



EXECUTIVE COMMITTEE  
AGENDA  
for the meeting to be held on 22 October 2013  
in The Hoxton Hotel (The Dining Room)

Present: Chris Day (Chair), Martin Edwards, Mark Davies, Lesley Sewell, Kevin Gilliland, Sue Barton, Fay Healey, Nick Kennett, Alwen Lyons, Martin George, Susan Crichton, Chris Aujard

Apologies: Paula Vennells

In attendance: Kevin Seller, Sarah Hall, Angela Van-Den-Bogerd, Sharon Bull

Start: 09.00  
End: 14.45/17.00

Time	Item	ExCo Sponsor/Presenter
09.00 – 09.30	Project Maypole	Martin George/ Kevin Seller
09.30 – 10.30	Financial Performance Update, including Half Year Results, and Cost reduction update and Trading Board Update	Chris Day/Sarah Hall
10.30 – 10.45	BREAK	
10.45 – 11.15	CTP Implementation – Camden Overview (verbal)	Chris Day/Kevin Gilliland/Sharon Bull
11.15 – 11.45	Industrial Relations update (verbal)	Kevin Gilliland
11.45 – 12.15	Strategy and Funding update (verbal)	Sue Barton
12.15 – 12.45	Horizon update (verbal)	Angela Van-Den-Bogerd/ Susan Crichton
12.45 – 13.15	LUNCH	
13.15 – 13.30	Business User Forum	Sue Barton
13.30 – 14.15	Pre Board noting papers (15mins per item) <ul style="list-style-type: none"> <li>• Mutualisation update against timeline</li> <li>• Post Office Advisory Council</li> </ul>	Sue Barton Sue Barton
14.15 – 14.30	Actions Log	Alwen Lyons
14.30 – 14.45	AOB <ul style="list-style-type: none"> <li>• ATMs and Business Rates (verbal)</li> </ul>	Nick Kennett
14.45	CLOSE OF MAIN EXCO MEETING	
15.00 – 17.00	Subgroup Discussion on Income Target Setting (comprising Sue Barton, Chris Day, Martin George, Kevin Gilliland, Nick Kennett, Paul Brown, Sarah Hall and Nick Sambridge)	
17.00	CLOSE	

Strictly Confidential



# POST OFFICE LIMITED

## Performance Report

September 2013

Produced By : Financial Control and Compliance Team

For Queries & Comments Contact : Sarah Hall or Kam Bassra

### CONFIDENTIAL

#### **Commercially Sensitive and not for onward circulation**

This document contains commercially sensitive information that is likely to cause damage in the event of unauthorised disclosure. It should not be copied or forwarded in its entirety unless for a specific business purpose and only to internal people who understand the consequences of disclosure or to external people who have signed a non-disclosure agreement. It is normally only circulated to the Senior Leadership Team and Finance Professionals within the Post Office.

Strictly Confidential



## Contents

	Page
Headlines	3
Profit & Loss Statement	4
CFO High Level Profit Forecast At Period 6	5
Cashflow Analysis	6
Net Income By Pillar vs Budget	7
Net Income By Pillar vs Prior Year	8
Net Income By Channel	9
Crown Profit & Loss Statement	10
Business Scorecard	11
Metrics To Focus On (ExCo remedial action discussion page)	12
<b>Cost Management Report</b>	
Staff Cost By Directorate	14
Non Staff Cost by Directorate & Type	15
Cost Management update	16
Transformation Delivery Heat-map	17
Transformation Board Scorecard	18
Network Transformation Scorecard	19
Project Costs (OpEx)	20
Project Costs (CapEx and Exceptionals)	21
<b>Appendices</b>	
Network Transformation Scorecard Metric Definitions/ Rationale	23
Cashflow Statement & Balance Sheet Summary	24
Income By Product Groups & Pillar	25

## Headlines

September 2013

Strictly Confidential



## Financials - YTD

## Profit

Half year YTD operating profit was £53.1m, which was £5.1m favourable to budget of £48.0m, and £7.9m adverse to prior year of £61.1m.

- Net Income of £426.2m increased the adverse variance to £18.0m to budget and £16.8m adverse to prior year.
  - Versus budget - driven by Mails (£12.5m adv) and lottery (£3.6m adv). Mails performance continues to be driven by lower parcel volumes following the RM price changes in April. New parcel formats are being introduced at the end of October which should reverse this trend. Lottery continues to underperform, although the Health Lottery was introduced during September, and the Camelot price increase is effective from October.
  - Versus prior year, driven primarily by the stamps buy forward last year and the volume decreases this year as a consequence of Royal Mail pricing changes. Government Services has also decreased as a result of lower rates from the new DVLA contract and falling Card Account customers. NS&I income has also fallen as they move their customers away from POL, partially offset by growth in FS commissions reflecting Eagle impacts.
- Staff costs were £0.8m adverse to budget due to higher bonus payments relating to 2012/13 and some savings task shortfalls both partly offset by unused pay award budget, and £3.7m adverse to prior year due to higher pension costs, pay awards and increased headcount.
- Agents' costs were £18.9m favourable to budget. £9.9m of this relates to lower sales income, £2.0m relates to sales mix (parcels), £1.6m relates to WHS provision utilisation and the remainder is made up of smaller variances including timing and favourable VAT recovery. Year on year there is a £15.4m favourable variance. £9.3m due to lower sales, predominantly Mails buy forward pre price increase, £2.2m lower fixed pay from unfreezing the Core Tier Payment and roll out of Locals and £2.7m relating to the DVLA rate accrual.
- Non people costs were £1.1m adverse to budget, and £8.2m adverse to prior year. The adverse budget position is driven by Horizon costs which were budgeted to be taken last year. The prior year variance is due to increased IT costs mainly Horizon, timing of marketing spend, and the removal of the FX bureau rebate received in H1 last year.
- Interbusiness expenditure was £2.2m lower to budget, driven by lower Official Mail costs and insurance claims and £1.1m favourable to prior year, due to services switching into POL from RM.
- Project costs were £2.4m favourable YTD. The underspend is driven by timing of the Project Eagle sales capability investment and the movement of Separation costs to exceptionals.

## Cashflow

The YTD cashflow was an inflow of £193m which was £21m favourable to the £172m inflow budget (period 5 was £99m favourable).

The £21m favourable variance was driven by delays to NTP expenditure.

## Crown Profit - YTD

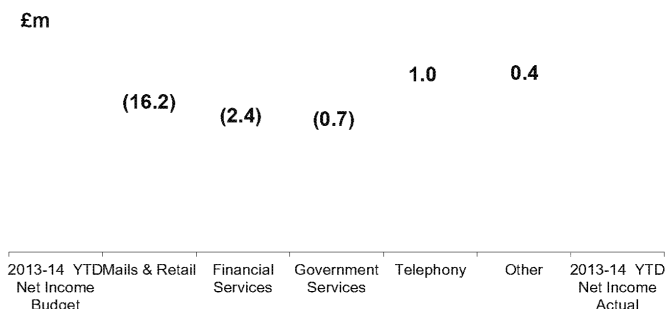
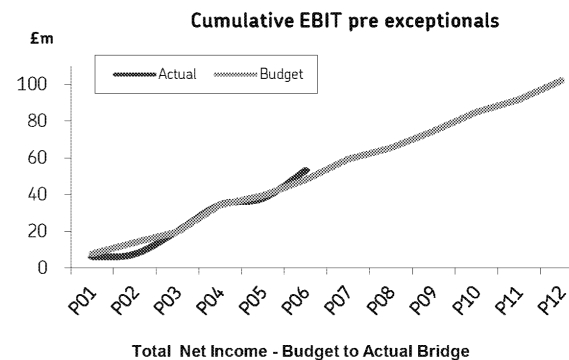
The Crown profit is £1.4m adverse to budget. Income was £2.0m adverse driven primarily by Mails, but offset by Government Services. Costs are £0.2m favourable and share of JV is £0.4m favourable.

## Non financials - YTD

- Queue times in branches (less than 5 minutes) were 83.5% which was 4.6% favourable to target.
- YTD Network conversions were 17 ahead of the 1853 target, (P5 was 9 ahead of target).

## FYF

This pack shows the Q1 FYF. Once the Q2 FYF has been signed off, it will be added to this pack in time for P7 reporting.



## Financials

Total Net Income (excl NSP) £m (Bonus)

Operating profit £m (Bonus)

Free cashflow £m

Crown Profit (Loss) £m (Bonus)

Year to Date		
Act	Target	Var
426.2	444.2	(18.0)
53.1	48.0	5.1
192.9	172.0	20.8
(11.9)	(10.5)	(1.4)

## Non Financials

Queue time % < 5 minutes - Top 1k branches

Network Conversions (Mains & Locals) (Bonus)

83.5%	78.9%	4.6%
1870	1853	17



## Profit &amp; Loss Statement

Strictly Confidential

September 2013



£m	Current Month			Prior Year Period		Year to Date			Prior Year YTD		Full Year			Prior Year	Prior Year
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q1 Forecast	Budget	Variance	Outturn	Variance
<b>TOTAL GROSS INCOME</b>	77.9	79.9	(2.1)	77.8	0.1	482.7	501.2	(18.5)	501.1	(18.5)	1,007.2	1,012.2	(5.0)	1,023.6	(16.4)
Cost of Sales	(10.2)	(9.1)	(1.1)	(8.7)	(1.5)	(56.5)	(57.1)	0.6	(58.2)	1.7	(112.2)	(112.2)	0.0	(121.2)	9.0
<b>TOTAL NET INCOME</b>	67.7	70.8	(3.1)	69.1	(1.4)	426.2	444.1	(17.9)	442.9	(16.8)	895.0	900.0	(5.0)	902.4	(7.4)
Staff Costs	(19.8)	(20.6)	0.8	(20.2)	0.4	(130.4)	(129.6)	(0.8)	(126.7)	(3.7)	(257.2)	(256.1)	(1.1)	(257.4)	0.2
Agents Costs	(30.0)	(37.1)	7.1	(35.2)	5.2	(219.8)	(238.7)	18.9	(235.1)	15.4	(478.3)	(480.0)	1.7	(478.1)	(0.2)
Non-Staff Costs	(13.9)	(13.9)	(0.1)	(12.0)	(2.0)	(83.0)	(81.9)	(1.1)	(74.8)	(8.2)	(160.5)	(160.0)	(0.5)	(162.3)	1.8
Interbusiness Expenditure	(5.5)	(6.5)	0.9	(5.9)	0.4	(39.7)	(41.8)	2.2	(40.7)	1.1	(83.9)	(83.9)	0.0	(83.6)	(0.4)
Depreciation	(0.0)	0.0	(0.0)	(0.1)	0.0	(0.2)	(0.5)	0.3	(0.5)	0.3	(0.9)	(0.9)	0.0	(0.4)	(0.5)
<b>Total Expenditure (pre POOC)</b>	(69.3)	(78.0)	8.7	(73.4)	4.1	(473.0)	(492.5)	19.4	(477.8)	4.8	(980.8)	(980.8)	0.0	(981.8)	1.0
FRES - Share Of Operating Profits	3.8	3.4	0.3	3.7	0.1	22.6	21.4	1.2	21.8	0.8	31.5	31.5	0.0	31.9	(0.4)
<b>EBIT Pre Overhead Allocations</b>	2.2	(3.7)	5.9	(0.5)	2.7	(24.2)	(26.9)	2.7	(13.1)	(11.2)	(54.3)	(49.2)	(5.0)	(47.5)	(5.7)
<b>Group Overhead allocations</b>	(1.1)	(1.1)	0.0	(1.0)	(0.1)	(6.9)	(6.9)	0.0	(7.3)	0.4	(13.8)	(13.8)	0.0	(14.9)	1.1
<b>EBIT - BAU</b>	<b>1.1</b>	<b>(4.9)</b>	<b>6.0</b>	<b>(1.6)</b>	<b>2.6</b>	<b>(31.1)</b>	<b>(33.8)</b>	<b>2.7</b>	<b>(20.3)</b>	<b>(10.8)</b>	<b>(68.0)</b>	<b>(63.0)</b>	<b>(5.0)</b>	<b>(62.4)</b>	<b>(5.6)</b>
One off Project costs (POOC)	(1.3)	(2.0)	0.7	1.5	(2.8)	(15.8)	(18.2)	2.5	(21.6)	5.9	(30.0)	(35.0)	5.0	(53.4)	23.4
<b>EBIT - Post Project Costs</b>	<b>(0.2)</b>	<b>(6.8)</b>	<b>6.6</b>	<b>(0.0)</b>	<b>(0.2)</b>	<b>(46.9)</b>	<b>(52.0)</b>	<b>5.1</b>	<b>(42.0)</b>	<b>(4.9)</b>	<b>(98.0)</b>	<b>(98.0)</b>	<b>(0.0)</b>	<b>(115.8)</b>	<b>17.8</b>
Network Payment	15.4	15.4	0.0	15.8	(0.5)	100.0	100.0	0.0	103.0	(3.0)	200.0	200.0	0.0	210.0	(10.0)
<b>EBIT pre exceptionals items</b>	<b>15.2</b>	<b>8.5</b>	<b>6.6</b>	<b>15.8</b>	<b>(0.6)</b>	<b>53.1</b>	<b>48.0</b>	<b>5.1</b>	<b>61.0</b>	<b>(7.9)</b>	<b>102.0</b>	<b>102.0</b>	<b>(0.0)</b>	<b>94.2</b>	<b>7.8</b>
Interest	0.1	(0.5)	0.6	(0.1)	0.2	1.5	(2.0)	3.5	(0.5)	2.0	(5.0)	(5.0)	0.0	(0.8)	(4.2)
Impairment	(6.9)	(15.6)	8.7	(3.5)	(3.3)	(35.1)	(63.9)	28.8	(32.3)	(2.8)	(167.5)	(167.5)	0.0	(65.6)	(101.9)
Exceptionals & Redundancy & Severance Costs	35.7	(68.5)	104.2	(13.0)	48.7	37.5	(72.6)	110.1	(23.9)	61.4	(184.4)	(184.4)	0.0	(77.0)	(107.4)
Government Grant Utilisation	73.6	88.7	(15.1)	6.7	66.9	129.2	165.9	(36.7)	35.2	94.0	316.9	316.9	0.0	98.2	218.7
Profit/(Loss) On Asset Sale	0.0	0.0	0.0	(27.9)	27.9	2.5	0.0	2.5	(27.9)	30.4	0.0	0.0	0.0	(27.7)	27.7
Colleague Share/ Business Transformation Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(3.3)	3.3
<b>Total Profit/(Loss) Before Tax</b>	<b>117.6</b>	<b>12.6</b>	<b>105.0</b>	<b>(22.1)</b>	<b>139.7</b>	<b>188.7</b>	<b>75.4</b>	<b>113.3</b>	<b>11.6</b>	<b>177.1</b>	<b>62.0</b>	<b>62.0</b>	<b>(0.0)</b>	<b>18.0</b>	<b>44.0</b>

Period vs. Budget  
Operating profit (EBIT) of £15.2m was £6.6m favourable to budget.

BAU was £6.0m favourable:

- Lower staff costs of £0.8m
  - Lower Agents costs of £7.1m mainly due to reduced income, but also the WHS provision utilisation of £1.6m and DVLA timing of £1.8m, and
  - Lower interbusiness costs due to lower Property charges from RM.
- Offset by:
- Lower income of £3.1m due primarily to the continuation of the trend in Mails and Retail.

One-off variance of £0.7m favourable relates to the moving of Separation costs to exceptionals.

Below EBIT

Impairments were favourable due to slower progress than plan on NTP. In P6 there was a one off exceptional credit of £102m (budget nil) that relates to the recently changed pension terms.

YTD vs. Budget

Operating profit (EBIT) of £53.1m was £5.1m favourable to budget.

BAU variance of £2.7m favourable was mainly due to:

- Lower agents costs of £18.9m due to; £9.9m of this relates to lower sales income, £2.0m relates to sales mix (parcels), £1.6m relates to WHS provision utilisation and the remainder is made up of smaller variances including timing and favourable VAT recovery.
- Lower IB of £2.2m driven by lower Official Mail and Property costs, and
- Higher FRES JV income of £1.2m.

Offset by

- Lower income of £18.0m, mainly Mails and Lottery,
- Higher staff cost of £0.8m, due to bonus adjustments and some savings task shortfalls both partly offset by unused pay award budget, and
- Higher non staff costs of £1.1m due to Horizon costs which were budgeted to be incurred last year, but incurred this year.

Project One-off variance of £2.4m favourable. The underspend is driven by timing of Brand spend and the movement of Separation costs to exceptionals.

Below EBIT

Exceptional costs are favourable mainly due to a £102m credit relating to the charge in pensions terms. The underlying variance is due to slower pace of capital spend and operating exceptionals, including agents compensation, compared to budget. Government grant utilisation follows this trend, but also included utilisation against the remaining 2012/13 exceptional costs. The profit on sale related to the lease surrender of Midway House.

YTD vs. Prior Year

Operating profit (EBIT) of £53.1m was £7.9m adverse to prior year.

Like for like adverse variance of £10.8m was mainly due to:

- Lower net income of £16.8m primarily due to Mails (last year included high stamp sales in period 1 ahead of the price rise) and reduced DVLA income,
- Higher staff cost of £3.7m due higher pension costs, pay awards and increased headcount, and
- Higher non staff costs of £8.2m due higher IT costs relating to Horizon, phasing of marketing expenditure and the removal of the FX bureau rebate received last year.

