhelpful if the funding were not hypothecated and tied to specific programmes, and any discussion on this point at the Board would need Richard Callard in the room.After funding State Aid clearance still needs to be sought.	
Agenda Item 7	
Crown Network Development	
Purpose	
To review the options for announcing the next tranche of DMB activity.	
Discussion	
JT joined the meeting <ul style="list-style-type: none">Retail team would like to announce the white space initiative before the end of July which they recognise is before the funding has been agreedDiscussion as to the positioning of any announcement to the unions. Could carry on with White Space without an announcement.Need to aware of the pressure on the timing with the funding agreement and the political pressure of any announcement which would effect DMBsNeed to get ministerial support for opening more white space POs. The narrative, improving customer access.It will effect DMBs, probability of redundancy higher in the new plan.Have looked at the optimal solution for the 48 branches in the plan, for 40 the white space is the right solution, as it fill gaps in the network and enhances customer access. A franchise could work but white space is the preferred solution. Analysis of each branch has been done, but until they are advertised and we understand the interest we cannot finalise a plan.Out of the 177 DMB branches 92 areas would benefit customer access through the white space solution if the right opportunity aroseThe narrative should focus on the 150 white space initiatives and improving customer access, then look at how this effects the DMBs, be straight forward and honest about what the outcome might beCome back to explain to the GE how the plan is being taken forward	
<ul style="list-style-type: none">Retail team are looking at whether there is a business case for PO to run small branches under a more agile model, and learn from the retail experience.Deloitte are considering a hybrid where PO works as its own franchisee.JT left the meeting	
Outcomes	

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The GE agreed the following actions: <ul style="list-style-type: none"> • Provide for the final draft of the narrative for the white space solution, including the effect on DMBs in the area for PV and MK. • Return to GE with the plan on how the white space initiative will be taken forward 		JT
		JT
Agenda Item 8		
Mails – RM Negotiations Update (Verbal)		
Purpose		
To provide GE with a status update on the dialogue with Royal Mail.		
Discussion		
TW joined the meeting <ul style="list-style-type: none"> • FT article had highlighted the pressure on RMG share price. • Change in the RMG team negotiating with POL, Nick Landon has taken over, probably good news as he is a different character who will make decisions, but he is no longer a direct report to Moya. • Progressing with the mandate, it will be challenging, introduced Amazon and accessible market, but it was not well received. • Nick Landon needs more time to get up to speed with the Joint Strategy work. RM now producing an update on their strategy and beginning to understand that they need to make changes. • RM may want to bring forward the full negotiation, POL not proposed as do not want to appear to hungry for this to happen, but planning in case RM suggest this. • The team do not have a mandate to start negotiation 		
Agenda Item 9		
Retail Strategy		
Purpose		
To review the proposed change in retail strategy		
Discussion		
<ul style="list-style-type: none"> • This would be a change of strategy from a retail supplier whose products we would sell in DMBs to a concession within the store. • Challenge to the numbers in the paper as one of the options feels very optimistic. • Do not want to be railroaded by one of the suppliers to sign before the end of July, it needs to be the right solution • If we bring to the Board we need to be clear we are asking for a change in strategy to a concession model. Then we would consider the WHS offer, we would need to be sure of the quality of the products (especially packaging), and that controls were in place to ensure the sale of appropriate stock. • Ask the Board to sign off the change and delegate authority to PV and AC to sign a contact. • Risk of not meeting the July deadline is that the incumbent supplier's contract runs out in January 2018, so the new supplier needs to be ready by that date. • New contract term is 5 years with a 6 month termination for convenience clause with some penalties. TW left the meeting		
Outcomes		
The GE agreed the following actions: <ul style="list-style-type: none"> • Rewrite the Board paper to focus on the change of strategy, setting out the opportunities and risks. Asking for delegated authority to the CEO and CFOO to enter into the most beneficial contract. 		TW
Agenda Item 10		
Sparrow Update (Verbal)		
Purpose		
To update GE on the Sparrow Litigation.		
Discussion		
Andrew Parsons, Partner from Bond Dickinson, joined the meeting <ul style="list-style-type: none"> • JM and AP briefed GE on the proposed Defence that would be filed on behalf of Post Office on 18 July in the Postmaster litigation. • The following points were made: • Mr Parsons described the role of the Defence document in the proceedings, and noted that the document 		

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would be signed by the General Counsel on behalf of Post Office.

