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Date: 4 March 2019

Director General: Mark Russell

Lead Official: Tom Aldred

Lead Official Telephone: **GRO**

Recipient	To Note / Comment	To Approve / Decide
Permanent Secretary	X	
Secretary of State	X	
Kelly Tolhurst	X	

**Official Sensitive: Post Office Limited (POL): Quarterly update****Summary**

1. This is an update on Post Office Limited (POL), in advance of your meeting with Tim Parker, the POL Chair, to discuss the Chair's Letter sent on 4 February. It also covers the information you requested following your meeting with the Secretary of State on 4 March, including the questions raised by Kelly Tolhurst. We will provide quarterly updates on an ongoing basis, copied to ministers for information.

**Timing**

2. You (Permanent Secretary) are meeting with Tim Parker on 5 March.

**Advice**

3. There is currently a lot going on at POL that is of interest to the Department. Key issues include a leadership transition, the ongoing legal case, the continued closure of crown branches and major changes to the business arising from the new Banking Framework. Against this backdrop, financial performance has continued to improve, such that we believe there is now an opportunity to consider whether and how POL can pay dividends. There are also ongoing stakeholder challenges. This note covers a lot of ground at a relatively high level.
4. We suggest you focus the meeting on the topics covered in the Chair's Letter of 4 February, which is attached at Annex A. In particular:
  - Congratulate Tim Parker on POL's successful financial performance, including the projected increase in profits for 2018/19.
  - Welcome POL's engagement with UKGI and BEIS on major strategic issues (such as the Banking Framework and Bank of Ireland negotiations) and on the litigation trial.
  - Listen to his frustrations at the slow pace of approval of executive appointments and remuneration and ask about his proposals for how CEO and CFO responsibilities will be covered prior to the appointment of a permanent CEO. Emphasise that ministers care deeply about the Post Office, take an interest in its operation and that due process must be followed.
  - Ministers take a keen interest in the litigation trials, the Crown franchising programme and in postmaster pay, and the need to ensure that government is kept fully apprised of developments.
  - Ask POL to engage UKGI and BEIS on the development of POL's future strategy. The increased profile of Post Offices in providing cash banking services, and the



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higher income that POL will derive from this, have the potential to fundamentally reshape the business. The implications of this should be considered alongside POL's emerging retail strategy and government's objective that POL be financially self-sustaining by 2021.

#### **Litigation case – the 'Common Issues' and 'Horizon' trials**

5. Litigation. A judgment in the Post Office Common Issues trial will be sent to the parties next week (w/c 4 March), under strict embargo, before being formally handed down in the following week (w/c 11 March). In line with standard court procedure, the judgment will not be made available to ministers before its public release. Ministers have asked for advice on whether to seek the judge's permission to allow ministers advanced sight of the judgment. BEIS and UKGI legal teams advise that permission is not sought.
6. As well as being highly unlikely to succeed, the application for permission would be made public. An application would run counter to the position the Department has taken thus far regarding this litigation (including in Parliamentary Questions), namely that it is an operational matter for POL.
7. The full judgment is likely to run to hundreds of pages and POL will provide a summary as soon as the judgment has been formally handed down, which it has committed to pass on immediately. Given the complexity of the case and high degree of uncertainty about the judgment, we have also advised ministers to request a verbal briefing after the judgment has been made.
8. The Common Issues trial focused on the contractual relationship between Post Office and its agents and is only the first in an ongoing legal process that is scheduled to encompass four trials, stretching to at least March 2020. The second trial centred on the integrity of the Horizon IT system is due to start on 11 March. We expect there to be media and parliamentary interest and UKGI and BEIS continue to work closely with POL on communications. Separate advice on the litigation was sent to ministers on 1 March.
9. You requested to see the questions raised by Kelly Tolhurst when she met with officials on 26 February, and the answers provided. This is attached at annex B.

#### **POL leadership, appointments and pay**

10. Departure of Paula Vennells as CEO. Paula's departure from Post Office has been announced, as has her appointment as non-executive Chair at the Imperial College Healthcare Trust, and as a non-executive Director at the Cabinet Office. Ministers approved her exit terms, which we believed were appropriate and fair, but which required a deviation from strict contractual entitlement. In the short term, a family illness means that Paula will be stepping back from day-to-day management of the Post Office as soon as an interim CEO has been appointed.