Offset by:

- Lower agents costs of £15.4m; £9.3m due to lower sales, including Mails buy forward pre price increase, £2.2m lower fixed pay from unfreezing the Core Tier Payment and roll out of Locals and £2.7m relating to the DVLA rate accrual,
  - Lower IB of £1.1m, and
  - Higher JV income of £0.8m.
- Non like for like favourable variance of £2.8m was due to:
- Lower project costs of £5.8m, and
  - Lower Network payment of £3.0m.

Below EBIT

2012/13 capital expenditure included £11m property transfers from Group. NT exceptionals including compensation were ahead of the equivalent pace in 2012/13. 2013/14 grant utilisation includes £30m against 2012/13 exceptional costs not covered by the 2012/13 grant.

## CFO High Level Profit Forecast At Period 6

Strictly Confidential

September 2013



£'m	Income	JV Income	Costs	NSP	EBIT
<b>Budget</b>	<b>900</b>	<b>32</b>	<b>(1,030)</b>	<b>200</b>	<b>102</b>
<u>Downsides</u>					
Mails income	(24)				(24)
Gov't Services income	(3)				(3)
Telephony income	0				0
FS income	(5)				(5)
Other income/ POOC contingency	(5)		5		0
Staff efficiency			(2)		(2)
Fujitsu costs			(2)		(2)
IT&C efficiency task			(3)		(3)
Mails segregation penalty			(1)		(1)
Bonuses			(1)		(1)
Agents pay - sales impact			16		16
NT Locals delays			(2)		(2)
Agents segregation payments			(1)		(1)
POOC overspend			(3)		(3)
Non staff savings task			(1)		(1)
	(37)	0	5	0	(32)
<u>Mitigating actions</u>					
Mails income - dangerous goods	7				7
Mails income - format changes/campaigns	6				6
Lottery price rise	3				3
Gov't - UKBA Cost of Sales correction	1				1
Gov't - volume trends	2				2
FS income - Santander volumes	2				2
FS income - Junction deal	3				3
FRES upside (higher ATV's)		1			1
PhotoMe income	1				1
IT&C savings			3		3
Telephony implementation			2		2
Agents mix and DVLA timing			7		7
POOC			5		5
Agents pay - sales recovery			(8)		(8)
	25	1	9	0	35
<b>Latest View at Q2 (excl contingency)</b>	<b>888</b>	<b>33</b>	<b>(1,016)</b>	<b>200</b>	<b>105</b>
Variance to budget	(12)	1	14	0	3
Risks and Opportunities	(10)		10		
<b>Latest View at Q2 (excl contingency)</b>	<b>878</b>	<b>33</b>	<b>(1,006)</b>	<b>200</b>	<b>105</b>

Q2 bottom up forecast achieved £105m and a contingency will be included of £3m in project OpEx to bring the forecast back to £102m.

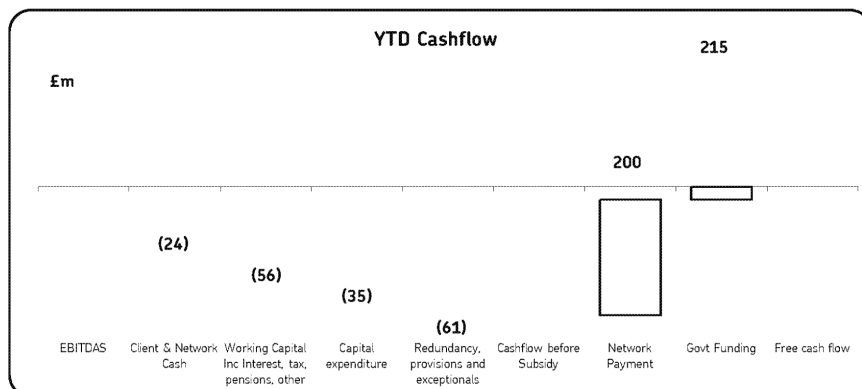
Trading risks are broadly balanced by VAT opportunity and will be monitored monthly.

## Cashflow Analysis

Strictly Confidential



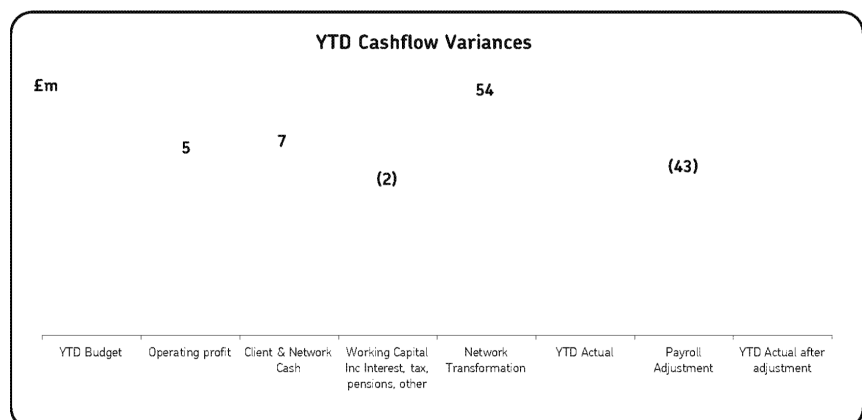
September 2013



## Cashflow

The YTD cashflow was an inflow of £193m which was £21m favourable to the £172m budgeted. The main variances are:

- Capital expenditure and exceptionals were a combined £54m favourable due to lower than planned NTP and CTP expenditure.
- Working capital is £2m adverse to budget.
- Client and Network Cash balances are £7m favourable to budget, and profit is £5m favourable.
- There is a payroll variance which reflects to the timing of the BACs payment for staff and agents pay at P6 and will reverse for next months reporting.



£m	Full Year
	Budget
Operating Profit	102.0
Depreciation	0.9
Working Capital	(41.2)
Client Balances	(44.4)
Network Cash	114.6
Dividends	(4.5)
Capital Expenditure	(167.5)
Government funding	215.0
NSP in advance	0.0
Exceptional Items	(198.8)
Pensions	2.3
Proceeds from asset sales	0.0
Free cashflow before interest, tax	(21.6)
Interest	(5.0)
Tax	10.3
Free Cashflow	(16.3)

## Network Cash

£m	Prior Year	Mar-13	P6		
	P6	Opening	Actual	Budget	var
Retail, Cash Centres	557	650	609	606	(3)
Bureau	85	59	82	86	4
Cheques, debit cards	136	161	134	135	1
<b>Network Cash</b>	<b>778</b>	<b>870</b>	<b>825</b>	<b>827</b>	<b>2</b>

	Opening	P6
<b>Headroom (£m)</b>	<b>838</b>	<b>883</b>

## Network Cash

- Network cash variances are small at P6, reflecting good cash management.

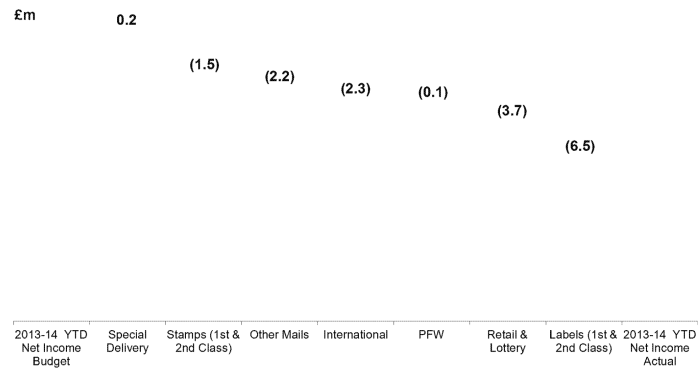
# Net Income By Pillar vs Budget September 2013

Strictly Confidential

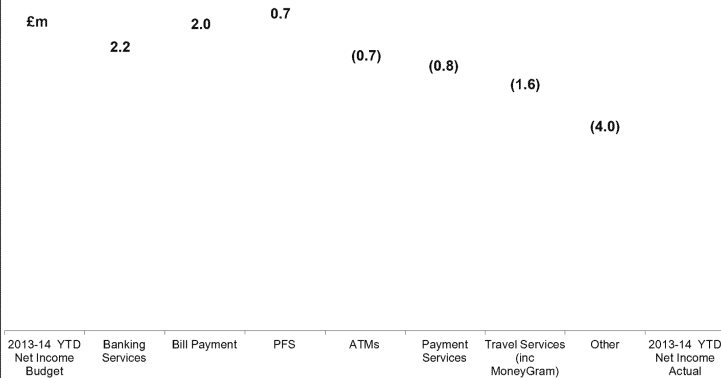


Net Income (£m)	Period			Prior Year Period		Year to Date			Prior Year YTD		Full Year			Prior Year	
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q1 Forecast	Budget	Variance	Outturn	Variance
Mails & Retail	28.8	31.7	(2.8)	28.4	0.5	182.7	199.0	(16.2)	193.2	(10.5)	406.9	414.6	(7.8)	404.0	2.9
Financial Services	22.9	22.6	0.3	23.5	(0.6)	138.7	141.1	(2.4)	137.7	1.0	277.4	277.4	(0.0)	279.6	(2.1)
Government Services	9.6	10.0	(0.4)	10.0	(0.4)	59.7	60.4	(0.7)	68.9	(9.3)	114.6	115.9	(1.3)	133.2	(18.6)
Telephony	2.6	3.5	(0.9)	3.8	(1.3)	25.1	24.1	1.0	22.8	2.3	50.7	50.4	0.3	45.0	5.7
Other	3.8	3.1	0.7	3.4	0.4	19.9	19.6	0.4	20.3	(0.4)	37.6	42.6	(5.0)	40.7	(3.1)
<b>TOTAL NET INCOME</b>	<b>67.7</b>	<b>70.8</b>	<b>(3.1)</b>	<b>69.1</b>	<b>(1.4)</b>	<b>426.2</b>	<b>444.2</b>	<b>(18.0)</b>	<b>442.9</b>	<b>(16.8)</b>	<b>887.2</b>	<b>900.9</b>	<b>(13.7)</b>	<b>902.4</b>	<b>(15.2)</b>
FRES - Share Of Operating Profits	3.8	3.4	0.3	3.7	0.1	22.6	21.4	1.2	21.8	0.8	31.5	31.5	0	31.9	(0.4)

## Mails & Retail Services



## Financial Services



## Pillar Performance vs YTD Budget

Mails & Retail Services - (£16.2m) Adv  
Labels - (£4.0m) adv driven by lower parcel volumes since the RM price changes in April.  
Lottery - (£3.6m) adv due primarily to lower than planned volumes. Camelot price increase from October is expected to reverse this trend.  
PFW - (£2.7m) adv - due to lower volumes vs. budget.  
International - (£2.3m) adv due to lower volumes.  
Other Mails - (£3.6m) adv due to unallocated stretch and lower than planned volumes across the Mails product range.

Financial Services - (£2.4m) Adv  
Other - (£4.0m) adv due to unassigned income targets including Sales Effectiveness stretch target still to be allocated to products.  
Travel Services - (£1.6m) adv driven by phasing of bureau income.  
Payment Services - (£0.8m) adv driven by lower gift voucher volumes.  
ATMs - (£0.7m) adv driven by lower volumes than planned and delayed roll out of new ATMs.

Offset by:  
Bill Payment - £2.0m fav driven by lower decline than expected, specifically in Housing.  
Banking Services - £2.2m fav driven by higher personal withdrawal volumes and higher business banking volumes.  
PFS - £0.7m fav driven by mortgages trail fees, partially offset by adjustment on credit cards.

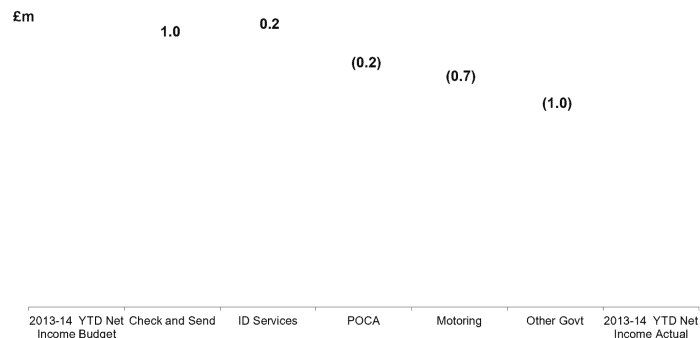
Government Services - (£0.7m) Adv  
Gov. Services Other - (£1.0m) adv driven by delayed implementation of new ID Services.  
Motoring - (£0.7m) adv due to lower than planned volumes in line with latest DVLA forecasts.  
Offset by:  
Passport Check & Send - £1.0m fav due to higher volumes.

Telephony Services - £1.0m Fav  
HomePhone - £1.0m fav due to higher than planned customer numbers and higher revenue per user.

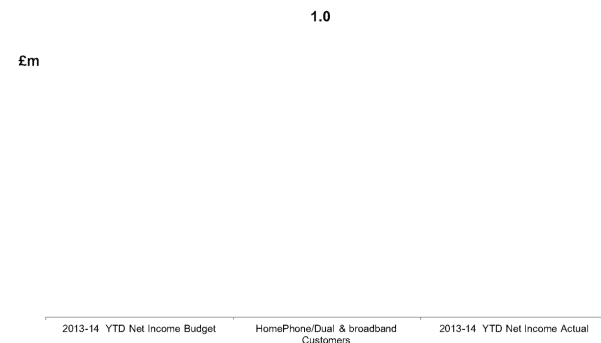
Other - £0.4m Fav  
Higher Supply Chain income for services provided to RM.

FRES Profit Share - £1.2m Fav.  
In line with latest profit forecast from FRES.

## Government Services



## Telephony Services





# Net Income By Pillar vs Prior Year

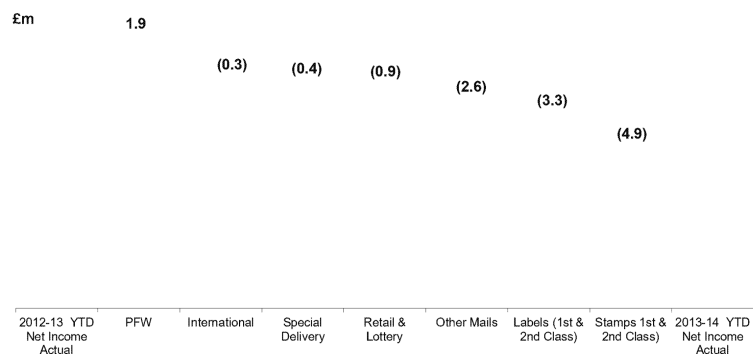
## September 2013

Strictly Confidential

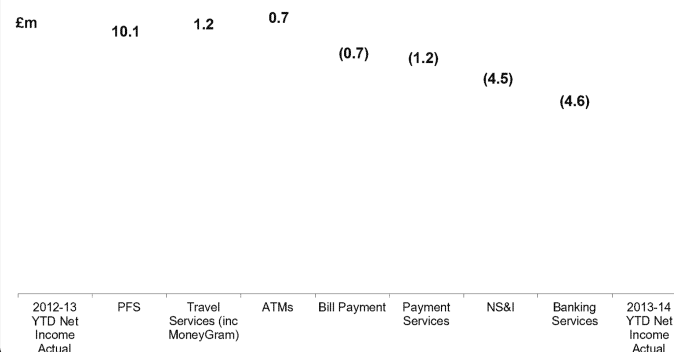


	Period			Prior Year Period		Year to Date			Prior Year YTD		Full Year			Prior Year	
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q1 Forecast	Budget	Variance	Outturn	Variance
Net Income (£m)															
Mails & Retail	28.8	31.7	(2.8)	28.4	0.5	182.7	199.0	(16.2)	193.2	(10.5)	406.9	414.6	(7.8)	404.0	2.9
Financial Services	22.9	22.6	0.3	23.5	(0.6)	138.7	141.1	(2.4)	137.7	1.0	277.4	277.4	(0.0)	279.6	(2.1)
Government Services	9.6	10.0	(0.4)	10.0	(0.4)	59.7	60.4	(0.7)	68.9	(9.3)	114.6	115.9	(1.3)	133.2	(18.6)
Telephony	2.6	3.5	(0.9)	3.8	(1.3)	25.1	24.1	1.0	22.8	2.3	50.7	50.4	0.3	45.0	5.7
Other	3.8	3.1	0.7	3.4	0.4	19.9	19.6	0.4	20.3	(0.4)	37.6	42.6	(5.0)	40.7	(3.1)
<b>TOTAL NET INCOME</b>	<b>67.7</b>	<b>70.8</b>	<b>(3.1)</b>	<b>69.1</b>	<b>(1.4)</b>	<b>426.2</b>	<b>444.2</b>	<b>(18.0)</b>	<b>442.9</b>	<b>(16.8)</b>	<b>887.2</b>	<b>900.9</b>	<b>(13.7)</b>	<b>902.4</b>	<b>(15.2)</b>
FRES - Share Of Operating Profits	3.8	3.4	0.3	3.7	0.1	22.6	21.4	1.2	21.8	0.8	31.5	31.5	0	31.9	(0.4)

### Mails & Retail Services vs. Prior Year



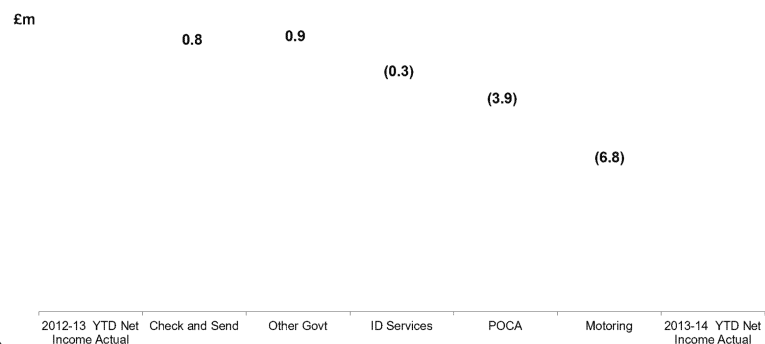
### Financial Services vs. Prior Year



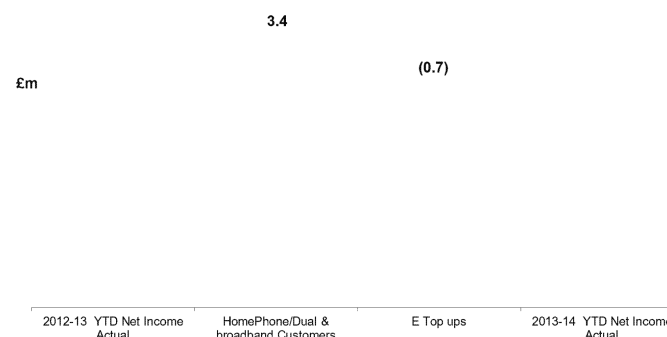
### Pillar Performance - Year on Year Variances

Mails & Retail Services - (£10.5m) Adv  
Overall volumes are lower than prior year.  
This is largely due to the price increase last year and the resultant buy forward experienced in period 1.  
1st and 2nd Class (£8.2m) adv - driven by price increase last year. First class labels are lower by £2.9m.  
Other Mails (£2.6m) adv - driven by standard parcel volumes.  
PFW £1.9m fav - driven by increased PF 24 & 48 volumes.  
Financial Services - £1.0m Fav  
PFS £10.1m fav - driven by savings products and Eagle impact.  
Travel Services £1.2m fav - due to Moneygram.  
Offset by:  
Banking (£4.6m) adv - £2.2m driven by lower DWP Exceptions and the remainder driven by new Santander contract.  
NS&I (£4.5m) adv - driven by NS&I withdrawing products from POL to sell directly and a fixed fee contract.

