

OFFICIAL SENSITIVE: COMMERCIAL



Meeting with Nick Read, CEO of Post Office Limited

4.30 – 5.15pm, Thursday 12th March

Attendees

POL:

- Nick Read, CEO
- Richard Taylor, Group Corporate Affairs and Communications Director

BEIS:

- Carl Creswell, Director, Professional Business Services, Retail & Post

UKGI:

- Tom Cooper, Director

Purpose of meeting and Handling:

The objectives of this meeting are to:

1. Discuss live issues – seek an update from Nick on the implementation of POL commitments made in the Horizon settlement including progress on engagement of postmasters, historic shortfall scheme, and share developments on the independent review
2. Outline your expectations on how POL, BEIS and UKGI work together to deliver against the Framework Document (which is with Minister Scully for approval)
3. Seek an update ahead of the Spending Review from Nick on POL's 4YP and Purpose, Strategy and Growth work and progress on Spending Review case working with BEIS and UKGI, and press the need for POL to move forward quickly and be responsive
4. Discuss latest developments on POCA

You may also wish to touch on future payments of GE bonuses though a separate discussion on this including Tim Parker would be useful

To be aware POL Board on 10 March discussed the possibility of Al Cameron's departure and replacement in various scenarios.

OFFICIAL SENSITIVE: COMMERCIAL



AGENDA AND KEY POINTS TO MAKE

1. Live issues	<p><i>Seek an update from Nick on POL's implementation of commitments following Horizon settlement and note that these points will be raised at the BEIS Select Committee hearing on Horizon on 24 March</i></p> <p><i>Share developments on Independent Review</i></p> <p><i>Welcome POL's input on Coronavirus planning</i></p>
2. Framework document and expectations on how POL, BEIS and UKGI work together to deliver against this	<p><i>State that you are pleased that POL, BEIS and UKGI now have an agreed Framework Document in place.</i></p> <p><i>Welcome the offer by POL to increase the frequency of Shareholder Meetings to quarterly and [if you agree] your wish to attend should diaries allow.</i></p>
3. POL's 4YP, Purpose, Strategy and Growth and progress on Spending Review case	<p><i>Seek an update from Nick on bringing its Purpose, Strategy and Growth (PSG) work that has been supported by McKinsey into a detailed 4 Year Plan (4YP) to March 2024</i></p> <p><i>You may also wish to push Nick on clarifying the POL ask as a part of the Spending Review work.</i></p>
4. The Post Office Card Account (POCa)	<p><i>Ask Nick for his views about where things stand on POca, following his recent meeting with the DWPSoS.</i></p>
Bonuses [to raise as AOB]	<p><i>State that POL's remuneration proposal for FY 2019/20 is currently working its way through HMG approval and that you understand Tom Cooper has already discussed BEIS and UKGI's thoughts on the structure for this year.</i></p>

ADDITIONAL BRIEFING

OFFICIAL SENSITIVE: COMMERCIAL



Points to make:

1. Live Issues

POL's implementation of commitments following Horizon settlement

- Acknowledge Nick spoke to Minister Scully on 4 March and they touched on steps POL were taking following the settlement. Say that – whilst it is positive that POL has taken operational steps following the judgments to increase postmaster support, improve processes and bolster training it is important that Nick continues the drive to re-establish a more productive relationship with postmasters.
 - Acknowledge the high level of Parliamentary interest in the Post Office at the moment
 - Note that it was discussed at the POL Board on 10 March that the Historic Shortfall Scheme will be announced before 24th. Ask Nick about progress on this and other actions.
 - Thank Nick for being proactive and engaging with the CCRC and ask about POL's progress on assessing previous prosecutions, his views on next steps and potential implications
 - Ask Nick about POL's plans to prioritise culture change and demonstrate how they will communicate the lessons they have learnt with postmasters and the public

BEIS Select Committee hearing on Horizon on 24 March

- Note that the previous points will be raised at the hearing, with a strong focus on the lessons POL and Government have learnt from the Horizon scandal.
 - *For your background, Nick is due to attend a preparatory session on Wednesday 11th with BEIS, UKGI and POL colleagues. Ask Nick about the key points he plans to make at the hearing and any areas of concern that he has.*

Developments on Independent Review

- Nick may seek an update from you. As you know, he was concerned about the idea of a forward-looking inquiry 'marking his homework' so early in his tenure. BEIS officials have explained our rationale.
 - Mention that, following No.10's steer, we are committed to establishing an independent review to ensure that the Post Office has learned the necessary lessons and to provide an external assessment of its work to rebuild its relationship with its postmasters.
 - Say that we will need to secure Collective Cabinet Agreement before any further details are announced

OFFICIAL SENSITIVE: COMMERCIALDepartment for
Business, Energy
& Industrial Strategy

- Emphasise that we will obviously want to ensure that any review does not undermine the CCRC's work, the separate Director of Public Prosecution's consideration or the BEIS Select Committee's Inquiry on issues emerging from the Horizon IT Court cases

Coronavirus planning

- At the Board discussion on 10 March, POL discussed the need to seek some guidance on what services they would need to provide in specific scenarios e.g. cash distribution in a lock-down scenario. Welcome the POL's input into the department's assessment of COVID readiness and encourage them to continue discussions with the BEIS policy team and wider OGDs to keep abreast of the latest guidance.

