

FOR USE OF COUNCIL MEMBERS ONLY

NATIONAL FEDERATION OF SUBPOSTMASTERS

**REPORT OF A
MEETING OF THE
COUNCIL**

held on

19 & 20 JUNE 2017

at

**HOLIDAY INN CAMDEN LOCK
LONDON**

PLEASE NOTE

Items that are totally confidential and not to be discussed outside of the Executive Council have been 'boxed' and shaded in pink (as is this note).

Report of a Meeting of the Council
held on Monday & Tuesday, 19 & 20 June 2017
at Holiday Inn Camden Lock,
London

Those present: Mr Nilesh Joshi Chairman
 Mr George Thomson Chief Executive Officer
 Mr Tim Boothman
 Ms Wendy Burke
 Mrs Susan Edgar
 Mr Calum Greenhow
 Mr Saj Hussain
 Mr Peter Montgomery
 Mr Jim Nott
 Mr Ian Park
 Mr Ian Sanders
 Mr David Sanghera
 Mr Bharat Visani

In attendance: Mr Troy Gardner Director of Commercial & Retail
 Mr Keith Richards Security & Network Transformation
 Mr Paul Simmonds Director of Operations

Apologies: None

The Chairman welcomed everyone to the meeting, particularly Sue Edgar, Ian Sanders and David Sanghera as it was their first meeting. There had been a change in style with written reports being submitted in advance of the meeting so Council Members had the opportunity to pose their questions on the reports.

1. REPORTS & RESOLUTIONS OF COUNCIL MEETINGS

- (a) The Report of the Council meeting of 20 & 21 March 2017 was signed as a true record.
- (b) The Resolutions passed at the Council meeting of 20 & 21 March 2017 were signed as a true record.
- (c) There were no matters arising.
- (d) The Report of the Special Council meeting of 23 April 2017 was signed as a true record.
- (e) The resolutions passed at the Special Council meeting of 23 April 2017 were signed as a true record.
- (f) There were no matters arising.
- (g) The Report of the Special Council meeting of 26 April 2017 was challenged. Following discussion, a vote was taken as to whether the report was a true record with 5 voting in favour and 3 against. The Report of the Special Council meeting of 26 April 2017 was therefore signed as a true record.

DECISION

DECISION

DECISION

DECISION

DECISION

- (h) The Resolutions passed at the Special Council meeting of 26 April 2017 were signed as a true record.
- (i) There were no matters arising.

2. CHIEF EXECUTIVE'S REPORT

- CEO was delighted that the Council had a significant presence from the multiples for the first time with Hendersons of Northern Ireland, WH Smith and Ryman now represented. All were major players in the post office industry.
- The NFSP's job had always been to look after the interests of members and to plough a new furrow. Important to encourage members to be more innovative and run better businesses. Members needed to consider best practice and be proactive to improve their business. An integral part of the NFSP's role had to be to try to retain fair commission rates for all subpostmasters. PO claimed the NFSP behaved like an old fashioned trade union. NFSP did not agree, it was a trade association and members needed to make a decent return for the work they were doing, which was fundamental for any business model.

Equalisation

- This issue had not gone away. It began some time ago when Kevin Sellers said the company could not afford to pay enhanced variable rates to Mains. That would have taken approx. £50 million per annum out of subpostmasters pockets and was totally unacceptable.
- PO fallback was for 2,000 large Mains to keep their enhanced pay but 1,600 small Mains would lose theirs. NFSP made it clear that was not acceptable either.
- PO came back saying the agent could keep the enhanced rates but if they sold the branch it would be on Local rates for the incoming subpostmaster.
- Latest situation is that the 2,000 large Mains could keep their enhanced rates and sell on the same. However, for the 1,600 small Mains they could keep their enhanced rates but could only sell on the Local contract. The NFSP again made it clear the situation was not acceptable, and were prepared to use court action if necessary.
- Felt that it had been put on the back burner for now, but PO knew the CEO was leaving and concern PO would come back after then.
- PO believed too many Mains did not have enough work as the government had not delivered on their front office of government plans. PO wanted to make £100 million profit from flat trading.