### Government Services vs. Prior Year



### Telephony Services vs. Prior Year



Government Services - (£9.3m) Adv  
Motoring (£6.8m) adv - due to lower priced new contract and continued volume falls as migration to online continues (c.8% Yr on Yr).  
POCA (£3.9m) adv - due to fall in number of accounts and greater ATM usage.  
Passports £0.8 fav - due to higher volumes.  
Telephony Services - £2.3m Fav  
Homephone £3.4m fav - higher 'average revenue per user.'  
E-Top ups (£0.7m) adv - general volume decrease and lower pricing.  
Other - (£0.4m) Adv  
Supply Chain - mainly related to warehousing on behalf of Royal Mail.  
FRES Profit Share - £0.8m Fav.



Strictly Confidential

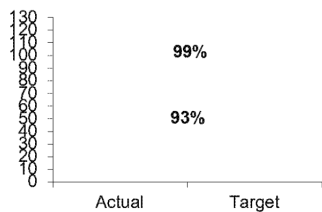
## Net Income By Channel

### September 2013

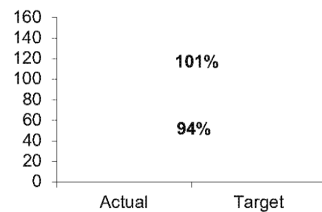
Period 6 YTD - Focus products were £0.6m adverse to target and Standard products were £13.2m adverse (mainly Mails and Lottery), with the Agency network driving the variance. The favourable Direct channel performance is driven by mortgage phasing as targets started to ramp up from period 4.



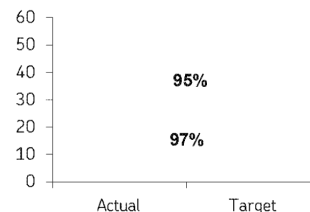
£m	Month			Year to date			Full Year
Targeted Income	Actual	Budget	Variance	Actual	Budget	Variance	Budget
Focus Products							
Crown Offices	2.7	2.9	(0.2)	18.9	20.0	(1.0)	39.0
WHS	0.5	0.5	(0.0)	3.6	3.6	0.1	6.7
Agents - Managed	5.6	5.8	(0.2)	38.1	37.8	0.3	74.0
Centrally Supported	3.4	3.5	(0.1)	23.0	23.3	(0.3)	49.6
Direct Sales	0.7	0.7	(0.0)	5.5	5.1	0.4	9.0
Central	(0.0)	0.01	(0.1)	0.1	0.1	(0.0)	0.5
<b>Focus Products Total</b>	<b>12.9</b>	<b>13.5</b>	<b>(0.6)</b>	<b>89.3</b>	<b>89.9</b>	<b>(0.6)</b>	<b>178.8</b>
Standard Products							
Crown Offices	4.1	4.3	(0.2)	26.2	26.9	(0.7)	58.1
WHS	0.8	0.8	(0.0)	5.1	5.2	(0.1)	10.6
Agents - Managed	15.0	16.3	(1.3)	92.0	97.7	(5.7)	191.2
Centrally Supported	12.9	14.3	(1.3)	86.5	92.9	(6.5)	198.1
Direct Sales	0.5	0.6	(0.0)	2.9	3.1	(0.1)	6.5
Central	(0.4)	(0.4)	(0.0)	0.1	0.3	(0.2)	0.6
<b>Standard Product Total</b>	<b>33.0</b>	<b>35.9</b>	<b>(2.9)</b>	<b>212.9</b>	<b>226.1</b>	<b>(13.2)</b>	<b>465.3</b>
<b>TOTAL TARGETED INCOME</b>	<b>46.0</b>	<b>49.4</b>	<b>(3.4)</b>	<b>302.2</b>	<b>316.0</b>	<b>(13.8)</b>	<b>644.0</b>
Other Income							
Cash Services	2.1	1.7	0.4	11.1	10.8	0.3	22.0
Gamma	0.6	0.6	0.0	3.8	3.8	0.0	7.5
Fixed Income & Other	16.1	16.3	(0.2)	87.0	93.9	(6.9)	185.9
Retentions	2.9	2.8	0.1	22.2	19.7	2.4	40.6
<b>TOTAL POL NET INCOME</b>	<b>67.7</b>	<b>70.8</b>	<b>(3.1)</b>	<b>426.2</b>	<b>444.1</b>	<b>(18.0)</b>	<b>900.0</b>
Network Payment	15.4	15.4	0.0	100.0	100.0	0.0	200.0
<b>TOTAL POL NET INCOME</b>	<b>83.1</b>	<b>86.2</b>	<b>(3.1)</b>	<b>526.2</b>	<b>544.1</b>	<b>(18.0)</b>	<b>1,100.0</b>

Centrally Supported Net  
Income YTD (£m)

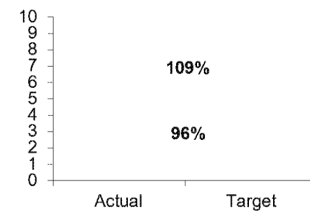
Standard Focus % of target

Account Mgd Net Income YTD  
(£m)

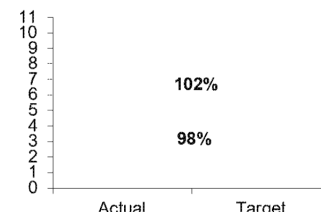
Standard Focus % of target

Crown Offices Net Income  
YTD (£m)

Standard Focus % of target

Direct Sales Net Income YTD  
(£m) \*

Standard Focus % of target

WHS Net Income  
YTD (£m)

Standard Focus % of target

\* Both target and actual exclude lead generation income

## Crown Profit &amp; Loss Statement

Strictly Confidential



September 2013

£m	Period			Prior Year Period		Year To Date			Prior Year YTD		Full Year	Prior Year
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Budget	Outturn
Income and Distributions												
Variable income												
- Mails	3.0	3.4	(0.4)	3.8	(0.8)	18.7	20.6	(1.9)	18.7	0.0	43.2	44.8
- Financial Services	2.3	2.5	(0.2)	2.5	(0.2)	14.9	15.5	(0.7)	13.4	1.4	29.6	30.4
- Government Services	1.6	1.4	0.2	1.8	(0.2)	10.9	10.2	0.7	10.7	0.2	19.9	26.4
- Telephony	0.0	0.1	(0.0)	0.1	(0.0)	0.4	0.5	(0.1)	0.6	(0.2)	1.3	1.3
Fixed income	1.9	2.3	(0.3)	2.8	(0.8)	12.0	12.4	(0.4)	12.3	(0.3)	24.8	28.2
Gamma/ Other	0.9	1.1	(0.2)	0.5	0.4	6.0	7.3	(1.3)	4.0	2.0	14.8	10.9
Renewals and Retentions	1.5	1.2	0.3	0.9	0.6	10.1	8.4	1.7	2.9	7.1	16.5	11.1
<b>Total Income including Gamma/other</b>	<b>11.2</b>	<b>11.9</b>	<b>(0.6)</b>	<b>12.3</b>	<b>(1.1)</b>	<b>73.0</b>	<b>74.9</b>	<b>(2.0)</b>	<b>62.6</b>	<b>10.3</b>	<b>150.1</b>	<b>153.2</b>
Direct Product Costs	(0.4)	(0.5)	0.1	(0.8)	0.4	(3.1)	(3.2)	0.2	(3.2)	0.1	(5.0)	(8.3)
Branch costs												
- Staff	(8.2)	(8.2)	0.0	(8.8)	0.6	(54.1)	(54.0)	(0.0)	(58.3)	4.2	(106.0)	(117.9)
- Property	(2.6)	(2.7)	0.1	(2.6)	0.0	(17.4)	(17.5)	0.1	(17.1)	(0.3)	(35.4)	(36.9)
- Other branch costs	(0.3)	(0.3)	0.0	(0.4)	0.1	(2.1)	(1.9)	(0.2)	(3.0)	0.9	(4.7)	(6.3)
Infrastructure costs	(1.7)	(1.8)	0.1	(1.7)	0.1	(10.4)	(10.6)	0.1	(10.9)	0.4	(22.9)	(22.5)
Allocated central costs	(0.5)	(0.6)	0.1	(0.7)	0.3	(4.4)	(4.4)	0.0	(3.3)	(1.1)	(8.4)	(7.7)
<b>Total Expenditure</b>	<b>(13.7)</b>	<b>(14.1)</b>	<b>0.4</b>	<b>(15.1)</b>	<b>1.5</b>	<b>(91.4)</b>	<b>(91.6)</b>	<b>0.2</b>	<b>(95.8)</b>	<b>4.4</b>	<b>(182.2)</b>	<b>(199.7)</b>
JV Share of Profits	1.1	1.0	0.1	1.0	0.1	6.6	6.2	0.4	5.7	0.9	9.1	9.6
<b>Statutory PBIT</b>	<b>(1.3)</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>(1.9)</b>	<b>0.5</b>	<b>(11.9)</b>	<b>(10.5)</b>	<b>(1.4)</b>	<b>(27.5)</b>	<b>15.6</b>	<b>(23.0)</b>	<b>(37.0)</b>

## Summary

- Income £2.0m less than plan.
  - The impact of size based pricing has adversely impacted Mails as follows: Priority Mails £0.2m, 1st class and 2nd class £0.8m, International Standard £0.5m are products most impacted by PIP. Retail sales are also underperforming against target by £0.1m. The expectation is that the gap will reduce with the roll out of remedial actions, including the delivery of the 'shoebox'.
  - Main drivers of favourable Government income are UKBVI (due to backlog in applications) £0.7m, ID Services £0.4m and Passports £0.2m, offset by Motorist services (DVLA Licences and AEI) which are £0.3m behind target.
  - Savings £0.6m and Life Insurance £0.1m are the main drivers in the shortfall against Financial Services netted off against the Travel portfolio delivering a £0.2 upside.
- Costs are £0.2m less than plan:
  - Staff savings from industrial action continue to offset delays in CTP savings.
  - Mainly driven by favourable variance in POOC as a result of separation costs moving to exceptional spend.

# Business Scorecard

## September 2013

Strictly Confidential



Key Performance Indicators	Current Month			Year to Date			Prior Year	Full Year			2012-13 Outturn
	Act	Target	Var	Act	Target	Var		Q1 F'cast	Target	Var	
<b>Growth</b>											
Total Net Income (excl NSP) £m (Bonus)	67.7	70.8	(3.1)	426.2	444.2	(18.0)	442.9	895.0	900.0	(5.0)	902.4
Operating profit £m (Bonus)	15.2	8.5	6.6	53.1	48.0	5.1	61.0	102.0	102.0	0.0	94.2
Earnings before ITDA and Subsidy £m*	(0.2)	(6.8)	6.7	(46.7)	(51.5)	4.8	(41.5)	(97.2)	(97.2)	0.0	(115.4)
Free cashflow £m	(40.3)	37.5	(77.7)	192.9	172.0	20.8	311.6	(16.3)	(16.3)	0.0	132.2
<b>Customer</b>											
Customer Satisfaction**	87%	88%	(1)%	88%	88%	0%	86%	88%	88%	0%	87%
Easy to do business with (Bonus)**	35%	44%	(9)%	45%	44%	1%	N/A	44%	44%	0%	N/A
Net Promoter score**	(2)	5	(7)	(1)	5	(6)	N/A	5	5	0	N/A
Queue time % < 5 minutes - Top 1k branches	88.7%	83.7%	5.0%	83.5%	78.9%	4.6%	78.9%	81.0%	81.0%	0.0%	80.7%
Horizon availability	99.9%	99.7%	0.2%	99.9%	99.7%	0.2%	99.8%	99.7%	99.7%	0.0%	99.8%
Branch - Compliance (new basket)	95.4%	98.0%	(2.6)%	98.0%	98.0%	0.0%	98.1%	98.0%	98.0%	0.0%	97.8%
<b>People</b>											
Engagement Index % (Once a year) (Bonus)	55%	56%	(1)%	55%	56%	(1)%	55%	56%	56%	0%	55%
(No.) % of BME appointments over total recruits at senior leadership and senior manager	20%	4%	16%	11%	4%	7%	N/A	4%	4%	0%	N/A
(No.) % of Female appointments over total recruits at senior leadership and senior manager	60%	40%	20%	53%	40%	13%	N/A	40%	40%	0%	N/A
<b>Modernisation</b>											
Crown Profit (Loss) £m (Bonus)	(1.3)	(1.2)	(0.1)	(11.9)	(10.5)	(1.4)	(16.6)	(23.0)	(23.0)	0.0	(37.0)
Network Conversions (Mains & Locals) (Bonus)	111	103	8	1,870	1,853	17	269	3,000	3,000	0	1,450

Bonus worthy metrics

\* ITDA Interest, Tax, Depreciation, Amortisation

\*\* Monthly = 3 month average. YTD = 12 month average

Strictly Confidential

## Metrics To Focus On September 2013



Key metrics to focus on (YTD below target) this month include:

Net Income: (Paul/ Kevin)

Net income is £18.0m adverse and is driven primarily by Mails income. The Mails variance was driven by 1st class labels, Lottery, International and Parcelforce.

Net Promoter Score: (Paul)

NPS is negative and is believed to be driven by the RMG pricing changes, privatisation and potential strikes.

Engagement Index: (Susan)

The Engagement Index target is 1% greater than prior year outturn. Although this will not be measured again in the same manner until early 2013-14, a Pulse survey has been sent out in October to give an indication of the current score.

Crown Profit (Kevin)

The Crown profit is £1.4m adverse to budget. Income was £2.0m adverse driven primarily by Mails, but offset by Government Services income. Costs are £0.2m favourable and share from FRES joint venture is £0.4m favourable.