2. Framework document and expectations on how POL, BEIS and UKGI work together to deliver against this

- State that you are pleased that POL, BEIS, UKGI now have an agreed Framework Document in place. Mention that you have increased the resourcing of the BEIS policy team to ensure that Post Office policy is prioritised and Ministers are supported effectively. This has been particularly important where parliamentary pressure has mounted on the Government's role in holding POL to account following the Horizon litigation.
- Welcome the offer by POL to increase the frequency of Shareholder Meetings to quarterly and *[if you agree]* your wish to attend should diaries allow.

3. POL's 4YP, Purpose, Strategy and Growth and progress on Spending Review case

- Acknowledge that POL is still in the process of bringing its Purpose, Strategy and Growth (PSG) work that has been supported by McKinsey into a detailed 4 Year Plan (4YP) to March 2024.
 - Note that the POL Board on 10 March discussed the issues with putting together a budget given the uncertainties this year. Ask Nick's views on this.
 - Ask Nick to also update you the obstacles to overcome before approval at the 24 March POL Board.
 - Remind Nick of the need to improve central cost control, particularly in staff and IT costs.
 - Remind Nick that, to sign off the 4YP, BEIS and UKGI need detailed consideration of different scenarios and investment plans.

OFFICIAL SENSITIVE: COMMERCIAL

- Say that you are pleased that POL are working closely with BEIS and UKGI on developing a robust Spending Review case. Noting POL's key requests (as discussed with you during your catch-up with UKGI and BEIS recently) you may wish to push Nick further on clarifying the POL ask, particularly in relation to the following:
 - Ask Nick to ensure that future funding papers have far more detail on the impacts of a zero/reduced subsidy scenario because there will be clear pushback from HMT on a continued £50m subsidy for POL.
 - Reiterate to Nick that the POL data received so far has been very helpful but to develop a persuasive SR case for the subsidy we will need more on both SGEIs and the changes in market conditions since POL's last funding was agreed. POL's Finance team are working on delivering this.
 - You could ask Nick to set out his thinking on splitting outcore SGEIs to have separate criteria for mails and cash and plans to ensure that needs of vulnerable customers are not impacted
 - Remind Nick that BEIS will require a highly persuasive case supported by detailed proposals of investment business cases, governance and repayment before coming to a view on their request for a £100m investment loan.
 - Reiterate to Nick that a private sector company with a c.15% EBITDA margin would return significant funds to its shareholder via a dividend and this is expected from POL in the future

4. The Post Office Card Account (POCa)

- Ask Nick for his views about where things stand on POCa, following his recent meeting with the DWP SoS. You could say that it will be important in the upcoming months for DWP, HMT and BEIS to work together with POL to explore possible ways forward with the banking industry and ensure a seamless migration away from POCa
- ***Background:*** On Thursday 5 March a meeting was held between DWPSoS and Nick Read to discuss the future of the POCa. The meeting was positive, and Nick clarified that POL will not bid for a voucher scheme and would not welcome an extension of POCa upon contract end in November 2021. However, the Company is determined to continue being the channel for people – including the most vulnerable – to access cash. DWP SoS understood POL's position and expressed her desire for officials to work with HMT to find means of providing basic bank accounts to as many POCa claimants as possible, so that only the most vulnerable and the unbankable will be left on the replacement scheme.

Bonuses

- State that POL's remuneration proposal for FY2019/20 is currently working its way through HMG approval and that you understand Tom Cooper has already discussed BEIS and UKGI's thoughts on the structure for this year.

OFFICIAL SENSITIVE: COMMERCIAL



- Thank Nick and POL's RemCo for taking on board our feedback on the Change Benefits element of the package and moving back to the 80/20% split between EBITDAS and Change Benefits.
- Reiterate that it is important that for subsequent years the metrics better reflect the organisational and culture change we want to see in POL and that they align with the new 4YP.

Welcome Nick's thoughts on this and suggest a separate discussion between you, Nick, Tom and Tim should diaries allow.

Relevant context:

Nick Read and Tim Parker are due to have an introductory meeting with Minister Scully on 16 March at 11.30am. Nick had a phone call with Minister Scully on 4 March, ahead of the Westminster Hall debate on 5 March.