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11. Interim CEO and CFO retention. POL want to appoint the current CFO Al Cameron as interim CEO, pending the recruitment of a permanent replacement. His appointment requires ministerial approval, and is currently being considered by the Secretary of State. Ministerial approval has been delayed and Tim is likely to raise with you the problems it is causing the business.
12. POL have proposed that Al be eligible for the same base salary as Paula currently receives, but not her bonus package. Al would also be eligible for a retention bonus of £50,000 in the event that he was not appointed on a permanent basis, and on the condition that he remain in post for six months after the new CEO starts. UKGI believe that this is appropriate given Al's pivotal role in the company and the clear risk that he would subsequently look to leave without adequate handover. Al is much more than a CFO currently as he has operational responsibilities for part of the business and is also the main source of commercial judgement on all major commercial and strategic decisions. There has been some pushback on the retention award from the SCS review panel, even prior to this going to ministers. POL has put a retention scheme in place for the other senior executives just below Board level.
13. POL deciding how to allocate Al's current CFO and COO responsibilities while he serves as interim CEO. They are considering whether to allow Al to retain his Finance Director responsibilities, with additional and suitably qualified support, or whether to hire an interim CFO, who may or may not sit on the POL Board. You may wish to press Tim on this decision. POL will inform us of this in the next few days and ministerial advice will follow.
14. Senior pay. POL's Articles of Association require shareholder approval for any changes in the remuneration of directors appointed by the shareholder, including the CEO and CFO. Pay for POL's executive directors also requires approval from the CST as it exceeds the relevant threshold. For 2018-19, POL's Remuneration Committee (RemCo) proposed an increase in base pay for the CEO and CFO of 2.6%, in line with that awarded to employees in the wider business. This followed an increase of 2% the previous year, which was the first time that the CEO's pay had increased since her appointment in 2012. By the time the process reached the CST, the leadership transition was underway, and she rejected the award on the basis that it was unnecessary for retention.
15. Recruitment of a permanent CEO. The recruitment process has begun and we are working with POL and their headhunters, Russell Reynolds, to develop an appropriate reward package for the new CEO. The current CEO package is significantly below lower quartile in the relevant benchmarks and there is severe pay compression in POL's executive team largely due to the near-freeze of the CEO's base pay since 2012. Furthermore, HMT have indicated that POL should no longer offer cash in lieu of pension, which is currently 25% of salary for the senior executives. As a result, we expect POL to propose an increase in the base pay from £255k to around £400k. We have emphasised to POL the need for any such proposal to be strongly evidenced, and in addition, the importance of achieving a diverse range of candidates.





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16. NED appointment. In December 2018, ministers approved the reappointment of two POL NEDs, Ken McCall (Senior Independent Director and chair of Remco) and Carla Stent (chair of the Audit and Risk Committee). POL will need to recruit a new NED to replace Tim Franklin, who will come to the end of his second term in September 2019.

### **POL's Financial performance and the Banking Framework**

17. Financial performance. POL continues to improve its financial performance, with trading profit forecast to reach £60m in 2018/19, up from £35m in 2017/18. This has primarily been achieved by reducing costs through an extensive (and publicly funded) modernisation programme and particularly by replacing more costly crown branches with franchises run by independent postmasters.
18. While revenues have been largely flat, these should rise sharply in future once the updated Banking Framework is in place from January 2020. POL's proposals would lead to around a doubling in Banking Framework income, based on the current volume of transactions. Pricing was historically under-priced and increases are required to ensure the long-term sustainability of banking services across the whole post office network, and to ensure a fair reward to postmasters. The banks are required to respond by the end of March and current indications are that they are likely to agree to the proposals, subject to a few minor amendments.
19. POL is in the process of setting its budget for 2019/20 and we are discussing this with the company. In addition to the additional revenue from the Banking Framework which comes in to the last quarter, the company should also be seeing more benefits from the franchising programme and the IT investments. POL management is currently targeting EBITDAS of around £77m but UKGI thinks this is probably conservative and needs to be increased.
20. Dividend policy. As a result, UKGI thinks a trading profit in the range of £80-100m could be realistic in 2019/20, rising further in subsequent years. Rising profits offer the opportunity to eliminate POL's subsidy and the need to consider how best to share the gains between postmasters, employees, new investment and the shareholder. We are exploring the introduction of a dividend policy so that taxpayers can also share in higher profits. If agreed between the parties, this policy would be included in the Framework Agreement that is being discussed with POL at the moment and which would be finalised as part of the corporate restructuring (see below). The dividend policy would apply when the current funding period finishes in March 2021
21. Investment funding. HMG allocated POL £210m of investment funding for the period 2018-2021, of which they have so far drawn down £142m. While some projects have changed in scope and cost, the overall portfolio is on track to meet its budget. The DMB programme has been accelerated as it provides additional benefits, while Mails projects are on hold pending the outcome of negotiations with Royal Mail. UKGI has worked closely with POL to improve both its controls and reporting around its



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transformation spend, providing extra comfort over its expenditure. You also wrote to POL in January to reiterate that public funding should not be used to cover the costs of the ongoing litigation.