Strictly Confidential



# Cost Management Report



# Staff Cost by Directorate

September 2013

Strictly Confidential



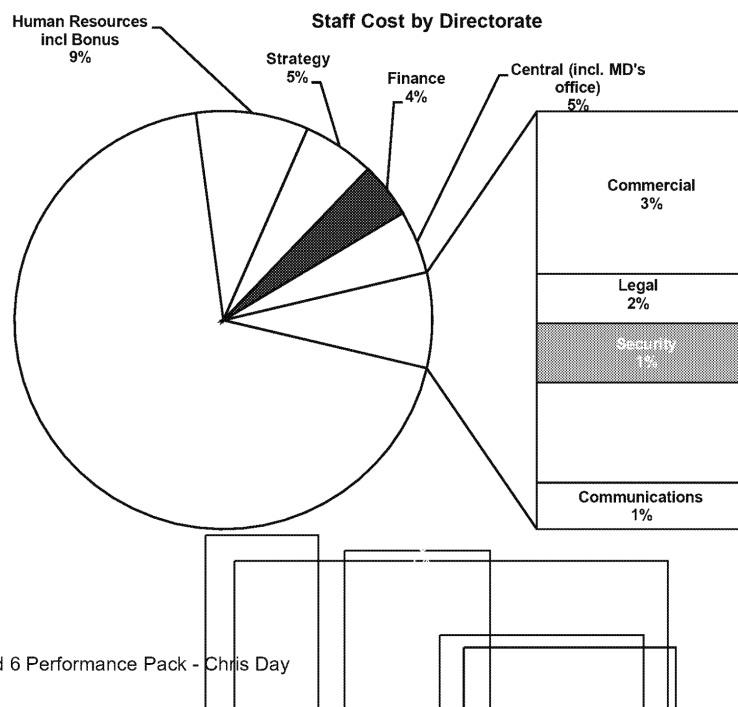
£m	Year to Date			Prior Year YTD		Full Year			YTD Headcount			
Staff Cost by Directorate	Actual	Budget	Variance	Actual	Variance	Q1 Forecast	Budget	Variance	%	Actual	Budget	Variance
Central (incl. MD's office)	(6.5)	(4.8)	(1.7)	(2.1)	(4.3)	(10.8)	(9.6)	(1.2)	0%	14	15	1
Commercial	(3.7)	(3.7)	(0.1)	(3.1)	(0.6)	(7.4)	(7.4)	0.0	1%	118	111	(7)
Communications	(1.1)	(1.1)	0.1	(0.9)	(0.2)	(2.3)	(2.3)	0.0	1%	47	35	(12)
Human Resources	(2.3)	(2.4)	0.1	(2.4)	0.2	(4.8)	(4.8)	(0.0)	1%	114	110	(4)
HR - Centrally Held Bonus Payments	(9.0)	(9.0)	(0.0)	(9.0)	(0.1)	(18.0)	(18.0)	0.0	-	-	-	-
Financial Services	(2.3)	(2.2)	(0.1)	(1.0)	(1.3)	(4.5)	(4.5)	0.0	3%	261	70	(191)
Finance	(5.6)	(5.9)	0.3	(4.9)	(0.7)	(11.8)	(11.8)	0.0	3%	244	264	20
Network	(90.2)	(90.8)	0.6	(94.4)	4.2	(178.5)	(178.5)	(0.0)	86%	6,874	7,176	302
Supply Chain	(28.1)	(27.9)	(0.3)	(27.7)	(0.5)	(55.1)	(55.1)	0.0	20%	1,594	1,574	(20)
Crowns	(52.2)	(52.3)	0.1	(57.1)	5.0	(102.1)	(102.1)	(0.0)	54%	4,314	4,462	148
Other Network	(9.9)	(10.6)	0.8	(9.6)	(0.3)	(21.3)	(21.3)	0.0	5%	413	501	88
CTP and NTP Heads (Costs in exceptionals)									7%	553	639	86
Legal	(1.1)	(1.2)	0.1	(1.1)	(0.0)	(2.5)	(2.4)	(0.1)	1%	45	30	(15)
Security	(1.4)	(1.3)	(0.0)	(1.4)	0.0	(2.7)	(2.7)	0.0	1%	54	57	3
Strategy	(7.2)	(7.0)	(0.2)	(6.4)	(0.9)	(14.1)	(14.2)	0.1	3%	228	239	11
<b>Total Staff Costs</b>	<b>(130.4)</b>	<b>(129.6)</b>	<b>(0.8)</b>	<b>(126.7)</b>	<b>(3.7)</b>	<b>(257.3)</b>	<b>(256.1)</b>	<b>(1.2)</b>	<b>100%</b>	<b>7,999</b>	<b>8,107</b>	<b>108</b>

PY Actual

PY Variance

7,912

(87)



YTD Staff Costs are £0.8m adverse to budget.

This variance to budget includes higher bonus payments relating to the prior year and a shortfall against savings risks in Supply Chain and held centrally, this is partly offset by the pay award budget as no pay award for 2013-14 has been offered at this stage.

Vs. Prior Year

The staff costs are £3.7m adverse to prior year including the impact of the higher IAS19 pension rate reflecting market conditions at March 2013, pay increases and higher bonus incentives costs.

Headcount of 7,999 is 108 below plan and is due to vacancies within the Network directorate, both Crowns and transformation projects. The adverse variance in Financial Services (FS) is offset by a favourable variance in Network. This is due to some of the Financial Specialists transferring from Network to FS. The remainder are due to transfer over the coming months and once complete the headcount budget will also be transferred.

Vs. prior year headcount has increased by 87 primarily due to NTP and separation strengthening.

Note: The budget is flat for all directorates, with only the Crown savings being the difference between each month.

# Non Staff Cost by Directorate & Type

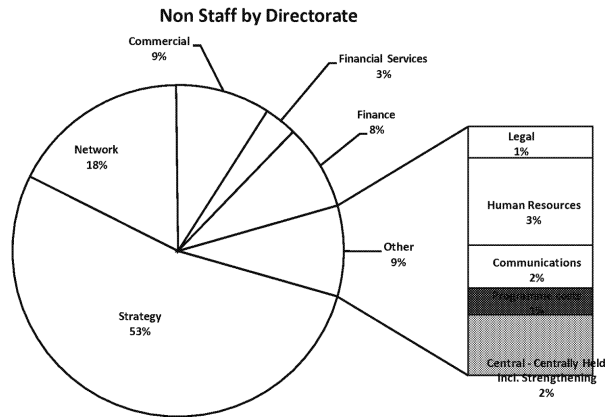
September 2013

Strictly Confidential



£m	Year to Date			Prior Year YTD		Full Year		
Non- Staff Cost by Directorate	Actual	Budget	Variance	Actual	Variance	Q1 Forecast	Budget	Variance
Central - Centrally Held incl. Strengthening	(1.8)	(2.9)	1.2	(0.8)	(1.0)	4.6	1.3	3.3
Commercial	(7.6)	(7.6)	0.1	(8.2)	0.7	(15.5)	(15.5)	0.0
Communications	(1.3)	(1.2)	(0.1)	(0.7)	(0.5)	(2.1)	(2.1)	0.0
Finance	(6.8)	(6.4)	(0.4)	(3.2)	(3.6)	(12.6)	(12.6)	0.0
Financial Services	(2.6)	(3.3)	0.7	(2.7)	0.1	(5.3)	(5.3)	0.0
Human Resources	(2.5)	(3.1)	0.5	(1.9)	(0.6)	(6.1)	(6.1)	0.0
Network	(14.2)	(13.3)	(0.9)	(14.3)	0.1	(27.9)	(27.9)	(0.00)
Supply Chain	(7.2)	(7.4)	0.2	(7.6)	0.4	(15.4)	(15.4)	(0.00)
Crowns	(1.7)	(1.4)	(0.3)	(1.8)	0.1	(2.1)	(2.1)	0.0
Other Network	(5.4)	(4.6)	(0.8)	(5.0)	(0.4)	(10.4)	(10.4)	(0.00)
Legal	(0.9)	(0.9)	0.0	(0.6)	(0.3)	(1.9)	(1.9)	0.0
Security	(1.2)	(1.05)	(0.1)	(1.3)	0.1	(2.5)	(2.5)	0.0
Programme costs	(0.8)	0.0	(0.8)	(0.0)	(0.8)	0	0	0.0
Strategy	(43.4)	(42.1)	(1.3)	(40.9)	(2.5)	(91.2)	(87.4)	(3.8)
<b>Total Non Staff Costs</b>	<b>(83.0)</b>	<b>(81.9)</b>	<b>(1.1)</b>	<b>(74.8)</b>	<b>(8.2)</b>	<b>(160.5)</b>	<b>(160.0)</b>	<b>(0.5)</b>

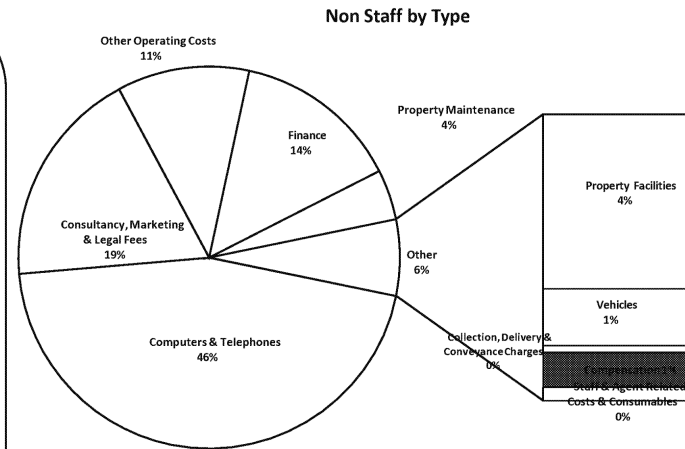
£m	Year to Date			Prior Year YTD		Full Year		
Non- Staff Cost by Type	Actual	Budget	Variance	Actual	Variance	Q1 Forecast	Budget	Variance
Computers & Telephones	(37.9)	(36.4)	(1.5)	(36.0)	(1.9)	(75.9)	(75.9)	(0.0)
Other Operating Costs	(9.3)	(8.9)	(0.5)	(9.9)	0.5	(16.1)	(15.6)	(0.5)
Consultancy, Marketing & Legal Fees	(15.5)	(14.7)	(0.8)	(12.0)	(3.5)	(29.5)	(29.5)	(0.0)
* Skills Group external contractors	(6.8)	(6.0)	(0.9)	(5.8)	(1.0)	(11.9)	(11.9)	0.0
Remainder	(8.6)	(8.7)	0.1	(6.2)	(2.4)	(17.6)	(17.6)	(0.0)
Finance	(11.8)	(11.7)	(0.1)	(9.1)	(2.7)	(17.2)	(17.2)	(0.0)
Property Facilities	(3.3)	(2.6)	(0.7)	(3.0)	(0.2)	(6.2)	(6.2)	0.0
Property Maintenance	(3.6)	(3.4)	(0.1)	(2.8)	(0.7)	(6.9)	(6.9)	(0.0)
Vehicles	(1.1)	(1.2)	0.1	(1.2)	0.1	(2.4)	(2.4)	0.0
Compensation	(0.7)	(1.2)	0.6	(0.6)	(0.1)	(2.6)	(2.6)	(0.0)
Collection, Delivery & Conveyance Charges	(0.1)	(0.2)	0.0	(0.6)	0.5	(0.3)	(0.3)	0.0
Staff & Agent Related Costs & Consumables	0.3	(1.7)	1.9	0.4	(0.1)	(3.4)	(3.4)	0.0
* Skills Group off-charges to projects	8.6	7.5	1.0	8.1	0.5	0.0	0.0	0.0
Remainder	(8.3)	(9.2)	0.9	(7.7)	(0.7)	(3.4)	(3.4)	0.0
<b>Total Non Staff Costs</b>	<b>(83.0)</b>	<b>(81.9)</b>	<b>(1.1)</b>	<b>(74.8)</b>	<b>(8.2)</b>	<b>(160.5)</b>	<b>(160.0)</b>	<b>(0.5)</b>



Variance  
YTD non people costs were £1.1m adverse to budget and £8.2m adverse to prior year.

Vs. Budget  
Costs were £1.1m adverse to budget and this is driven by Horizon/ Fujitsu costs, which were budgeted for the prior year, but have been incurred this financial year.

Vs. Prior Year  
Cost were £8.2m adverse to prior year. This increase is driven by the FX bureau rebate received in previous years, but which ceased from period 6 last year. The remainder is due to higher Fujitsu costs this year as outlined in the explanation vs. budget above, increased marketing costs as there was more POOC one off Brand marketing last year, which reduced the normal marketing and increased legal costs driven by Separation.



\* Skills group is the internal 'consultancy' providing project resource made up of a mixture of employees topped up with contractors. If demand is high the contractor spend increases but this is offset by higher recharges to projects.

**Cost Management update**

September 2013

Strictly Confidential



## Progress since September 2013 Board Paper

## Value and confidence

- Work to firm-up values and implementation plans has resulted in some changes at an individual initiative level.
- The net impact of these on Value and Confidence is an upward movement in FY13/14 (£0.4m) and in FY14/15 (£0.4m). Confidence has increased for both years.

## Delivery and governance

- Milestone plans are now in place for the FY13/14 deliverables and progress is on track.
- FY14/15 initiatives fall into two categories – those that have a defined value attached to them and those that are currently at too early a stage:
  - Milestone plans are in place for those initiatives that have a value attached to them.
  - To allow the teams to focus on delivery of those more advanced propositions, the other initiatives are being held centrally for work at a later date.
- FY13/14 benefits have been built into the latest Q2 Forecast and delivery will be tracked through normal Business performance Management. FY14/15 initiatives have been build into the Directorate level budget planning targets.

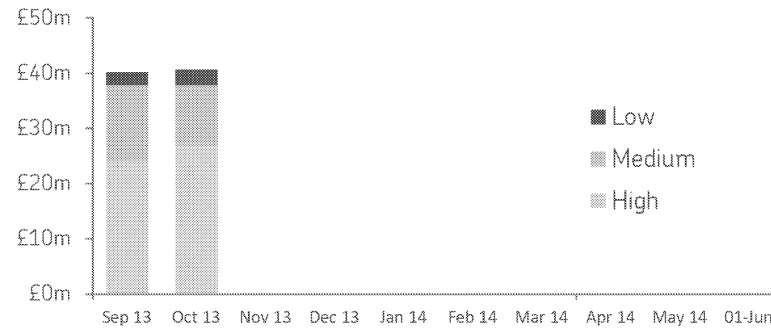
## Enablers

A key decision to be made is how we propose to manage the people implications of the Cost Management. In the current list of cost reductions for FY14/15, £9m is delivered through staff reductions. A recommendation will be presented to the 12 November ExCo.

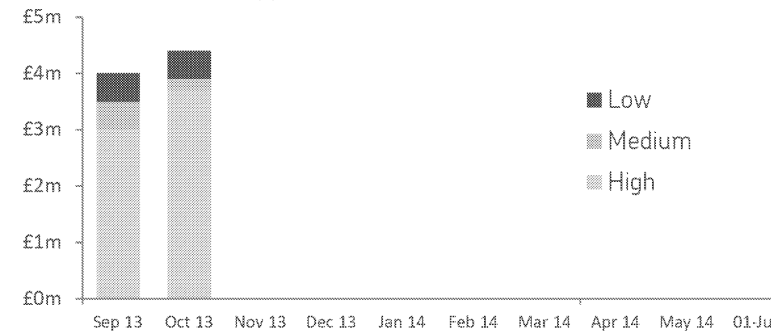
## Strategic initiatives for FY15/16 and beyond

Work is underway within the Directorate teams and Finance to develop the strategic cost management initiatives that will deliver the goals for FY15/16 and beyond, particularly in the context of the emerging new Operating model. Potential opportunities are to be submitted by end November.

Cost reduction opportunities: Confidence and value FY14/15



Cost reduction opportunities: Confidence and value FY13/14



Overview of high impact initiatives (excluding CTP)	Directorate	FTE impact	FY14/15 (£m)			
			Confidence			Total
			L	M	H	
- Procurement savings in Network and Supply Chain (£2.6m Facilities Management; £2.0m Fleet Maintenance; £0.5m Official Mails)	Network & Supply Chain			3.5		3.5
- Reduce cash delivery frequency and move to single person operation	Supply Chain	50		1.8		1.8
- Marketing spend efficiencies	Commercial			1.6		1.6
- Reduce cost and volume of Official Mail	Finance		1.0	0.5		1.5
- Restructure product and marketing to reduce duplication and increase customer focus	Commercial	8		0.7		0.7
- Manchester Cash Centre Closure	Supply Chain	20			0.7	0.7
- Restructure Audit and Training team in the Agency network	Network	20		0.7		0.7
- Deliver remainder of Finance Roadmap Programme savings	Finance	15			0.7	0.7
- Restructure call centres transferring from Royal Mail and improve efficiency	Network	20			0.6	0.6



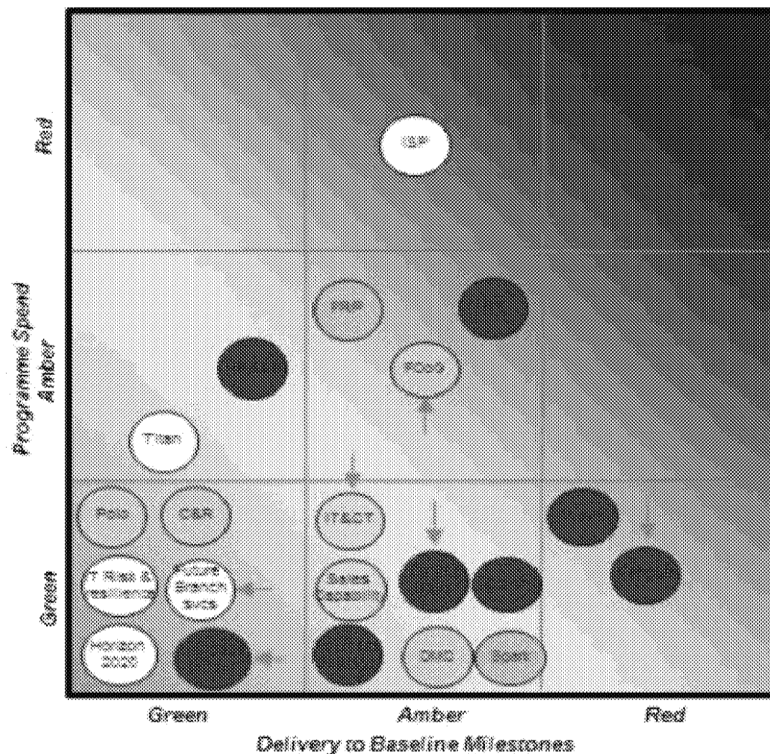
## Transformation Delivery Heat-map

September 2013

Strictly Confidential



Highlights heatmap status of key transformation programmes, and points of escalation to Transformation Board on selected projects including resulting Transformation Board action / guidance. Also highlights wider points of discussion / action.



○ Colour of Circle reflects 13-14 financial benefits  
 → Shows movement from last period

### Transformation Board (TB)- Key Points of Focus

**Crown Transformation** - Branch transformation is underway with 5 transformed and 13 in progress. 16 W H Smiths franchises have been announced and are in public consultation. The automation pilot is on track for November with the printer issue now resolved, but leaving no contingency for further delays. In-year cost savings expected to be £0.7m below the £8m target, but income shortfall is the most significant risk to achieving the crown benefit targets. Analysis of the half-year performance and forecast will now inform the programme board consideration of next steps.