- The issue was up in the air but PO had not given up on their ambition for the 1,600 smaller Mains to be sold on as Locals with no compensation for the change whatsoever.
- The Council expressed their grave concerns at the ongoing viability of many branches if this took place. The NFSP would never give up the fight on the issue.
- NFSP had a strong legal case on this issue, as the spms could have left with compensation but chose to stay in the network. It would be on the basis of misrepresentation as they gave up their fixed pay and it was 'salami sliced' into the enhanced rates. Removing the enhanced rates was never part of the deal.
- Clarified that the changes were only proposed on a commercial transfer, not on renewal of the current contract.
- Felt the NFSP had to fight the changes on the basis that if PO got away with it for the 1,600 smaller Mains, they would come back at a later date for the 2,000 larger Mains.

Simplification

- NFSP want PO to simplify products as many were way too complicated and took far too long. However, there were concerns. If PO simplified products too much they took the value out of the product and anyone could do it.
- Concern that if PO took a new member of staff or subpostmaster who did not know much about PO or their products and let them trial new transactions rather than an experienced member of staff or subpostmaster who knew all the shortcuts, it would appear that more time was being saved than was reality.
- Around 5,500 post offices were in new locations as off site Mains and Locals, so there were many new agents. If outreaches were included there were more new sites than old sites.
- PO example was a Special Delivery accept by 1pm. PO claimed to have saved 53% of the time. PO initial proposition was due to be introduced in July 2017 with pay rates cut the month after. PO wanted to take 100% of the time savings they achieved. If the transaction was 60p and it now took half the time, PO only wanted to pay 30p straight away, regardless of what RM were paying PO.
- NFSP told PO it was unacceptable if PO took all the saving, there was no benefit to spms. The changes needed to be tried to ensure they worked properly (as that had not always been the case previously).

- PO position changed. The changes would come into play September/October 2017 but there would be no change to payments until 1 April 2018. They were prepared to split the savings with spms, so for the 60p transaction it would be 45p, rather than the 30p originally proposed.
- PO claim spms can use their staff better when the extra time is taken into account. NFSP made it clear that did not tally up in a small office often run by a husband and wife with no staff.
- No agreement had been reached. NFSP had consulted lawyers.
- PO would not back down.
- There followed lengthy discussion on the issue as advice was required from the Council on their preferred stance. Points raised had already been raised by the NC in their discussions with PO. Overall, feeling seemed to be that the proposition should be fought hard as customer service levels would become worse, and some offices may become unviable.
- PO tactics had become much more 'strong arm' and they only seemed to respond to threats of legal action. This was not where the NFSP wanted to be, the plan was for working together but there was precious little evidence of that.
- There was discussion on PO's ambition for £100 million profit when trading was flat, and feeling was that it was unattainable without fundamentally damaging the business as a whole.
- The customer had to remain king, if the customer could be retained there was an opportunity to sell other products.
- Enquiry made if 100% of the savings was not achievable, what figure was achievable. One suggestion was that a 75:25 split with 75 to the agent was more acceptable, but that split was not acceptable to PO.
- There followed some discussion on possible legal routes and strategy.

Network Extension

- 3 years ago, Ian Kennedy and Neil Hayward wanted to extend the network by 8,000 using a Basic model, taking the number of outlets from 11,500 to 20,000. NFSP told them it was unacceptable and it was withdrawn on the basis it was cannibalistic by nature. PO now want 2,000 extra branches, and it had not been a major issue until now.
- Over the last 2 years, PO had created around 20 branches a year and were careful where they were sited, with only 2 within a mile of an existing branch.

- It had now become an issue. PO wanted to open around 150 branches a year for the next 3-4 years. Felt that some of these branches would be required to keep the network numbers stable as around 100 branches a year were 'going under' of all types. Believed that an unofficial strategy was to site close to Crown offices to make it easier to move that Crown office to a WH Smith with 4 counters instead of 8. NFSP had no issue with that strategy.
- Too many branches closed under previous programmes and PO were now filling in the 'holes'. When a new branch was 3 or 4 miles from an existing branch there was no problem. However the numbers were increasing to 150 a year from 20, with 50% planned to be in urban locations.
- 3 cases already where a new office is in close proximity (less than a mile) away from an existing office. Clearly network extension was becoming a bigger issue. Major belief that a 'sweetheart' deal had been done with some multiples but denied by PO.
- There were members who could have taken compensation to leave, decided to stay, but the figures they used to calculate their business were getting blown out of the water with a new branch opening too close. NFSP had made it clear that if PO opened a new branch under a mile from an existing branch that efforts would be made to stop it.
- Again discussed with lawyers and awaiting report. Felt PO would struggle to achieve their targets anyway and that much of it was PR spin. PO were aware of NFSP concerns, but were much more aggressive in their stance on many issues.
- There followed discussion, with the Council airing their concerns and going into detail on a couple of individual cases. However, there was no doubt that there were 'holes' in the network that needed to be filled but not to the detriment of an existing subpostmaster.