### Major operational and strategic issues for the business

22. Partnership with Bank of Ireland. POL are close to finalising a renegotiation of their partnership with Bank of Ireland to provide financial services, including a market-leading joint venture on travel money. UKGI have worked closely with POL throughout the negotiations. The final result is likely to be somewhat reduced revenues for POL. The key benefit for POL is that the exclusivity and termination provisions are expected to be significantly improved and, as a result, should open up opportunities to offer a wider range of financial services in partnership with other providers both in the medium and long term.
23. Royal Mail. POL has an exclusive arrangement with Royal Mail Group (RMG) running until 2022, which we believe is critical for the future of both organisations, with mails continuing to account for roughly one-half of POL revenue. Negotiations have stalled while RMG has been reorganising and refreshing its leadership team and we expect them to pick up again later in the year.
24. Telecoms. This is a profitable business for POL but POL operates with a limited offering in a highly competitive market. POL has been doing strategic work on the telecoms business and is evaluating all options for the business including capturing more value from the relationships it has with Fujitsu and TalkTalk as well as selling the business.
25. IT migration. Post Office have successfully completed a migration of back office IT systems. This has reduced both risk and operating costs. While POL has made considerable progress in updating its IT systems and architecture, there is still more to be done.
26. Corporate restructuring. POL proposes to alter its corporate structure, to create a new holding company (HoldCo) and transfer ownership of its Financial Services business, Post Office Insurance and Payzone from POL to HoldCo. This would mean that the group would be compliant under FCA rules once its strategic initiatives in these areas are completed. We are working closely with POL to ensure that the Secretary of State will retain the same rights over the group as currently apply to POL.
27. Retail Strategy. Post Office are working on a new Retail Strategy. It is likely that will include the introduction of a new retail format that offers only a limited service focused on parcel drop off and collection. This would be in addition to the existing network of branches that offer the full range of services. The strategy also includes greater simplification and automation of Post Office branches. This is a major opportunity for POL to become more efficient and make itself a more attractive proposition to retailers. In the Chair's Letter you asked POL report on this strategy which could also have positive implications for agent profitability, another issue



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which has attracted considerable attention in parliament and the media. POL also needs to take further strategic steps with its ATM fleet and its Supply Chain (cash logistics) activities, both of which are closely linked to the Retail business and relationships with the banks, and Digital Identity which is potentially an exciting source of future growth.

28. Postmaster remuneration. Postmaster remuneration (or 'Agent pay') is becoming a sensitive and topical issue, attracting increasing interest from MPs. Prior to the Network Transformation (NT) programme, remuneration was a combination of fixed and variable payments, depending upon the contract type for the particular branch. Following NT, remuneration is purely based on transaction volumes for all branches except a small number of community status and traditional branches. The introduction of automation and simplification also created opportunities for postmasters to reduce their own costs accordingly and use time savings to focus on other revenue generating aspects of their business. Nonetheless, POL recognise some of the changes created difficulties for postmasters and is wholeheartedly committed to work with the NFSP to ensure postmasters are both rewarded fairly and supported to run their business successfully. The Post Office increased remuneration for banking transactions twice in 2018 and has begun a programme to significantly increase the level of support offered to branches.
29. Franchising of Directly Managed Branches (DMBs or 'Crowns'). There has been substantial parliamentary interest following the Post Office's announcement on 11 October 2018 regarding the franchising of 74 DMBs to WHSmith. Several MPs – mainly Labour, supported by the Communications Workers Union (CWU) – voiced their concerns regarding POL's franchising business model, the availability of services and access arrangements to the proposed new locations, POL's consultation, impact on staff and the partnership with and viability of WHSmith as a business partner. More detail is set out in Annex C.
30. Post Office Card Account (POCa). DWP has a contract in place with POL to provide POCa payments. POCa is a very simple account, intended as a stepping stone to mainstream banking, through which only pensions and benefits can be paid. The current POCa contract (2015) will not be renewed in November 2021. POCa will instead be replaced by a new, smaller-scale, replacement exception payments provision for which DWP is finalising a business case. Since September 2015 DWP have been moving POCa users away from POCa to a standard account of their choice. By virtue of the Banking Framework Agreement, 99% of banks' personal customers can access their account at a local Post Office, meaning that pensioners and claimants can continue to access a range of financial services through their Post Office. BEIS is working closely with DWP and POL on conversion communication and interventions. We also maintain regular contact with DWP to monitor and mitigate risks arising from the migration, mainly the treatment of ring-fenced customer.