**Network Transformation** - Planning for implementation of revised approach under new strategy is underway, pending agreement with NFSP and BIS, in order achieve the scale of conversions required. Contracts signed so far are slightly ahead of current year target, but at risk for Q3 while the strategy negotiations remain ongoing.

**Wave** - Transformation Board discussed the implications of the development of the mobile solution with Fujitsu stalling (following their commercial position changing and their unwillingness to provide a genuine managed service). It was agreed that moving away from Fujitsu would not have a detrimental impact on other negotiations with them. Alternative delivery options will be presented in November to meet commercial objectives.

**Separation** - Analysis is underway to confirm the approaches and target dates for HR, Finance and tower related projects (EUC, IT Networks) in the context of latest agreements on approach with Royal Mail. Findings will be presented back senior management of both organisations end of October to agree next steps and any resulting change in plans.

**Finance Roadmap** - A revised go-live date of 1st July 2014 is now agreed with RMG. The FMI project is now integrated with the core system replacement into a single programme, now moving from Blueprint to Build. The decision to move to build was made with the recognition that an element of the spend may be non recoverable if subsequently a strategic decision to BPO Finance is taken.

**HP&BB** - Data migration is complete, network migration is on track and billing has commenced in small volumes, but there are continuing call centre performance problems, although no significant increase in customer churn has been detected. A programmatic approach to resolving the call centre issues is now in place and Fujitsu has restructured its service management team to give better focus on the key areas. 130 additional call centre heads are being deployed and 50 additional back office heads are being deployed. Fujitsu is also looking at other opportunities to bring in more resource in the short-term. This has seen performance improve but it is still poor. The plan provided by Fujitsu should see the customer experience getting to acceptable levels by the end of October.

Transformation Board Scorecard  
September 2013

Strictly Confidential



Portfolio	Business Owner	Programme / Project	Business Capability	Target (RAG)	Actual	Full Year Target (RAG)	Full Year Forecast	Business Outcomes (in year)	Cumulative to P4		Full Year Contribution		
									Target (RAG)	Actual	Full Year Target (RAG)	Full Year Forecast	Annual Plan (baseline)
DMC	Spencer Champan	Digital & Multi Channel	Interim Mobile optimised live			Jun-13	Oct-13	mobile channel sales growth (from Sept)	TBC	TBC	TBC	TBC	N/A
			Common digital platform initial functionality live			Apr-14	Apr-14	Reduction in running costs (from 14/15)	N/A	N/A	N/A	N/A	N/A
			Customer Management Strategy implementation			Nov-13	Apr-14	cross sale/upsale customer growth	TBC	TBC	TBC	TBC	N/A
Financial Services	Jeremy Law	Improving Sales Capability	Enhanced Salesforce (sales per FS per week)	2.5	5.3	9	9	contribution from increased sales, cross sales	Under review	Under review	£2,200K	£2,200K	£2,200K
	John Willcock	MMR and Mortgage Rollout	New: Customer Appointments per FS per day **	2.8	2.83	4	4	contribution (in year target)	£110k	£68K	£1,500K	£1,200K	£1,100K
	John Willcock	POLO	MMR compliance & additional sales per MS per month	1.5	1	2.5	2.5	number of account applications	N/A	1380	N/A	3583	N/A
	John Willcock	POLO	POC Launched	May-13	May-13	May-13	May-13	number of account sales	N/A	680	N/A	2500	N/A
	Paul Havenhand	Travel Insurance (Titan)	National Roll Out	2014 TBC		TBC		FS revenue growth (not in year)	N/A	N/A	N/A	N/A	N/A
	Alan Smith	General Spend Card	Internal insurance product capability in place			Jul-14	Jul-14	contribution from new product	0	0	£3,300K	£300K	£497K*
	Alan Smith	Payments Strategy	Product roll out	0	0	Oct-13	Feb-14	contribution from new product	0	0	£500K	£393K	£550K
FOoG	Kevin Seller	DVLA Service extension	June go live (extended services implemented 24 June 13)	Jun-13	Jun-13	Jun-13	Jun-13	contribution from new services	0	0	£1,000k *	TBC	£1,000k
	Kevin Seller	Identity Assurance	Ready to enter IDA market			Oct-13	Oct-13	contribution from new service	0	0	£1,076k	£1K	£1,076k
	Kevin Seller	Stakeholder and Comms. Delivery Plan	Govt Commit to POCA extension	Jun-13	TBC	Jun-13	TBC	Wider Use of DVLA Framework	0	0	TBC	TBC	TBC
	Kevin Seller	UKBA	Product launched in prior year					Sales Revenue	£1,910	£2,628K	£4,332k	£4,332k	£5,000K
Mails	Eamon Price	Small Business Club (online mails)	Small Business online payment and acc.mgt			Jan-14	Mar-14	incremental contribution from online mails	0	0	£450k	0	£400K
	Eamon Price	Collections and Returns	full functionality - capacity planning and out of hours	Jul-13	Jul-13	Jul-13	Jul-13	contribution from new product	0	0	£1,000K	£1,000K	£1,000K
Tele	Jeremy Woodrow	Wave (Mobile proposition)	Mobile proposition pilot launched			Mar-14	Jun-14	contribution from new product	0		£750k	0	£750k
	Jeremy Woodrow	Home Phone & Broad Band Migration	Successful migration of customers to Fujitsu	Sep-13	Sep-13	Sep-13	Sep-13	Increased contribution (cost savings & growth)	0		£3,100k	0	£3,100k
	Stewart Fox-Mills	Marketing	Net Promoter Score - rolling 12 months	1.5	-1	5	5						
Crown	Harry Clarke	Crown Transformation	Branch franchise	0	0	16	26	Cost reduction from franchising	0	0	£1,006	£1,400k	£1,500
			New Self Service machines rolled out	0	0	262	189	Staff savings supported by automation	0	0	£1,767k	£547	£546.6k
			Number of new format branches rolled out	0	0	117	117	Cost reduction from other programme activity	£963	900	£5,203k	£5,389	£5,282
NT	Neil Ennis	Network Transformation Programme	Contracts signed - Target	1,853	1,870	3,000	3,000	Average queuing time in new format branches	5 Min	01:05	5 Mins	5 Mins	5 Mins
			Branches open - Plan	1,296	1,095	1,950	1,950	Customer satisfaction	90%	96%	90%	90%	90%
								Ave increase in opening hours	40%	69%	40%	40%	40%
IT&C	Dave Hulbert	IT Transformation & Transition	SISD in place (Q3 TBC).			Oct	Oct	Cost reduction	0	0	0	0	0
			All towers awarded			March	TBC	Value of contracts in towers	0	0	0	0	0
Sep	Neil Wilkinson	Separation	Separation of business & IT systems (services by quarter)	0	0	22	22	Separation of Business functions end Mar 2014 (IT systems Sept 2014)	N/A	N/A	N/A	N/A	N/A
	Peter Goodman	Finance Transformation Programme	Core Finance system implemented			Apr-14	Jul-14		N/A	N/A	N/A	N/A	N/A
			Process improvements implemented (number of)	1	1	5	5	Headcount reduction	TBC	TBC	£292K	£292K	£292K
	Belinda Crowe	Mutualisation	Public purpose of PO agreed by BIS & Board			Jan-14	Jan-14						

\* Benefits shown as income pending establishment of contribution measure

\*\* Targets to be reset in line of revised &amp; approved business case next month, turning the RAG to Amber

DMC  
Customer Management Strategy business case agreed, acting as key enabler to help deliver sales targets in 2020 strategy. Implementation date to be rebaselined.

Financial Services  
Sales capability benefits under review, current plans in place, inc. incentive scheme, FS area mgrs, & changes to sales process.

FOoG  
IDA timings & benefits at risk due to uncertainty of scope and timing of govt implementation

Mails  
Some risk to benefits but working to mitigate

Telephony  
HPBB migration completed. No net benefits in-year, however long term benefits expected to be achieved.

Marketing  
NPS not recovered from dip following mails price changes

Crown  
Franchise benefits look safe, but staff saving lower in-year because of implementation delay.

NTP  
Cost reduction forecast lower because of lower proportion of locals



## Network Transformation Scorecard

Strictly Confidential



September 2013 Reporting prior months data (i.e. one month in arrears)

Sample size is still small but provides a starting point to build on. All branches in the financial section have been operating for greater than 12 months to allow for steady state, and branches that had previously received overscale / one off payments have been removed to provide a clean baseline.

Key Performance Indicators		Actual	Target	Var	Actual Sample Size	Commentary
MAINS		Converted > 12 months 7				Mains
POL	Finance Approved Investment per Mains £000	(39)	(39)	0	7	<p>Financial performance</p> <p><u>Total Income</u> - Overall income for the branches live 12-24 mths have increased when compared with the control group. 3 of the branches live between 24-36 are also performing better than the control group. 1 is performing better than the others c. +41% and if this were to be removed the overall impact would be (-7%) vs (-5%).</p> <p><u>Focus income</u> - Product mix has a significant impact on such a small sample. Cash Withdrawals, Parcelforce 24/48 and International Standard are performing well in most of the branches whilst Growth Bonds and E Top ups are weaker. 1 branch in the 12-24 group is performing stronger than the control group on travel money and special delivery. Some of the branches in the 24-36 group appear to be performing weaker in products such as insurance, credit cards and international priority products. The demographics of the branch will have an impact on the result</p> <p><u>Agents pay</u> - Higher than in the control group, with 1 branch performing well in travel money and special delivery. Branches in sample receive new Mains pay rates that are favourable to previous rates.</p> <p>Non financial performance</p> <p>Customer satisfaction consistently above 90% for both Mains and Locals.</p>
	Total Income: Post vs Pre Conversion					
	Branches live 12-24 months	34%	(5)%	39%	2	
	Branches live 24-36 months	3%	(5)%	9%	5	
	Focus Income: Post vs Pre Conversion					
	Branches live 12-24 months	38%	2%	36%	2	
	Branches live 24-36 months	1%	2%	(1)%	5	
Agent	Agents Remuneration: Post vs Pre Conversion	38%	(7)%	44%	2	
	Operator Feedback on Retail Sales Performance	13%	9%	4%	85	
Customer	Average Increase in Opening Hours	35%	20%	15%	510	
	Customer Satisfaction	98%	90%	8%	1,723	
LOCALS		Converted > 12 Months 54				Locals
POL	Finance Approved Investment per Local £000	(11)	(11)	0	0	<p>Financial performance</p> <p><u>Income</u> - Branch performance ranges from -40% to +100% so there isn't a consistent pattern in this population. The Local model assumption was that income would reduce by c.5% due to the removal of certain products. 17 branches are performing better than this against products such as lottery.</p> <p><u>Agents pay fixed savings</u> - Savings in line with strategic plan target.</p> <p>Non financial performance</p> <p><u>Customer sessions</u> - Strong performance compared to income. Implies greater footfall but lower value transactions. Further analysis underway.</p> <p><u>Customer Satisfaction</u> - Jun - Aug 13 Data (Lower average monthly score caused by 2 local branches. Under investigation with field visits taking place).</p>
	Total Income: Post vs Pre Conversion			0		
	Branches live 12-24 months	(8)%	(4)%	(4)%	49	
	Branches live 24-36 months	(11)%	(5)%	(6)%	5	
Agent	Annualised Agents Fixed Pay savings per conversion £000	10	10	0	0	
	Customer Sessions 12- 24 months	2%	(3)%	5%	47	
	Customer Sessions 24- 36 months	2%	(5)%	7%	5	
Customer	Operator Feedback on Retail Sales Performance	12%	9%	3%	81	
	Average Increase in Opening Hours	115%	80%	35%	445	
	Customer Satisfaction	93%	90%	3%	1,453	

Financial targets reflect the equivalent performance of the control group (2899 Mains and 5015 Locals)

988 live branches within the 1759 contracts signed - August 2013

0-12 Months (Sept 12 - Aug 13) - 754

12-24 Months (Sept 11- Aug 12) - 131

&gt; 24 Months (prior to Sept 2011) - 103

Note: The scorecard includes 31 branches of the 119 (12-24 months) and 10 branches of the 94 (24-36 months).

Branches with a break in customer session or branches that had previously received overscale payments have been excluded.

## Project Costs (OpEx)

September 2013

Strictly Confidential



The overall YTD expenditure is lower than budget, but with variances between projects.

£m		Current Month			Year To date			Full Year		
Directorate	Programme	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	POLIC Approved to Date
Commercial	Brand Marketing	(0.1)	0.0	(0.1)	(0.5)	0.0	(0.5)	(0.4)	0.0	0.0
	Customer Engagement	(0.1)	0.0	(0.1)	(4.5)	(5.8)	1.3	(5.8)	(5.8)	0.0
	Digital & Multi Channel	(0.1)	(0.1)	0.0	(0.5)	(0.3)	(0.2)	(0.6)	(0.6)	(0.5)
	FOoG	(0.2)	(0.2)	(0.0)	(1.4)	(1.0)	(0.4)	(2.0)	(2.3)	(1.6)
	Mails	(0.1)	(0.1)	(0.0)	(0.8)	(0.6)	(0.2)	(0.4)	(2.0)	(0.7)
	Telephony	(0.1)	(0.2)	0.1	(1.8)	(2.2)	0.4	(3.3)	(3.6)	(0.9)
Financial Services	Financial Services	(0.7)	(0.7)	(0.0)	(2.7)	(3.4)	0.7	(6.5)	(7.5)	(7.9)
Communications	Communications	(0.0)	(0.0)	(0.0)	(0.0)	(0.5)	0.5	(0.7)	(1.0)	(0.6)
Network & Sales	Network Other	(0.0)	0.0	(0.0)	(0.1)	0.0	(0.1)	(0.1)	0.0	0.0
	Network Transformation	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0
	Property	0.2	(0.1)	0.3	(0.3)	(0.3)	0.1	(0.5)	(0.5)	(0.3)
	Supply Chain	(0.1)	0.0	(0.1)	(0.4)	0.0	(0.4)	(0.7)	0.0	(0.6)
IT & Change	Branch POS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	IT Delivery	(0.4)	(0.1)	(0.3)	(0.5)	(0.6)	0.0	(0.6)	(1.1)	(0.7)
Corporate Services	Corporate Services	(0.3)	(0.2)	(0.2)	(1.6)	(0.2)	(1.3)	(3.2)	(1.1)	(0.9)
	Independence & Separation	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.2)	0.0
Finance	Finance	(0.0)	0.0	(0.0)	(0.3)	0.0	(0.3)	(0.3)	0.0	(0.1)
Strategy	Independence & Separation	(0.0)	(0.1)	0.1	(0.2)	(0.3)	0.1	(0.7)	(0.5)	0.0
Centrally Held		0.8	(0.3)	1.1	(0.2)	(3.0)	2.9		(8.8)	0.0
POOC Total		(1.3)	(2.0)	0.7	(15.8)	(18.2)	2.5	(25.9)	(35.0)	(14.9)
Under programmed								(4.1)		
POOC Total		(1.3)	(2.0)	0.7	(15.8)	(18.2)	2.5	(30.0)	(35.0)	(14.9)

OpEx £2.5m under investment

Current month £0.7m and YTD £2.5m favourable.

Brand Marketing  
£0.5m adverse is offset against the underspend in Customer Engagement net position £0.8m favourable.

Customer Engagement  
£1.3m favourable, £0.5m to offset Brand Marketing.  
Budget was for 2013-14 activity which has not commenced, but has been used to cover the 2012-13 costs that were delayed into this year.

FOoG  
£0.4m adverse relating to unbudgeted projects.

Supply Chain  
£0.4m adverse relates to the North West Cash centre move, where the spend was budgeted as CapEx.

Corporate Services  
£1.3m adverse due to the £0.5m Fraud Software analysis project which had approval spend in 2012-13, but was delivered in 2013-14, and £0.8m other unbudgeted activities.

Independence &amp; Separation : Now mostly Exceptional .

Finance  
£0.3m adverse relates to FRP to be transferred to CapEx in P7.

Under Programmed £4.1m.  
This is to mainly due to £2.8m Independence & Separation cost transferred to Exceptional.

## Project Costs (CapEx and Exceptionals)

Strictly Confidential

September 2013

Both CapEx and Exceptional costs are underspent against budget, driven by NT and CTP.