Stranded Branches

- PO did back down on this particular issue. Any office that had completed a conditional resignation pack (CRP) and wanted to leave but no replacement outlet could be found, would keep their fixed pay until March 2021 and would receive compensation if a potential new operator (PNO) could be identified. This was a major win for both the NFSP and the branches affected.
- Felt that in some areas, the criteria for a PNO needed to change, but that had been NFSP policy from the start.
- If a change of circumstances or decision was made by the spm, they could possibly convert to a new model rather than leave, but would be considered on an individual basis. Once a PNO was identified the decision was irrevocable though.

Worsening of Service Provision

- PO were addressing their central costs by reducing staffing levels and awarding service contracts to cheaper suppliers among other things. Concern was that they were going too far in some areas and ending up with situations where the service was no longer fit for purpose.
- An example was the alarm contract which was awarded to a new company saving £4 million a year. However Kings did not have the right accreditation to be awarded the contract. NFSP had no issue with making savings or cheaper service providers, but almost without exception everything that PO had done had led to a degradation of the service being offered. Any cheaper replacement had to be fit for purpose. Previous alarm contract allowed for an agent to be talked through a fix by phone. If an alarm failed now, the agent was expected to sit in their premises all night if necessary. It was ridiculous to expect anyone to do that and many refused. PO were switching liability in those cases from themselves back to the agent.
- Pointed out that the break-up of the Security department had led to some fragmentation on information flow, with no one person being in charge of the function. It had caused problems for some branches when an issue arose.
- When a false alarm occurred now, there had to be an engineer visit to reset it. Agents could no longer be talked through by phone.

Audit Shortages

- NFSP recognised that PO only had one pot of money and self-insured their cash, therefore robberies and thefts come out of that pot.
- Audit team had been cut back massively. Agents finding life tough and should never 'use' PO money. However many realised there were less audits and were taking a chance. There were small cases but in the last few weeks, 6 audits resulted in a loss of over £1 million combined.
- NFSP very concerned at the scale of the losses. The audit function had to be fit for purpose as every honest agent ended up paying for the dishonest ones.
- NFSP driving a workshop to look at the whole security function.
- Mini audits used to take place which were just a check on the cash in the safe if cash declarations were not completed.
- NFSP put a toe in the water with PO suggesting a field team to do mini audits. Every agent had a vested interest in protecting PO cash. To be discussed at the workshop.

- There was some discussion, with the major question being how the figures were allowed to get so large before an audit, and they needed to take place more quickly. Comment that some people felt the training received by new spms was not sufficient, and that perhaps an existing spm could help. Again, to be discussed at the workshop.
- It was claimed at 3,500 agents were not preparing proper cash declarations but that figure could not be substantiated and was felt to be way too high.
- Felt the NFSP should stress at all opportunities the need to provide proper cash declarations, however it would have to be in conjunction with PO to ensure it was correct.

3. REPORT OF THE NEGOTIATING COMMITTEE

- Report circulated. In the absence of the Chair **GRO** the rest of the Committee would address any questions.
- On Mailwork, rental space value. Some spms did very little whilst others undertook the whole role with supervision of staff 12 hours a day and ensured everything was correct. Mailwork was no longer directly represented on the Board.
- Mailwork not directly represented however it was not difficult to speak to a mailwork subpostmaster. Around £7.5-8 million a year paid for mailwork.
- Argument put that mailwork was 500 offices mostly in rural locations with mailwork underpinning the viability of their business.
- No decision was made as to whether there should or should not be a mailwork member of the Council.
- Council members raised in depth questions as to the reasoning behind PO figures. Despite NC continually asking, PO had never detailed how they arrived at the figures.
- NC would be having discussions with PO on various banking scenarios.