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## Annex A: Chair's Letter sent to Tim Parker (POL Chair) on 4 February 2019

Dear Tim,

### STRATEGIC PRIORITIES FOR 2019/20

Congratulations on your re-appointment as Chair of the Post Office. I am grateful for your work to date in leading the Post Office, and I am pleased that we can continue to rely on your service and expertise until September 2022.

The Government recognises the considerable progress that Post Office has made over recent years, delivering two successive years of profit while continuing to maintain a network of more than 11,500 post office branches and meeting Government's national access criteria.

The Post Office remains vital to communities across the country and I recognise the greater role it now has in financial inclusion, providing access to cash and basic banking services. It is important that the Post Office builds on its recent progress to ensure it is successful and sustainable for the long term.

Following your reappointment as Chair to the Post Office, I want to clarify Government's expectations for the Post Office for the forthcoming year:

1. **New CEO Appointment:** The Government is grateful for Paula's dedicated service to the Post Office, in particular as CEO since the split from Royal Mail. Once her move has been confirmed, one of your immediate priorities will be the appointment of a new CEO and ensuring a smooth transition. This is an important appointment and will require shareholder engagement throughout the process.
2. **Promoting Opportunity and Diversity:** As you are aware, there is a deliberate and sustained commitment by Ministers to promote diversity on appointments to public bodies. We are absolutely committed to improving diversity on our respective boards, and recognise POL's progress in this area. Diversity is essential to make sure we have the right mix of skills, abilities and backgrounds represented. We will need to continue to work closely to promote a strong and diverse field of applicants on future appointments and improve the overall diversity of the Post Office board and across the organisation. To that end, I look to you to ensure that Post Office champions equality, diversity and inclusion.

Overall, our perception is that the management changes and appointments that have been made in recent years have led to an improvement in the quality of the management team and have also improved the diversity of the senior management group. Given the forthcoming changes to the senior management team, I am conscious that a new appointment will change the mix of skills in the team and the appointment itself may lead to consequential changes. I believe this would be an opportune time to consider succession planning, both ahead of, and subsequent to a new chief executive being appointed. It is of continued importance to ensure a mix of skills and experience to equip the business to meet the challenges it faces now and in the future.



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3. **Board Development:** We expect that POL fully complies with relevant aspects of the Governance Code. We welcome the current board review, and, in line with our policy in this area, expect that this will be an annual exercise, with independent input at least once every three years. We also expect director appraisals to be conducted on an annual basis and that we can input into Chair and CEO appraisals. Finally, POL will need to comply with the Corporate Governance Code's requirement for workforce engagement and we look forward to hearing about how you propose to do so.
4. **Investment Spend Controls:** We are very focused on the need for government funding to be used prudently and efficiently in accordance with the objectives of the three-year strategic plan, whilst recognising the need for some flexibility for a commercial business engaged in investment projects. I wrote to Paula Vennells recently to emphasise this point. Appropriate monitoring and reporting must be in place and I understand that the format of reporting is being finalised with UKGI officials.
5. **Company Restructuring:** We are supportive in principle of the Company's proposed restructuring and it is important that it also meets Government's requirements, including the completion of the framework document and updated articles as well as a structure that facilitates future dividend payments. I know that UKGI and BEIS officials are already working with the Post Office team to ensure our requirements are clear.
6. **Company Strategy and funding beyond 2021.** I am conscious that POL is facing a number of significant strategic challenges, both in relation to the changing conditions in the retail sector and the substantial changes to some of the Company's key business relationships. The company has significant positive opportunities as well: the continued restructuring of the network, improved IT and greater use of automation, the potential to expand the network following the Payzone acquisition and to co-operate more closely with the banks in the supply chain and ATMs. I believe that together these offer POL a major opportunity to improve its offer to customers and the efficiency of the business. We also have an objective that the Company should be financially self-supporting by the time the current funding period ends. To enable us to consider these issues and the policy options and other implications that could follow, I would like you to carry out the necessary strategic work, in conjunction with UKGI officials, for presentation to me and senior colleagues in BEIS.
7. **Litigation:** The ongoing litigation trials may have important financial, operational and reputational consequences for Post Office. As the Minister and I emphasised at the meeting we held with Paula and her team at the House of Commons in October, Government needs to be kept fully apprised of developments, ahead of significant decisions being taken.
8. **Agent Pay:** I know that you are looking at revisions to Agent Pay, in part as a consequence of the renegotiation of the Banking Framework. The structure of remuneration should ensure that being a postmaster is an attractive proposition, thereby safeguarding the sustainability of the network. We ask the Company to keep us informed as that work progresses.