CapEx		Current Month			Year To date			Full Year		
Directorate	Programme	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	POLIC Approved to Date
Commercial	Brand Marketing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Customer Engagement	0.0	(0.1)	0.1	0.0	(0.4)	0.4	(1.1)	0.0	0.0
	Digital & Multi Channel	(0.0)	0.0	(0.0)	(0.4)	0.0	(0.4)	(1.3)	(1.6)	(0.1)
	FOoG	(1.0)	(0.3)	(0.7)	(1.7)	(2.0)	0.3	(2.8)	(4.1)	(1.2)
	Mails	(0.1)	(0.0)	(0.1)	(0.5)	(0.1)	(0.4)	(2.2)	(0.8)	(2.7)
	Telephony	0.0	(0.1)	0.1	(0.5)	(0.1)	(0.4)	(0.7)	(0.2)	0.0
Financial Services	Financial Services	(0.0)	(0.5)	0.5	(0.0)	(1.9)	1.9	(5.4)	(6.7)	(1.5)
Communications	Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Network & Sales	Crown Transformation	(0.3)	(2.5)	2.3	(1.8)	(7.5)	5.7	(30.5)	(36.1)	(36.1)
	Network Other	0.0	0.0	0.0	0.0	0.0	0.0	(1.3)	(1.8)	(1.3)
	Network Transformation	(2.6)	(4.8)	2.1	(10.6)	(27.5)	17.0	(57.4)	(50.6)	0.0
	Property	(0.4)	(0.6)	0.2	(1.2)	(2.9)	1.7	(6.8)	(5.4)	(1.6)
	Supply Chain	(0.9)	(1.7)	0.8	(3.0)	(4.4)	1.3	(11.1)	(12.0)	(8.2)
IT & Change	Branch POS	0.0	(1.1)	1.1	0.0	(3.1)	3.1	(4.6)	(8.8)	0.0
	IT Delivery	(0.7)	(2.0)	1.4	(9.8)	(6.8)	(3.1)	(25.7)	(17.2)	(8.4)
	IT Transformation	(0.0)	0.0	(0.0)	(0.2)	0.0	(0.2)	(0.2)	0.0	0.0
Corporate Services	Corporate Services	(0.1)	0.0	(0.1)	(0.4)	0.0	(0.4)	(1.5)	0.0	(1.5)
	Independence & Separation	(0.4)	(1.5)	1.1	(2.3)	(5.4)	3.2	(18.4)	(19.3)	(8.9)
Finance	Finance	(0.4)	(0.3)	(0.1)	(2.0)	(1.7)	(0.3)	(3.8)	(3.5)	(3.4)
Centrally Held		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Old Projects		(0.0)	0.0	(0.0)	(0.5)	0.0	(0.5)	(0.4)	0.5	0.0
Capex Total		(6.9)	(15.6)	8.7	(35.1)	(63.9)	28.8	(175.1)	(167.5)	(75.1)

CapEx - £28.8m under investment

Current month £8.7m and YTD £28.8m favourable.

The favourable variance is mainly driven by Crown (£5.7m) and Network Transformation (£17m) Programmes tracking behind planned activities.

IT Delivery  
£3.1m adverse mainly due to phasing of Risk & Resilience.

Property  
£1.7m favourable due to £1.2m of costs transferred to Crown Transformation.

Corporate Services  
£0.4m adverse relating to unbudgeted projects.

Independence & Separation  
YTD is £3.2m favourable, this mainly due to a combination of projects (E-Business, HR Systems and IT Towers ) behind schedule.

Exceptional		Current Month			Year To Date			Full Year		
Directorate	Programme	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	POLIC Approved to Date
Network & Sales	Crown Transformation	(4.0)	(0.8)	(3.2)	(7.6)	(7.3)	(0.3)	(37.5)	(29.4)	(29.4)
	Network Transformation	(7.7)	(9.1)	1.4	(40.6)	(54.5)	13.9	(68.5)	(128.7)	(128.7)
	Supply Chain	0.0	(1.1)	1.1	0.0	(2.8)	2.8	(4.6)	(6.1)	(1.1)
IT & Change	IT Transformation	(1.0)	(1.3)	0.2	(4.6)	(5.5)	0.9	(19.1)	(15.0)	(18.0)
Corporate Services	Independence & Separation	(0.7)	(0.3)	(0.4)	(3.0)	(1.1)	(1.9)	(6.1)	(0.2)	(3.9)
Other	Cost reduction	0.0	(0.4)	0.4	0.0	(1.4)	1.4	(4.0)	(5.0)	0.0
Exceptional Total		(13.5)	(13.0)	(0.5)	(55.9)	(72.6)	16.9	(139.9)	(184.4)	(181.1)

Exceptional - £16.9m under investment

Current month £0.5m &amp; Year to Date £16.9m favourable.

The favourable variance in the month & YTD is mainly driven by Network transformation programme & Supply Chain (North West Cash Centre & Supply Chain Strategy) tracking behind planned activities.

Strictly Confidential



# Appendices



## Network Transformation Scorecard Metric Definitions/ Rationale

Strictly Confidential

September 2013

Reporting Prior Months data (one month in arrears)



	Key Performance Indicators	Metric	Rationale
MAINS			
Converted > 12 months		Source: NTP database	Source: NTP database
POL	Finance Approved Investment per Mains £000	Average investment spend approved for number of branches	Recognise investment spend
	Total Income: Post vs Pre Conversion		
	Branches live 12-24 months	Total Variable Income - Source: Credence*	Review impact on POL income as a result of converting to new models
	Branches live 24-36 months	Current month vs same period pre conversion	
	Focus Income: Post vs Pre Conversion		
	Branches live 12-24 months	Total Focus Income - Source: Credence*	Review impact on POL focus income to assess the sales model post conversion
	Branches live 24-36 months	Current month vs same period pre conversion	
Agent	Agents Remuneration: Post vs Pre Conversion	Total agents remuneration excluding overscale and NI/VAT. Current month vs same period pre conversion	Assess the impact on income for our agents as a result of POL business
	Operator Feedback on Retail Sales Performance	Source: Operator survey issued to branches 2 months after opening starting in Aug 12	Indicative retail performance for Agents
Customer	Average Increase in Opening Hours	Based on systems data of open hours	Assess the impact of extended hours for our customers
	Customer Satisfaction	Exit interviews conducted by research company Brass at recently transformed branches	Indication of customer experience
LOCALS			
Converted > 12 Months		Branches converted greater than 12 months	Branches converted greater than 12 months
POL	Finance Approved Investment per Local £000	Average investment spend approved for number of branches	Assessment of investment spend
	Total Income: Post vs Pre Conversion		
	Branches live 12-24 months	Total Variable Income - Source: Credence*	Review impact on POL income as a result of converting to new models
	Branches live 24-36 months	Current month vs same period pre conversion	
Agent	Annualised Agents Fixed Pay savings per conversion £000	Fixed pay saving per branch vs the strategic plan assumptions	Assess the savings to POL
Agent	Customer Sessions 12- 24 months	Source: MI Database	Measurement of footfall for an Agent
	Customer Sessions 24- 36 months		
	Operator Feedback on Retail Sales Performance	Source: Operator survey issued to branches 2 months after opening starting in Aug 12	Assess impact of increased revenue from retail
Customer	Average Increase in Opening Hours	Based on systems data of open hours	Assess the impact of extended hours for our customers
	Customer Satisfaction	Exit interviews conducted by research company Brass at recently transformed branches	Indication of customer experience

\* Same income factor used for each year. Performance is impacted by sales and product mix.



## Cashflow Statement &amp; Balance Sheet Summary

Strictly Confidential



September 2013

Balance Sheet

£m	Mar-13	P6		
		Actual	Budget	Variance
Fixed Assets	71	94	92	2
Debtors	122	123	107	16
Cash	870	825	827	(2)
Client Balances	(288)	(219)	(214)	(5)
Trade Creditors	(362)	(512)	(517)	5
Pension (deficit)/surplus	97	145	71	74
Provisions	(26)	(30)	(14)	(16)
Investments, Funding	95	(5)	87	(92)
Loan	(291)	0	(110)	110
<b>Net Assets</b>	<b>288</b>	<b>421</b>	<b>329</b>	<b>92</b>

Reserves	Mar-13	Actual	Budget	Variance
Capital and Reserves	(288)	(421)	(329)	(92)
	<b>(288)</b>	<b>(421)</b>	<b>(329)</b>	<b>(92)</b>

Cash Management Table

£m	Prior Year	Mar-13	P6		
	P6	Opening	Actual	Budget	var
Retail, Cash Centres	557	650	609	606	(3)
Bureau	85	59	82	86	4
Cheques, debit cards	136	161	134	135	1
<b>Network Cash</b>	<b>778</b>	<b>870</b>	<b>825</b>	<b>827</b>	<b>2</b>

	Opening	P6
<b>Headroom (£m)</b>	<b>838</b>	<b>883</b>

Cashflow Statement

£m	YTD			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Operating Profit	53.1	48.0	5.1	102.0	102.0	0.0
Depreciation	0.2	0.5	(0.3)	0.9	0.9	0.0
Working Capital	(46.8)	0.6	(47.4)	(41.2)	(41.2)	0.0
Client Balances	(68.5)	(73.4)	4.9	(44.4)	(44.4)	0.0
Network Cash	44.6	42.6	2.0	114.6	114.6	0.0
Dividends	(22.6)	(21.4)	(1.2)	(4.5)	(4.5)	0.0
Capital Expenditure	(35.0)	(63.9)	28.9	(167.5)	(167.5)	0.0
Government funding	215.0	215.0	0.0	215.0	215.0	0.0
NSP in advance	100.0	100.0	0.0	0.0	0.0	0.0
Exceptional Items	(60.7)	(85.4)	24.7	(198.8)	(198.8)	0.0
Pensions	1.9	1.1	0.8	2.3	2.3	0.0
Proceeds from asset sales	2.4	0.0	2.4	0.0	0.0	0.0
				0.0	0.0	0.0
Free cashflow before interest, tax	183.6	163.7	19.9	(21.6)	(21.6)	0.0
Interest	(0.9)	(2.0)	1.1	(5.0)	(5.0)	0.0
Tax	10.2	10.2	0.0	10.3	10.3	0.0
Free Cashflow	192.9	172.1	20.8	(16.3)	(16.3)	0.0

## Income By Product Groups &amp; Pillar

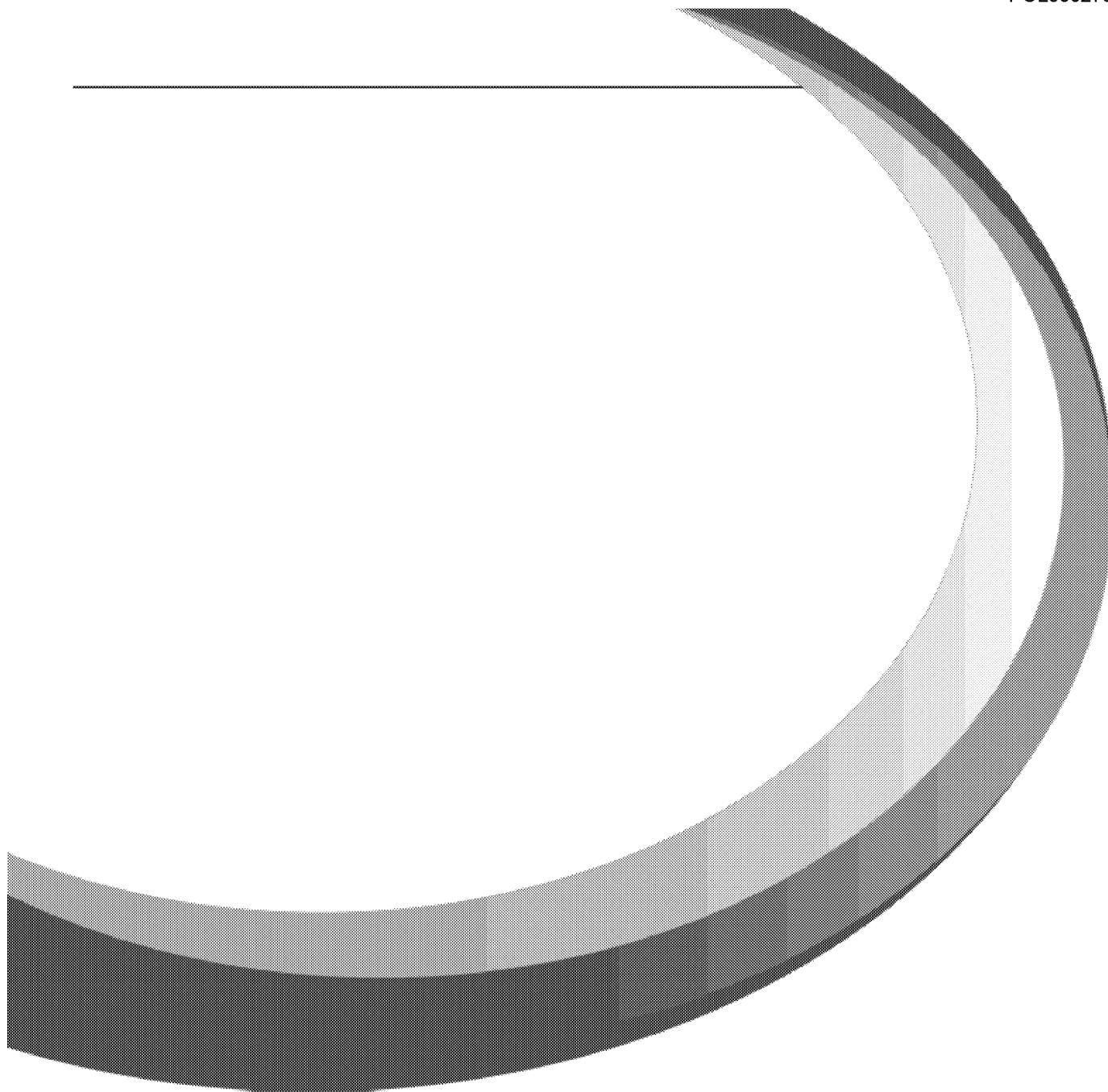
September 2013

Strictly Confidential

Adverse; Mails is £16.2m, Financial Services is £2.4m, other income is £0.1m and Government Services is £0.7m adverse. Favourable; Telephony is £1.0m and Supply Chain £0.5m favourable.



Net Income £m	Current Month			Prior Year		Year to date			Prior Year		Full Year			Prior Year
	Actuals	Budget	Variance	Period Actual	Month (Yr On Yr)	Actuals	Budget	Variance	YTD Actual	YTD (Yr On Yr)	Q1 Forecast	Budget	Variance	2012/13 Outturn
Parcelforce	1.7	1.9	(0.2)	1.4	0.3	10.8	10.9	(0.1)	8.9	1.9	23.1	24.5	(1.40)	19.9
Special Delivery	3.8	3.9	(0.1)	3.8	0.0	25.2	25.1	0.2	25.7	(0.4)	50.0	50.0	0.00	53.2
International Priority & Standard	2.4	2.8	(0.4)	2.3	0.0	15.5	17.9	(2.3)	15.9	(0.3)	32.7	37.3	(4.60)	34.9
Stamps (1st & 2nd Class plus other stamps)	1.9	2.3	(0.4)	1.7	0.2	12.1	13.6	(1.5)	17.1	(4.9)	33.8	33.8	0.0	35.2
Labels (1st & 2nd Class)	6.9	8.3	(1.4)	7.1	(0.2)	44.6	51.1	(6.5)	47.9	(3.3)	94.8	106.2	(11.40)	100.2
RM Mail Fixed	4.3	4.3	0.0	4.4	(0.1)	28.0	28.0	0.0	28.4	(0.4)	56.0	56.0	0.0	57.9
Retail & Lottery	3.2	4.0	(0.8)	3.3	(0.1)	21.5	25.2	(3.7)	22.3	(0.9)	51.9	51.6	0.30	45.7
Mails Other	4.7	4.3	0.5	4.4	0.3	25.0	27.2	(2.2)	27.1	(2.2)	64.7	55.3	9.34	57.0
<b>Total Mail Services</b>	<b>28.8</b>	<b>31.7</b>	<b>(2.8)</b>	<b>28.4</b>	<b>0.5</b>	<b>182.7</b>	<b>199.0</b>	<b>(16.2)</b>	<b>193.2</b>	<b>(10.5)</b>	<b>406.9</b>	<b>414.6</b>	<b>(7.76)</b>	<b>404.0</b>
<b>Total Telephony Services</b>	<b>2.6</b>	<b>3.5</b>	<b>(0.9)</b>	<b>3.8</b>	<b>(1.3)</b>	<b>25.1</b>	<b>24.1</b>	<b>1.0</b>	<b>22.8</b>	<b>2.3</b>	<b>50.7</b>	<b>50.4</b>	<b>0.3</b>	<b>45.0</b>
Motoring Services	2.5	2.7	(0.3)	2.5	(0.0)	10.0	10.7	(0.7)	16.8	(6.8)	20.7	21.4	(0.73)	31.8
Card Account	4.8	4.9	(0.1)	5.8	(0.9)	30.3	30.5	(0.2)	34.2	(3.9)	59.4	59.4	(0.0)	65.8
Check and Send	1.2	1.2	0.0	1.2	(0.0)	12.6	11.6	1.0	11.8	0.8	22.2	20.4	1.84	21.4
AEI (DVLA & UKBA)	0.6	0.6	0.0	0.8	(0.1)	3.9	3.7	0.2	4.2	(0.3)	8.2	7.9	0.2	10.1
Other Government Services	0.4	0.5	(0.1)	(0.2)	0.6	2.9	3.8	(1.0)	1.9	0.9	4.1	6.7	(2.6)	4.2
<b>Total Government Services</b>	<b>9.6</b>	<b>10.0</b>	<b>(0.4)</b>	<b>10.0</b>	<b>(0.4)</b>	<b>59.7</b>	<b>60.4</b>	<b>(0.7)</b>	<b>68.9</b>	<b>(9.3)</b>	<b>114.6</b>	<b>115.9</b>	<b>(1.3)</b>	<b>133.2</b>
Bill Payment Services Direct	0.7	0.8	(0.1)	0.8	(0.0)	5.1	5.1	(0.0)	5.4	(0.3)	10.9	11.1	(0.22)	11.8
Bill Payment Services Reseller	2.2	1.9	0.3	2.2	0.1	14.0	12.06	2.0	14.5	(0.4)	26.2	24.9	1.26	27.6
Postal Orders	1.6	1.6	0.0	1.9	(0.3)	10.4	10.3	0.1	11.5	(1.1)	20.2	20.2	0.04	23.1
Payment Services	0.4	0.7	(0.3)	0.36	(0.0)	2.5	3.5	(0.9)	2.6	(0.1)	7.1	8.9	(1.7)	6.3
Personal Banking Clients	2.0	2.0	(0.0)	1.6	0.4	13.4	12.6	0.8	13.0	0.3	27.5	25.4	2.1	26.4
DWP Exceptions	0.0	0	0.0	0.4	(0.4)	0.0	0.1	(0.1)	2.2	(2.2)	0.0	0.1	(0.07)	3.9
Business Banking	2.9	2.0	0.9	2.7	0.3	14.5	13.2	1.4	17.3	(2.7)	28.8	26.6	2.27	34.8
ATM	2.8	2.6	0.2	2.3	0.5	15.5	16.3	(0.7)	14.9	0.7	32.0	33.2	(1.20)	30.2
PFS-Savings	4.7	4.2	0.5	4.9	(0.2)	25.0	24.7	0.3	17.0	8.0	50.0	50.5	(0.54)	40.6
PFS-Insurance	0.6	0.6	0.0	0.4	0.2	3.2	3.4	(0.1)	2.1	1.1	9.2	6.7	2.41	5.3
PFS-Lending	0.1	0.5	(0.3)	0.4	(0.3)	2.6	2.1	0.5	1.6	1.0	6.6	4.9	1.70	4.7
Bureau (excl profit share) (incl Travel Money Card)	2.3	2.5	(0.2)	2.3	(0.0)	14.4	16.2	(1.8)	14.2	0.2	24.4	25.0	(0.60)	24.4
Travel Insurance	0.6	0.9	(0.3)	0.9	(0.3)	6.5	6.3	0.2	6.3	0.2	9.0	9.0	0.0	9.1
MoneyGram	1.3	1.3	0.0	1.2	0.1	8.1	8.1	(0.0)	7.3	0.8	16.6	16.6	(0.02)	15.4
NS&I	0.3	0.3	0.0	1.0	(0.7)	2.1	2.1	0.0	6.6	(4.5)	3.9	3.9	0.0	13.3
Other	0.2	0.8	(0.6)	0.2	0.0	1.2	5.2	(3.9)	1.2	0.0	5.0	10.4	(5.36)	2.5
<b>Total Financial Services</b>	<b>22.9</b>	<b>22.6</b>	<b>0.3</b>	<b>23.5</b>	<b>(0.6)</b>	<b>138.7</b>	<b>141.1</b>	<b>(2.4)</b>	<b>137.7</b>	<b>1.0</b>	<b>277.4</b>	<b>277.4</b>	<b>(0.0)</b>	<b>279.6</b>
Other Income	1.1	0.8	0.3	0.9	0.20	5.1	5.2	(0.1)	5.1	(0.0)	8.4	13.4	(5.0)	10.7
Supply Chain	2.7	2.2	0.4	2.5	0.22	14.8	14.3	0.5	15.1	(0.3)	29.2	29.2	0.0	30.0
<b>Net Income</b>	<b>67.7</b>	<b>70.8</b>	<b>(3.1)</b>	<b>69.1</b>	<b>(1.4)</b>	<b>426.2</b>	<b>444.2</b>	<b>(18.0)</b>	<b>442.9</b>	<b>(16.8)</b>	<b>887.2</b>	<b>900.9</b>	<b>(13.7)</b>	<b>902.4</b>