4. NETWORK TRANSFORMATION & SECURITY

- Report circulated
- Issues had arisen where a PNO had gone through the process but was not signing the contract to try and drive down the cost of the retail. Should be signed and returned in 14 days but one case had been 4 months then given another month extension.
- Some Council members felt that robberies were on the increase and that Locals were not well protected. Trying to get alarms put in accommodation but PO not interested in funding any change.

- NT team winding down and speed of response was down to individuals. KR now had contact details for the Crown Office Development Team who were willing to work with KR. Retail Team needed to get involved very early in the process. PO had hidden behind an NDA, however KR had negotiated some co-operation.
- Question raised as to whether TUPE always applied, with the response being that it did.
- Head of Retail & Commercial had met with the Community Fund and Business as Usual (BAU) team. Information about the support available from the NFSP would be passed on.

5. COMMUNICATIONS

- Lynn Eccles, our new Director of Communications starts work on 10 July and would therefore attend the workshop and next Council meeting.
- She would be recruiting a Communications Manager and an apprentice to look after social media mostly.
- Against express instructions, in the last issue of *The Subpostmaster*, LBM had taken an advert from Freeths/Justice for Subpostmasters. PO understandably went ballistic. Emergency meeting held with LBM with PO in attendance. It was made crystal clear that their actions were totally unacceptable. It made it look like the NFSP were inciting subpostmasters to take the company to court. May need to beef up resources and bring the magazine in house in the future. That mistake could have cost the NFSP the payments from PO and ultimately finished the organisation. It was really very serious.
- Since 2015 our Parliamentary contacts had dropped off with many changes. Crucial to rebuild our political contacts. Lynn Eccles and Calum Greenhow would undertake this task.
- Again reiterated that conversations within the Council were confidential. NFSP would go public on the departure of George Thomson and the arrival of Calum Greenhow as CEO designate in August. It was important for the CEO to be an ex subpostmaster with skin in the game to look after subpostmasters' interests. The news should be kept under wraps until the first week of August.
- Need to rebuild and re-establish the All Party Group on Post Offices. Lynn and Calum would be doing that.
- Important that proper succession planning took place.
- PO had agreed as a Project Specific Grant to fund 4 events a year in Westminster, Edinburgh, Belfast and Cardiff. The plan currently is to make each an event with maybe some kind of 'do' in the evening. MP's could be invited.

- Big change would take place with Lynn Eccles arrived and had her input to the NFSP as a whole, something which would be very much welcomed.
- Thanks to Paul Simmonds for holding the fort after Jenna Khalfan left.
- For the first time in many, many years, the resources at HQ were being increased.

Forum

- Forum cost around £20,000 a year to operate including the Moderator. Though not a fortune, membership and usage figures were disappointing. Attempt made to increase both with the offer of 10 Mr Mobile stands to be randomly won, but the figures remained low.
- Felt that many were put off by the level of vitriolic responses when someone did post. This was limited to one or two members (mostly one!), but was very offputting to those wishing to contribute.
- Council members should encourage use of the Forum at branch and regional meetings, and try to use it more often themselves.

6. DIRECTOR OF RETAIL AND COMMERCIAL REPORT

- The Director of Retail and Commercial, Troy Gardner's, report had been previously circulated.
- Troy Gardner talked the Council through the report in detail.
- The team had settled in well.
- Visiting mostly small Mains offices at present, due to them having a lack of or no retail offer.
- The team will endeavour to work with potential operators before they take over a post office. POL will provide information to the team.
- Reported there is still approximately £14 million in the Community Fund. Working with POL on if the Subpostmasters works with the "Concept to Conclusion Programme" they will only need to put in one quote. The Retail Team will assist with the application process.
- There has been an upsurge of enquiries recently regarding the fund.
- Believed the Post Office application form needs revision to include emphasis on the retail element of the business.
- Become apparent that some operators had made bad business decisions. The team ask Barry Frost to get involved and assist in resolving problems they have be it financial, lease or supplier issues.