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9. **DMB Franchising Programme:** Government have been supportive of the franchising programme and the contribution it has made to the sustainability of the Post Office. However, it is clear from feedback from MPs and other stakeholders that closures are highly sensitive and often negatively received by the public. We want to work with you to develop a more effective communications and engagement strategy to better promote the benefits to consumers, taxpayers and the Post Office network. We would also welcome closer collaboration on the timing of future announcements.
10. **Post Office Card Account ('POCA'):** We would like to ensure that there is a robust plan developed in partnership with DWP to manage the transition from POCA, including the resolution of legacy issues.

I would welcome an opportunity to meet with you and POL management to discuss the contents of this letter. I also propose that you meet with UKGI and BEIS at six-monthly intervals for a formal shareholder meeting, which I hope we would both find useful.



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**Annex B: Questions from Kelly Tolhurst, 26 February**  
*Responses as provided by Tom Cooper, 26 February*

**Questions raised in relation to the court case**

Question: How can we gain access to information about the judgement before it is made (in the same way that Post Office board members can)? The Minister would like to ensure this is done in time for the Horizon litigation case.

Response: *Access to the ruling before it's made public is only possible with the approval of the judge handling the case. It's too late to get that now given the ruling is coming shortly. Seeking permission from the judge for this hearing was considered but we were advised by the legal teams at POL and in UKGI that it isn't straightforward, would be unusual and may not be granted. We agreed to revisit this in relation to the upcoming hearing and can provide the Minister with legal advice on the merits. What has been agreed with Post Office is that a briefing on the decision will be available as soon as the decision has been made public and this briefing would be available to BEIS. In the meantime we will provide a briefing on the issues at stake in the hearing, possible outcomes and where there might be potential for appeal if the outcome is negative.*

The minister also requested:

- Hypothetical UQ rebuttals and answers. Provided in sub of Friday 1 March. The minister also requested to see a copy of the Post Office's risk table. Advice from our legal team was that this was not appropriate given the detailed nature of the document.
- A written brief on the upcoming 'Horizon trial'. We will provide a written briefing as requested and would be happy to arrange an additional verbal briefing if desired. The Minister will recall that she had a verbal briefing for the previous trial in addition to a written briefing. This was because much of the information relating to the case is legally privileged. In addition the facts in this hearing relate to the operation of the Horizon system and there is a large amount of quite technical information.

**Questions on other topics**

Question: Is it possible to put a 6-month review clause into approval of interim CEO of Post Office? Can we write into the contract that the position is for a fixed period in order that POL have a date to work towards for the permanent position and it doesn't slip on indefinitely? How much oversight does the law allow us of key appointments at the Post Office?

Response: *I believe it should be possible to have a fixed period for the interim appointment but I don't think it's advisable. The Chairman is very motivated to make an appointment of a strong candidate and the process is already under way. Until the new CEO is in post, there needs to be an acting CEO to be in charge of the company and it would not be wise to remove the acting CEO during that period unless the acting CEO*



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*is not performing. Experience with appointments is that delays are most likely to stem from the approvals process for appointments and pay within HMG rather than on the company side. If there is delay on the company side it will most likely be because it isn't possible to attract quality candidates (unlikely because Post Office has many attractions for a CEO candidate) or the company isn't able to find a suitably qualified candidate at the package being offered (this is more likely - as we mentioned, we are already on notice from HMT that it will not be easy to get approval even for a package benchmarked to the lower quartile). My suggestion here is that we keep the Minister closely informed of how the recruitment is progressing rather than seeking to limit the acting CEO's period of appointment.*

*On oversight, the appointment of the Company's CEO, CFO and NEDs all require SoS approval*

Question: What are the powers of the Secretary of State for BEIS vis-a-vis the Post Office:

- How is the Board appointed? What oversight does the Perm Sec have in this process?