# ExCo Trading Board Update

22<sup>nd</sup> October 2013  
Week 27 YTD Performance 2013'14





## POL Income

	Focus	Standard	Total
% Income YTD	99%	94%	96%
Income Variance £m YTD	-0.68	-13.59	-14.27

## Channel Focus and Standard performance against target YTD

	Crown Branches	WH Smith	Agency Branches	Network Channels	Contact Centre	Online
Focus Product Income	95%	102%	100%	99%	106%	105%
Standard Product Income	98%	98%	94%	94%	86%	101%
Total Income	97%	100%	95%	96%	99%	104%

### 1. Financial Services Pillar update

Financial Services & Travel	Focus	Standard	Total	Savings Book
% Income YTD	99%	104%	102%	16.01bn
Income Variance £m	-0.40	2.47	2.07	16.2bn @ 20 Aug

**Savings** – In September the book dropped by another £80m to £16.01bn as Post Office assisted Bank of Ireland re-structure its balance sheet. Online Bonds and Online Saver are on track to hit targets. The sales of fixed rate products in branch are also picking up with FRISA topping the best-buy tables. Premier Cash Isa sales continue to be supported by marketing activity. There is an increased presence of all savings products in all the rate tables. Network targets have been rebased and re-cut for the second half of the financial year.

**Life Insurance** – income remains on target despite lower than budgeted sales, a range of initiatives are being deployed that to increase sales over the remainder of the year. A DRTV Press and In Branch campaign will run through Q4 with a central theme of “always paying your way and settling your tab”.

**Motor Insurance** – sales volumes remain ahead of target but reliance on aggregators continues to impact income, while improved retention rates offset some of the additional aggregator costs.

**Home Insurance** – sales are down year to date due to aggressive competitor pricing through aggregators, although the branch network is ahead of target.

**Travel Money** – Sales income is below target due to lower transactional volumes. The average transaction value, however, is higher than budget so this will result in a higher profit share from FRES. The channel sales performance remains on target as these are based upon sales value (benefiting from increase ATV) rather than the sales volume.

**Travel Insurance** – period 6 income was below plan due to an historic commissions adjustment made by our administrator Aon; we are investigating the background to this. New policy sales continued with a strong performance, across all channels and YTD income remains on plan.

**Credit Cards** are at 88% of target and 106% year on year. We have now launched a new online application form and the improved balance transfer offer to 18 months. We are starting to see an improvement in online applications and estimate 950 additional online applications were made in the 17 business days following



launch. The “start-to-submit” rate on the online application form had improved from around 32% to an average of 46% since launch and we expect this to improve further over time. We are now rolling out additional marketing activity with affiliates and anticipate strong growth in applications over the coming weeks.

**Mortgages** – In September mortgage applications dipped slightly to £115m, down from £130m in July and August as the range needed re-pricing. Our new products gained traction towards the end of September and flows have improved and we are on track to achieve £130m+ during the month. We achieved branch sales of £8.5m through our Mortgage Specialists (MS) in September and we anticipate a similar performance in October. Run rates will improve in the branch channel in the New Year when we will have completed the recruitment of a skilled MS sales team, in addition to the new supervisory structure, new incentive programme and lead generation activity.

**MoneyGram** – remains on track to achieve its budget for the year.

## 2. Government Pillar update

Government Services	Focus	Standard	Total
% Income YTD	107%	98%	100%
Income Variance £m	0.86	-0.62	0.23

**Passport Check and Send** continues with a strong performance and volumes remain at 107% of forecast YTD. After a spike of applications at the beginning of the year sales have returned close to forecast volumes. Market share YTD is down on last year and Network Field Teams have been asked to engage with branches to ensure they are promoting the service and having the appropriate sales conversations with customers.

## 3. Mails and Retail Pillar update

Mails & Retail	Focus	Standard	Total
% Income YTD	98%	88%	90%
Income Variance £m	-0.80	-15.36	-16.16

**Mails** Focus products income has remained steady and 3 out of our 4 Focus products (express24&48, International Express, International Priority) have increased sales volumes compared to last year. Currently we are slightly behind target with our Focus products income however, the volume at Christmas will get this back on track. Our Standard income is down by 12%, this will improve from November onwards with the introduction of the new small parcel sizing, when we expect to see 225k parcels coming back to POL per week.

**Lottery** – down by -£3.27m vs. budget. Lottery income is down vs. last year and budget, driven by Camelot's decline in market sales and poor performance of the new terminals following their 3rd licence extension. Camelot are optimistic there will be a turnaround in sales due to the launch of the new Lotto game in early October, along with aggressive marketing campaigns for Euromillions and scratchcards in Q3 and Q4. Post Office launched The Health Lottery in mid-September which will deliver incremental income.

**Retail** (Crown only) down by -£117k vs. budget. Retail is down due to decline in packaging sales, in line with the decline in standard mails volumes. There are strong plans to improve sales in Q3 including promotions on: commemorative coins, packaging and Christmas.

#### 4. Telecoms Pillar update

Telephony	Full	Standard	Tots	Telephony Book	% Change
% Income YTD	91%	85%	90%	461,864	-1.10%
Income Variance £m	-0.33	-0.08	-0.41	467,000	@ end Aug

The YTD **HomePhone**, **HomePhone Combined** and **Broadband** performance have fallen behind target. The targets have started to ramp up as it was intended that post-migration we would be in a position to take advantage of the new products we have available and drive an uplift in sales. Given the issues that we have experienced since migration, sales have declined due to the network not actively promoting the product and customers struggling to get through to the call centre. The current focus is on stabilising the call centre operation for our existing customers and we are re-visiting our plans for the rest of the year as the current view is that we cannot commit to running a campaign throughout the entire quarter 4. We are working through options with Marketing Communications which will allow a campaign to run from mid-February. Whilst this would not materially impact income in-year, there would be an impact on the strategic plan and, as such, an additional push early in 2014'15 would be required. We are working up a proposal to 'relaunch' HomePhone and Broadband at an appropriate time in the New Year including a branch engagement programme, a consumer offer, a colleague incentive and a re-launch of the colleague offer.

**E Top-up** performance continues to run at just below 10% below target and has stabilised at this level. We have explored a number of options to drive E Top-up sales with a number of the mobile networks but there is limited appetite to invest in the category. We are also looking at the opportunity to undertake E Top-up online with our provider E-pay.

**Confidential**

**POST OFFICE LTD EXECUTIVE COMMITTEE**

**Business User Forums**

**1. Purpose**

The purpose of this paper is to invite ExCo to:

- 1.1. approve the proposal and arrangements for the establishment of a number of Post Office Business User Forums.

**2. Background**

- 2.1. At its away day in June the Board agreed a mutualisation timeline which set out a programme of initiatives aimed at improving and increasing stakeholder engagement. To meet the commitments in the timeline we need to have a number (unspecified) of Business User Forums in place by early 2014.

**3. Activities/Current Situation**

- 3.1. We are already in the process of establishing a *Branch User Forum*. This is a forum established specifically to meet the commitments we made in response to the findings of the Second Sight Report. We are in the process of inviting subpostmasters and staff to join that Forum.

**4. Options Considered**

- 4.1. In developing this proposal we have considered how other organisations with a comparable stakeholder mix have established forums to contribute to the development of business proposals which are of interest or importance to them.

**5. Proposal**

- 5.1. The proposal is to establish a small number of Business User Forums, proposed by Directorate areas or commissioned by ExCo. There is no agreed number or subject matter. We should start with a small number in key areas and use the learning to inform decisions about how and where others might add value.
- 5.2. The general aim of the Business User Forums is to provide a formal mechanism for engaging stakeholders in the development, communication and implementation of key business issues. The role played by the Forums will vary according to the subject matter but, overall, the objective would be to get early input and expertise from stakeholders and interested parties and, where possible, their buy-in to new ideas so that they can act as advocates and communicators within their stakeholder communities.

**Confidential**

- 5.3. The specific proposal is that the Business User Forums:
- do not form part of the governance of the Post Office
  - are proposed and sponsored by the relevant Director, and chaired by them to ensure the leadership necessary to attract senior stakeholders
  - comprise an appropriate but diverse group of stakeholders and experts who would add value, by bringing knowledge, expertise and advocacy, to specific business areas or initiatives
  - are established and managed in a way which allows stakeholder input and discussion at an early stage so that, for example, where possible handling issues are dealt with before final decisions are made.
- 5.4. Areas which might benefit from a Business User Forum are mails; financial services; telecoms; FOoG, marketing and communications.
- 5.5. To ensure the Business User Forums receive the profile necessary for them to succeed, it is proposed that the Chairs report quarterly to Exco on the progress and work of their Forum. However, as the Communications Director has overall responsibility for the delivery of the stakeholder engagement programme, he should have a co-ordinating role and also report to ExCo on the delivery of the programme in its entirety. Secretariat support for the individual Business User Forums should be provided from within the relevant business area.

**6. Commercial Impact/Costs**

- 6.1. Closer and earlier involvement of stakeholders in business developments should lead to better and more informed decisions and allow stakeholder concerns/ideas/issues to be factored in early. The cost of early engagement and problem solving would potentially be less than dealing with those issues when decisions have already been made.
- 6.2. Each Business User Forum should have a small budget of £5k to cover the out of pocket expenses of the members.

**7. Key Risks/Mitigation**

- 7.1. There are no significant risks. There may be minor handling risks arising in relation to the creation of specific Business User Forums. These should be identified by the proposing Director along with mitigating actions. More generally, starting with a small number of Forums will allow us to test the concept properly and learn what works well before establishing others.

**8. Long term considerations – horizon scan**

- 8.1. None.



**Confidential**

**9. Communications Impact**

- 9.1. The creation of Business User Forums provides us with a positive communications message for Government about progress towards mutualisation, and to our staff and stakeholders about the steps we are taking to change the culture of the organisation to one which listens, engages and involves its stakeholders in the business.

**10. Conclusion**

- 10.1. We have already made progress with the plans for the *Branch User Forum*. Established with the right membership and well-crafted terms of reference, Business User Forums will increase and improve stakeholder engagement. The experience from other organisations suggests that if properly established and chaired, such forums bring significant benefits to the business. Overall co-ordination of the Forums by the Communications Directorate will enable ExCo to monitor the overall success of the programme.

**11. Recommendations**

- 11.1. ExCo is asked to:

- approve the proposal for the establishment of a number of Business User Forums, and agree in which areas a Business User Forums should be established;
- agree that individual Directors will submit proposals for the creation of Business User Forums for ExCo consideration in November
- agree the co-ordination role of the Communications Director and the reporting arrangements to ExCo

**Susan Barton**  
**October 2013**

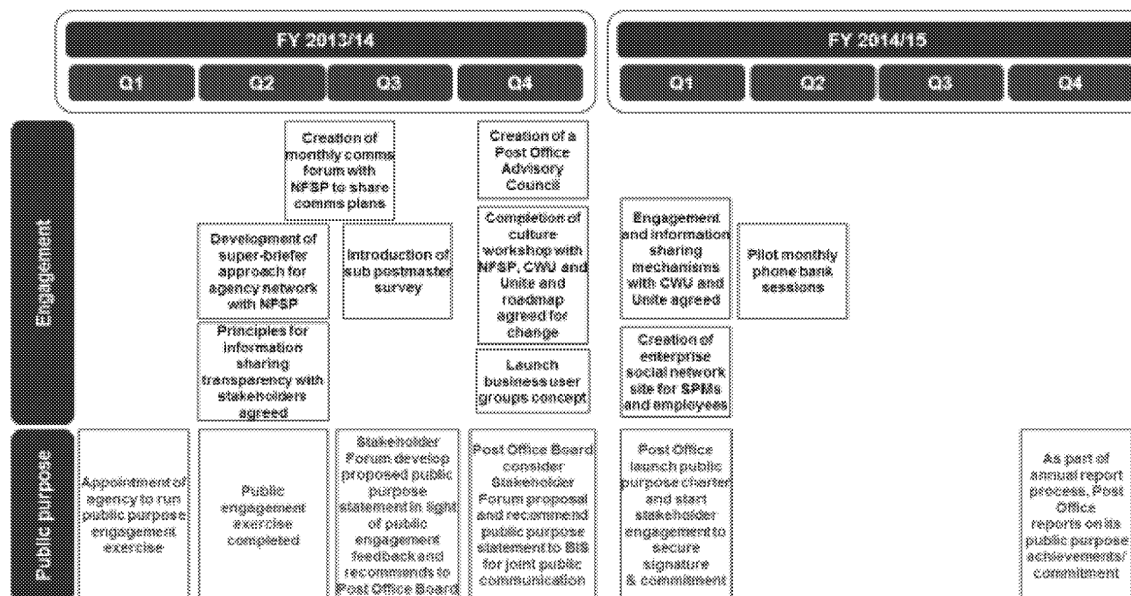
**Confidential****POST OFFICE LTD BOARD****Mutualisation Update October 2013****1. Purpose**

The purpose of this paper is to

- 1.1. update the Board on progress against the mutualisation timeline
- 1.2. request approval from the Board to share the update with BIS, and update them on a monthly basis.

**2. Background**

- 2.1. At its away day in June the Board agreed a mutualisation timeline which set out a programme of initiatives aimed at increasing and improving our engagement with Stakeholders. The timeline (reproduced below) was shared with BIS colleagues in July and although they are broadly content, they have pressed for more detail so they can understand more of the activity that sits behind the high level milestones.

**3. Current Situation**

- 3.1. Since June we have made significant progress against the plan as set out below.

**Stakeholder Forum**

- 3.2. The aim of the Stakeholder Forum is to bring stakeholders and experts together to work with Post Office to define its public benefit purpose. Established in October 2012, the Stakeholder Forum has met six times. Meetings included presentations from experts, and discussions about the

Mutualisation update October 2013

Susan Barton  
15 October 2013

## **Confidential**

public purpose, and two working groups were established to produce the content of the public purpose with the outputs from the groups to be tested with the public and wider stakeholders

- 3.3. The public engagement exercise started with a 'qualitative' engagement exercise which ran through September. Over 1,000 questionnaires were completed and 150 people attended the focus groups. The responses will be analysed through October and a qualitative survey of a statistically representative group of people will be conducted in November based on the responses.
- 3.4. Stakeholder Forum to consider the findings from the engagement project in December and agree a public purpose definition to recommend to the Post Office Board. The intention is that the Board will consider the Stakeholder Forum's recommendation in January and make a recommendation to government with a view to publishing an agreed public purpose before the end of the financial year.

### **Post Office Advisory Council**

- 3.5. A detailed proposal for the Post Office Advisory Council is dealt with in a separate paper for consideration by the Board.