- Introducing "Buy a Post Office" which will be an on-line service helping people apply for a post office and assist with putting a retail offer together. Propose to charge for this service. Will stay with the person for a year and do quarterly action plans (project plans) for them. Will prepare them for the interview and running a business.
- Intend to encourage people to get involved with their communities regardless what type of office they are. Will be holding workshops on this.
- Will be encouraging people via all social media options and the Subpostmaster magazine to get involved with things such as "Thinking of you week" and "Small Business Saturday".
- Working closely with the CEO of The Greeting Card Association and will have access to various tools to include templates for posters.
- Also working with "Not in the High Street" who promote using the local high street.
- Need to appreciate that some key categories that were successful in the past such as Lottery over the counter, cigarettes, pensions and news bills are now in significant decline.
- Areas of growth are food to go, instore bakeries, using more regional and local products. Space, effort and planning are required to succeed in these areas.

7. DIRECTOR OF OPERATIONS REPORT

- The Director of Operations', Paul Simmonds, report had been circulated. Paul Simmonds talked the Council through the report.
- Additional update on Mails Segregation recruitment - now have 8 out of the 10 Mails Segregation advisors. Still need to recruit in London and North Thames and East Anglia Regions.
- There will be a three day induction programme at HQ from 18 to 20 July.
- The intention of bringing in the team is to protect a sum of £6.2 million in pay bonuses to members.
- Will be an extremely difficult task as POL agreed targets with Royal Mail that were far too optimistic to attain.
- Data will be provided by POL to enable identification of poor performing branches.
- Data will be analysed at HQ.
- Data will indicate problem offices and areas.
- Will need to ensure that members have all the tools needed to be compliant with Mails Segregation.
- Members need to let the helpline and HQ know if they have difficulty in getting bags and tags as this would make them non-compliant through no fault of their own. We need to inform POL if this happens in order for any checks that result in failures to be disallowed.

- The Team will attend Branch and Regional meetings.
- Important that there is consistency throughout all Royal Mail depots.
- Need to ensure there is collaborative working with POL.
- With regard to NFSP policies will need to investigate how much data the NFSP has and who is using the data before making any decisions on administration of data and its protection.
- Part of the Digital Project will allow members to agree, if they so wish, as to how their data could be used and how they and the NFSP will manage it.
- Systems need to be robust in the storing of personal data.
- Legal advice had been taken on data protection.
- POL have agreed that all members of NFSP staff can have access to the membership data that is provided by them. Also been agreed that for membership purposes regions and branches can have access to the data.
- Look to encourage branches and regions to use social media to communicate with one and other. Trial is taking place in London Region.
- Will look at how members can communicate through social media with their customers.
- Nilesch Joshi reported that he was pleased with a system put in place by Paul Simmonds, "Eventbright". This is a system where people can book on line if they wish to attend an event and can be accessed by the organiser. You will also be able to register that you have actually attended. This will also be recorded on the new CRM system in the future.

8. FINANCE REPORT

- NFSP six-monthly accounts to 31 March 2017 had previously been circulated. Guy Butterworth, Auditor for the NFSP, distributed a revised set along with a report as there was a change to the management recharge in respect of the Trading Company.
- He talked through the accounts and gave a comprehensive explanation as to what they meant in financial and layman's terms.
- Guy Butterworth will attend the Council meetings twice yearly to answer any questions on the six-month and annual accounts.
- The six-months accounts to 31 March 2017, showed there was a surplus of £115 thousand. Part of which is in stock and shares.

9. CHAIR OF THE TRUSTEES TO THE BOARD OF BENEVOLENCE REPORT

- The Chair of the Benevolent Fund, Wendy Burke's report had previously been circulated.
- Wendy Burke gave a verbal update to the written report.
- The Fund stood at £1.2 million.
- Had received three new applications and had awarded grants to them.
- The en bloc list stood at £14,690 for the next quarter.
- If POL were to demerge from the Royal Mail Rowland Hill fund, there may well be an opportunity for the POL portion of the fund to merge with the Benevolent Fund. Will then be able to assist anyone that has worked in the post office industry.

10. AOB (IN WRITING)

- Nothing in writing had been received.
- Jim Nott thanked the Chair for the way he had conducted the meeting.

Sharon Merryweather & Lynda Willoughby
June 2017

GRO