Response: *As mentioned above the CEO, CFO and NEDs require SoS approval. In addition to the CEO, one of the NEDs is completing his second term in September and these appointments will be made in line with HMG guidelines including a selection panel led by Tim Parker, the Chairman, as well as opportunities for Ministers to put forward potential candidates. The process is as set out in the attached sub which has already been approved*

- Appointments of senior staff in POL

Response: *All other appointments in the company are made by the company itself. There is a Nominations Committee of the Board that leads on this and takes the decisions on such appointments*

The Minister requested more detail and timeframes for the recruitment process.

Response: *This was provided as an annex to the submission on the recruitment process.*





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## Annex C: Detail on POL's DMB franchising programme

1. POL Franchising business model: the management of the network and decisions on franchising are operational responsibilities for the Post Office. Operational decisions are made by the CEO, Paula Vennells, and her executive team, scrutinised by the Board. POL's proposal to franchise Crown branches are part of its plans to ensure a sustainable network in the face of unprecedented challenges on the High Street and in consumer behaviour. Franchising is not a closure programme and has been instrumental in removing losses to the Crown network from £46 million in 2012 to break even today. The Retail Strategy will continue POL's programme of replacing Crowns with franchised branches. While we remain supportive of the programme, we have asked POL to develop a more effective engagement strategy to counter the widespread negative publicity and misunderstandings that franchising is a closure programme, leading to redundancies and the deterioration of service for consumers.
2. Availability of services and access to franchised branches. Critics of the programme of Crown branch franchising often point to reports by Consumer Focus (2012) claiming that franchising to WHSmith results in inferior customer service and poor disabled access. This is not the case; a more recent report by Citizens Advice (June 2017) shows that franchised branches perform in line with, or better, than Crown branches. In addition, WHSmith is required to adhere to high customer service standards and existing legislation on accessibility.
3. POL consultation. While the decision to proceed with franchising of a Directly Managed Branch is a commercial one for the business to take, the Post Office seek feedback and suggestions about specific aspects of the franchising such as access arrangements, service offered and internal layout. Local public consultations last for a period of 6 weeks and the Post Office contacts local elected representatives, Consumer Advocacy bodies and opinion formers to make them aware of the process. POL does all it can to take into account customer feedback in making their decision.
4. Impact on staff. Franchising is not a redundancy programme. Post Office staff have the right to transfer their employment to the franchise partner in line with TUPE legislation or leave with voluntary settlement. POL consult extensively with all staff affected by franchising to explain in details what their options are. Some MPs have been tweeting about the fact that WHSmith were advertising Post Office jobs prior the end of the consultation period. This is normal practice, and it is not the case this pre-empts any final decision about moving the branch. Once a branch goes into consultation, both POL and the potential new operator begin all the detailed planning for the move. This include getting planning permission and starting the recruitment process – both of which can take up to several months. Planning permission sought for any branch would only be actioned by the potential new operator if the proposal went ahead, and any recruitment is conditional upon the proposal being approved.



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5. Partnership with WHSmith. With the latest announcement, the total number of Post Offices operated by WHSmith in their stores is planned to rise overall to over 200. WHSmith and POL have been cooperating since 2006 and POL is confident this agreement will help protect Post Office services, delivering extended opening hours, including Sunday opening, in refurbished store layouts. While franchising has been the principal driver of profit improvement at POL, the programme does require investment by the company – not just in closing the existing branch but also in contributing to the setting up of the new one. The investment into new branches works out at an average 50:50 between POL and WHSmith.
6. Viability of WHSmith as a business partner. MPs have been speculating regarding what might happen to Post Offices franchised to WHSmith if the retailer was to go bust. However, WHSmith as a business is profitable. Indeed, despite the well documented challenges of the UK high street, WHSmith has delivered sustainable profits for the past 13 years and the company's latest set of financial result show that the it saw its third highest profit delivered by its high street business over the last 15 years. Moreover, WH Smith's Post Offices are performing well, and POL have every confidence that the recent deal will help secure the sustainability of Post Office services. Looking more widely at the Post Office estate since 2013, including where it is partnering with others to provide Post Office services, the Post Office network has been very stable, having changed in size by well under 1%. Nonetheless, POL is not complacent and has regular reviews and contingency plans in place with its partners to check performance levels and business issues. Contingency plans include providing six months' notice of branch closure to allow POL to identify alternative provision. These plans apply to all franchising partners.