- The accuracy of the factual statements included in the Defence had been reviewed internally by those Post Office staff with knowledge of the relevant facts.
- Mr Parsons summarised the key themes arising in the litigation and the approach to those themes in the defence.
- Freeths were still advertising for additional claimants however the window for applicants to apply to join the litigation would close on 26 July and Post Office would receive details of the total number and names of applicants shortly thereafter. Present indications suggested that the total number of claimants in the proceedings would be 400-500.
- The Claimants have the opportunity to respond to Post Office's Defence in a formal document called a Reply. This is due to be served on Post Office and filed with the Court on 20 September 2017. It is not mandatory for the Claimants to serve a Reply but given the complexity and importance of this case it is expected that they would do so.
- A Court hearing, called a Case Management Conference, will take place on 19 October 2017. This hearing, and the preparation for it, will provide an opportunity for Post Office and the Claimants to agree further steps leading up to trial, including the selection of those postmasters' cases which the parties wish to put forward as Lead Cases; disclosure of documents; witness evidence and expert evidence. Once selected, the Lead Cases will be examined in greater detail by the Court at mini-trials with the aim of using those cases to determine points of principle or fact that apply broadly to many cases. To be able to do this, the parties will need to set out their positions in relation to these Lead Cases in further, case-specific Particulars of Claim, Defences and Replies.

AP left the meeting

Outcomes

The GE agreed the following actions:

- GE noted the briefing and requested that a further update be provided to GE and the Board following the Case Management Conference. This update should include an assessment of the potential impact on Post Office and its business and operations of the range of possible outcomes, based on the issues to be considered through the Lead Cases.

JM

Agenda Item 11

Verbal Update from Committees & Steering Groups

- 10.1 IRSG
- 10.2 Ops Board
- 10.3 CRG
- 10.5 EUM Update

Purpose

Chair of Committees to update GE.

Discussion

IRSG

- The Business has imposed a 2% pay deal on CWU grades, with the expected adverse reaction from the CWU. Feedback from colleagues has been more about the imposition rather than the deal
- Letters to colleagues homes on the 14th July, no media reaction to date
- Pay discussions ongoing with UNITE.
- Not unreasonable for people to want an above inflation pay deal especially if they are paid below the market rate. Need to consider as part of Project Jay as part of the wider remuneration package
- Project Jay continues with implementation by the end of March 2018.

Operations Board

- The notes from the last Ops Board were circulated to the GE. The next Board is w/c 17/7 and the notes will be circulated in due course

CRG

- Discussion had taken place about the use of contractors and temps. Since OSOP HR have controlled employee and contractor recruitment, they will take over the recruitment of Temps as well.

EUM

- EUM had now been deployed in the model office. There were some challenges, but these were being dealt with and the pilot rollout from the 26th July was on track with a decision on further rollout to be taken on the 8th August.
- Pick up SuccessFactors at the ECG on the 17th July

Agenda Item 12

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Review of GE Minutes, Action Points and Updates	
Purpose	
To update the GE on the actions taken and provide any information requested.	
Outcomes	
<ul style="list-style-type: none"> Minutes agreed. Operations Action 5 - closed 	
Agenda Item 13	
For Noting	
12.1 Forward Agendas : <ul style="list-style-type: none"> GE - August 2017 	
12.2 H&S Report	
Purpose	
For GE to note the papers.	
Discussion	
HEALTH & SAFETY	
<ul style="list-style-type: none"> Increase in accidents down to carelessness, communication going out to people. 4 Multi-storey buildings in the estate have cladding, which has been sent for testing. Finsbury Dials, Doncaster, Dundee and Houndsditch. Make sure that the fire escapes in these buildings are working 	
Outcomes	
<ul style="list-style-type: none"> Check that the fire escapes in the 4 clad multi-storey buildings are working 	AC
Agenda Item 14	
AOB	
Purpose	
To discuss any additional items raised.	
Discussion	
London Accommodation	
<ul style="list-style-type: none"> A review of the accommodation across London has been undertaken, including analysing the usage of FD with the possible outcome of moving to 2 floors. Steve Norris to discuss the options with GE members and attend the August GE. Need a full discussion to ensure that the £2m is worth any disruption. Need to ensure we factor in any change in the establishment eg digital resource Challenge as to why contractors are required to work at FD 	
Outcomes	
<ul style="list-style-type: none"> All GE members to let Steve Norris know of any additional desk requirements, and any planned changes, copy in MK Steve Norris to discuss the options with GE members and attend the August GE. Need a full discussion to ensure that the £2m is worth any disruption. 	ALL AC/SN
Agenda Item 15	
Feedback on the meeting	
Purpose	
Review the agenda items and the effectiveness of the sessions.	
REVIEW	
+	
<ul style="list-style-type: none"> Important strategic conversations Good contribution Pragmatic to pull paper if right to do so 	

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<ul style="list-style-type: none">-• Too long – a bit of a meander• Sparrow too long• Pulling papers at the last minute not helpful• Retail paper past minute – significant paper needed earlier• Papers are not coming in on time• Not always thinking about the customer perspective, retail and white space papers not much mention of the customer	
Outcomes	
<ul style="list-style-type: none">• X• X	