### **Business User Forums**

- 3.6. We aim to create a number of business specific forums comprising of stakeholders with an interest or expertise in particular subjects to input into developing thinking or implementation plans. A detailed proposal has been submitted to ExCo for approval.
- 3.7. We are already in the process of establishing a Branch User Forum, created specifically in response to the findings of the Second Sight report to provide a mechanism for subpostmasters and others to raise issues and insights about business processes, training and support. Using this as a model, the intention is to create other similar groups focussed on specific business areas. Directors have been invited to make proposals, to be agreed by ExCo, for subject specific user forums where stakeholder and other input could add business benefits. It will be important to begin with a small number of groups and use the learning from those to inform how and where other such groups could add value. We anticipate having two or three groups up and running by the end of the financial year.

### **Subpostmaster engagement survey**

- 3.8. The survey, developed through workshops and 1-2-1s with stakeholders across the business and interviews with a selection of sub-postmasters, was launched at the end of September and runs until mid October. The findings will be presented to ExCo in November.

### **Information sharing**

- 3.9. An information sharing agreement has been in place with the NFSP since June. Principally this was to enable confidential discussions about the strategy. The learning from this process will form the basis for routine

## **Confidential**

information sharing going forward and similar arrangements will be developed with CWU and CMA when the industrial relations position allows.

### **Superbriefers**

- 3.10. The regular programme of superbriefers continues with Senior Managers visiting Crown branches on a monthly basis to update staff on network transformation and other business issues.

### **WOW staff magazine**

- 3.11. A new monthly staff magazine about transformation was launched in September, written for staff and developed with their contribution.

### **Regional sales events**

- 3.12. Regional sales events, running from September to November, have been extended to all agents, incorporating training and two way communications on business issues.

## **4. Future engagement activities**

- 4.1. There are also a number of engagement activities planned to start over the coming months. The detail is set out below.

### **Social network**

- 4.2. 'Yammer' an enterprise social network will be introduced in November to allow real time, interactive collaboration and engagement across the network.

### **NFSP/Post Office communications forum**

- 4.3. A bi-monthly communications forum was established in September with the NFSP to share communications plans.

### **Subpostmaster events**

- 4.4. Six-monthly events for subpostmasters, covering business wide issues, will begin in December.

### **Phone bank sessions**

- 4.5. Monthly phone-in evenings for staff, hosted by senior leaders, will begin in December.

### **Quarterly business updates**

- 4.6. A rolling programme of half day sessions, led by ExCo members, for staff in different locations will start in November. Social media will be used to maximise coverage.

### **Culture workshops**

- 4.7. The culture workshops to work through the recommendations in Patrick Burn's culture gap analysis did not take place because of the industrial dispute with



**Confidential**

CWU and CMA. Plans to reorganise the workshop will be revisited when industrial relations allow.

**5. Conclusion**

- 5.1. We have made good progress against our timeline and continue to do so. If we were able to share the information about our progress and plans with BIS colleagues this should satisfy their desire to understand more about the activities underway and planned. Regularly and proactively sharing our plans with BIS will help put us on the front foot and help remove their concerns about whether or not we are serious about adopting mutual ways of working.

**6. Recommendations**

The Board is asked to:

- 6.1. note the update and actions set out above;
- 6.2. agree that an update detailing the progress and activity set out above is sent to BIS for information, and on a monthly basis.

**Susan Barton**  
**15 October 2013**

**Confidential**

**POST OFFICE LTD BOARD**  
**Post Office Advisory Council**

**1. Purpose**

The purpose of this paper is to:

- 1.1. request approval for the arrangements and Terms of Reference for establishing a Post Office Advisory Council;

**2. Background**

- 2.1. At its June away day, the Board agreed a mutualisation timeline. A key initiative agreed in the mutualisation timeline was the creation of a Post Office Advisory Council in early 2014.
- 2.2. The Terms of Reference and proposed arrangements for the Advisory Council are drawn from Tim Franklin's experience of working with a Members' Council in a mutual organisation. They are also consistent with examples of organisations which are broadly comparable with Post office in terms of stakeholder characteristics.
- 2.3. The proposals are based on the assumption that the Council will:
  - not form part of the governance arrangements of the Post Office
  - not be a representative body
  - have no decision-making authority.

**3. Current Situation**

- 3.1. The Stakeholder Forum was created specifically to work with the Post Office to develop its public purpose. There are no plans for the Stakeholder Forum to continue beyond recommending a public purpose to the Board.
- 3.2. Apart from the Stakeholder Forum, we have no arrangements in place for cross stakeholder engagement. Our engagement at a senior level, where it happens, tends to be bi-lateral. The experience of the Stakeholder Forum has shown that bringing together a range of stakeholders and experts can provide wide and valuable perspective on matters of interest to Post Office and its stakeholders.

**4. Proposal**

- 4.1. The proposal is to create a Post Office Advisory Council in line with the Terms of Reference attached at **Annex 1**. The aim of the Council is to provide a formal mechanism for the Post Office to engage stakeholders on matters of mutual interest and to improve stakeholder understanding of, and engagement in, Post Office business. As with the Stakeholder Forum, the Council would benefit from members who are not stakeholders but who have expertise which could add value to Council discussions. .

**Confidential**

- 4.2. Within its remit the Council could provide both strategic and tactical advice; it might act as a sounding board and provide feedback on matters such as marketing campaigns, policies, products and services as well as provide a broader perspective on strategic issues such as market opportunities. It will be important to ensure that the context in which subjects are presented is clearly defined so that members are clear at the outset about why a specific subject has been brought to the Council.
- 4.3. The creation of an Advisory Council will not, of itself, improve stakeholder engagement. It will require a change of culture and processes if it is to work well and produce business benefits. The experience from other organisations suggests that stakeholder involvement on important issues at an early stage can, if properly managed, improve the quality of business decisions.
- 4.4. The key benefits of this type of Council are:
- involving stakeholders prior to taking final business decisions, where appropriate, might highlight new opportunities and result in those decisions being better informed because of the richness and variety of insights that may not be available within the business
  - identifying challenges or points of contention before a course of action has been decided enables those issues to be dealt with and accommodated, if possible, before matters are finalised
  - co-creating ideas is more likely to achieve stakeholder buy-in, and reduce the more traditional type of stakeholder discussions where the business presents a solution or decision leaving stakeholders free to critique, criticise or present alternatives after the event
  - bringing a range of stakeholders together to discuss subjects of common interest allows all stakeholders to hear each other's position – a challenge against a partisan view from another stakeholder is more powerful than a challenge from the business
  - Council members can become advocates and communicators of Post Office messages within their own communities.
- 4.5. The benefits listed above are unlikely to be realised immediately. It will take time and commitment from the business to allow the Council to develop and mature into a forum which can add real value to the business.
- 4.6. As the Council will only meet three times a year, it is proposed that relationships and understanding of different perspectives will be enhanced if Council members are invited to meet over dinner on the evening before a Council meeting. This will help build relationships and smooth the way for a more relaxed and better informed meeting.
- 4.7. Two factors which will be key to the success of the Council in terms of improving stakeholder engagement and delivering business benefits are:
- **The Chair** - the appointment of a Chair who is independent of the executive management, who has the skills and experience necessary to chair a Council of this size and diversity, and who has the confidence of the Board and the business as a whole. The Chair will

## Confidential

need to ensure engagement with Council is meaningful whilst respecting the decision-making and accountabilities of the Board and ExCo, as well as ensuring that the Council operates in line with its agreed terms of reference

- **The membership** - the appointment of a diverse and balanced membership with the skills and experience necessary to make a positive contribution to the Council. We would, properly, invite some stakeholders to join the Council as of right, such as NFSP and union officials. However, we should also advertise and recruit to ensure a diverse membership which balances commercial and social expertise and that our customers and the general public are represented. A framework for selection and appointment is at **Annex 2**.

## 5. Costs

- 5.1. It is recommended that a budget of £40k is allocated for the Council. The costs would cover three off-site meetings per year including dinner and overnight stay (£10k per meeting) and out of pocket expenses for Council members to attend the meetings.
- 5.2. There will be a resource cost for the Council secretariat. The average resource requirements should amount to no more than 0.5 person over the year, but the activity will not be spread evenly with the initial establishment of the Council and recruitment of members, and the secretariat support at meeting times requiring dedicated resource with little or no resource required between meetings and recruitment exercises.

## 6. Key Risks/Mitigation

- 6.1. There are some limited risks related to confidential information with Council members. However, it is unlikely that the Council would be involved in matters which are commercially confidential. It would be made a pre-requisite to membership that confidentiality, where required, would be respected and the Chair would agree ways of working at the initial meeting.

## 7. Long term considerations

- 7.1. None

## 8. Communications

- 8.1. The intention to establish the Council should be announced publicly as a positive step, following separation, towards the Post Office working more closely with its many stakeholders as it delivers its 2020 strategy and continues its transformation journey. The announcement would be accompanied by advertisements inviting people to express their interest in becoming members.

## 9. Conclusion

- 9.1. The creation of a Post Office Advisory Council will allow Post Office to demonstrate that it is progressing its mutualisation timeline and is serious about increasing stakeholder involvement in the business. Experience from organisations with similar bodies have found that, over time, and if properly managed, a mechanism for senior stakeholder engagement can bring



**Confidential**

business benefits which outweigh the time and cost involved in establishing and running them.

**10. Recommendations**

The Board is asked to:

- 10.1. approve ToRs and arrangements for the establishment of a Post Office Advisory Council
- 10.2. approve a budget allocation of £40k per year to establish and run the Council
- 10.3. agree that the Chair works with the secretariat to establish the Council, in line with the proposals in this paper, with the aim of holding a first meeting of the Council in early 2014.

**Susan Barton**  
**15 October 2013**

**Confidential****Annex 1****POST OFFICE ADVISORY COUNCIL – DRAFT TERMS OF REFERENCE**

<b>TERMS OF REFERENCE</b>	
<b>PURPOSE</b>	The Post Office Advisory Council exists to provide a forum for Post Office stakeholders and other experts to discuss issues of interest and importance that impact on customers and stakeholders and their communities.
<b>ROLE</b>	<p>The role of the Post Office Advisory Council is to:</p> <ul style="list-style-type: none"> <li>• provide a two-way channel of communications between the Post Office and its stakeholders</li> <li>• provide a mechanism for stakeholders and experts to offer views and advice to Post Office Board and ExCo on subjects brought to it</li> <li>• increase understanding and strengthen relationships between Post Office, its stakeholders and wider interest groups</li> <li>• provide a community for advocacy and communication of Post Office issues</li> </ul>

<b>CONSTITUTION</b>		
<b>ROLE</b>	<b>JOB TITLE</b>	<b>CURRENT INCUMBENT</b>
<b>CHAIR</b>	Post Office Board NED	TBC
<b>MEMBERS</b>	A Post Office Board NED Between 35 and 50 members would be consistent with other organisations.	TBC To be determined through agreed selection process
<b>OTHER ATTENDEES</b>	ExCo members (as required by agenda) Guests invited at the discretion of the Chair	
<b>SECRETARIAT</b>	Company Secretary (or Assistant Company Secretary)	Alwen Lyons (Gill Catcheside)

<b>MEETINGS</b>	
<b>FREQUENCY/FORMAT</b>	3 meetings per year, full morning duration Each meeting to be preceded by dinner the evening before with an overnight stay where necessary
<b>QUORUM</b>	N/A

<b>AREAS OF CONTROL</b>
N/A

<b>SPECIFIC POWERS &amp; AUTHORITIES</b>
<p>The Post Office Advisory Council:</p> <ul style="list-style-type: none"> <li>• is not part of the formal governance arrangements of the Post Office</li> <li>• is not a representative body</li> <li>• has no decision-making authority</li> <li>• may provide advice and views on matters brought before it but neither the Board nor ExCo is required to act on that advice or those views</li> </ul>

<b>REPORTING ARRANGEMENTS</b>
<p>The Chair will provide feedback from Council meetings to the Board and ExCo as appropriate Agendas and a summary of minutes of Council meetings will be published, redacted where appropriate to protect confidential information.</p>

<b>SELECTION AND APPOINTMENTS</b>	
<b>SELECTION</b>	<p>Members will be selected to provide a diverse and balanced mix of skills, experience and stakeholder representation.</p> <p>Selection will be through a mix of invitations for nominations from key stakeholder groups and advertised competition, with interviews to ensure the membership has a strong skills mix and fully reflects the geographical, stakeholder, social, community and commercial interests.</p>
<b>TERMS</b>	Members will be appointed for a term of four years, non-renewable, with the first appointments a mix of 2, 3 and 4 years to maintain continuity of membership.
<b>MEMBERSHIP RULES</b>	<p>Members cannot send deputies</p> <p>Members cannot bring guests without the express permission of the Chair</p> <p>Membership terminated if a member misses two meetings within the term of appointment</p> <p>Confidentiality must be maintained where requested</p>
<b>REMUNERATION</b>	Unpaid except for out of pocket expenses

**Confidential****Annex 2****Membership Selection and Appointment**

**Numbers** – between 35 and 50 would be consistent with other organisations, allow a broad mix of people, and be manageable in terms of numbers.

*Recommend: aim for around 40 members, to a maximum of 50, allowing flexibility for the Chair and secretariat to make appointments which achieve an optimal balance of skills, experience and diversity.*

**Recruitment, selection and appointment** – a selection process would be required to ensure the right mix/balance of membership as well as the right skills.

*Recommend:*

a) **invite** key organisations (e.g. NFSP, CWU, CMA) to nominate a member

b) **advertise** through Post Office channels and inviting stakeholder and other groups to advertise within their communities

c) **select** against the following broad criteria based on written application and interview:

- excellent communications skills – able to speak/challenge effectively and constructively
- strategic thinking
- demonstrable interest/experience in Post Office issues
- experience in either community, social, commercial, financial services, retail, marketing or SMEs
- able to devote time necessary to attend 3 meetings a year

d) **appoint** using the matrix below to achieve a broad and diverse mix of membership

<b>Geography</b>	<b>Diversity</b>	<b>Experience</b>
England	Young	Commercial
Scotland	Later life	Financial Services/Banking
Wales	Carers	Marketing
Northern Ireland	Ethnic groups	Retail
Rural		SME
Urban		Social
Deprived		Community
Affluent		Government
		Mails

Current Actions and Decisions LogExCo Meeting 23 April - Actions and Decisions

23/04/02	Action 1	<u>Pay Strategy</u> Fay Healey to work with Sue Barton to produce a 2 page summary of pay principles required to support the 5 year strategic plan and incentivise a commercial business. Update 16/5/13: Meeting on 17 May to progress. Update 1/7/13: Another meeting to progress further FH Update 19/8/13: Workshop has been delayed due to annual leave. The Workshop is being held to develop the Reward Principles which relate to the 20/20 Strategy. SB Update 9/9/13: FH and SB will have a catch up on the 17 <sup>th</sup> Sept at 9am to progress this action.	FH/SB	end of Sept
23/04/13	Action 2	<u>Risk</u> <ul style="list-style-type: none"> <li>• Redefine TOR for RCC to cover FS risk</li> <li>• Consider the training necessary for the RCC with heightened awareness for FS as the Business moves into Current Accounts</li> <li>• Define compliance in FS and the relationship with the bank.</li> </ul> Update 27/06/13: Ongoing - in progress.	SC SC/FH/NK  SC/NK	End of Oct.
23/04/22	Action 6	<u>Potential Opportunities</u> Explore the opportunities of leveraging economies of scale with utility companies and creating a shared benefit scheme. Update 07.08.13 - currently in discussion HC to meet with SB	HC/MM (PB)	End of Oct
23/04/23	Action 7	Explore the opportunity using the Alarm response centre to provide care for customers; possibly as part of the home insurance market. Update 07.08.13 - currently in discussion - NK to be involved HC to meet with SC	HC/MM (PB)	End of Oct



ExCo 18 June - Actions and Decisions

18/06/06	Action 1	<p><u>Information Security</u></p> <p>Policies need to come back to ExCo for review and agreement with solutions for areas where compliance is difficult. E.g. acceptable use policy.</p> <p>LS Update: 01/07/13 The Head of Information Security will be contacting each ExCo member to discuss the Policies and identify area where compliance will prove difficult.</p> <p>LS Update: 07/08/13 All but 1 Policy (Acceptable Use) are now on the Intranet and are part of an Information Security and Assurance communication plan along with the Information Security Handbook and on-going training and awareness. The Acceptable Use Policy was raised as a potential non-compliance issue by several ExCo members and therefore has not been published; a Corrective Action Plan has been drafted to mitigate any potential risks of non-compliance. The Corrective Action Plan will be provided to ExCo for agreement during the week ending 9 August 13, members will be asked to provide their response by 27 August 13</p> <p>The Information Security Training, Awareness and Communications plan is on target, with specific Information Security requirements being tailored for Central Support Tea, Branch (Crown) Branch (Network) and Supply Chain every month. Branch Training will be completed, in September, and includes online learning and Workbooks, with additional communications on Branch Focus and Grapevine.</p>	LS	<p>Completed</p> <p>All but acceptable use – solution to come to ExCo</p> <p>Corrective Action Plan for this Policy has been compiled with a proposed solution to be presented on 15 October due to diary coordination.</p>
----------	----------	---	----	---

ExCo 23 July - Actions and Decisions

23/07/16	Action 2	<u>Forecast</u> After decisions are taken on 1 August, announce the big decisions about cost reduction and changing the business, small central function (ways of working – new HQ), then position the cost reductions which will affect people e.g. Christmas stamps. Update 12/09: in progress – ongoing discussions taking place	MD/FH/CD	Ongoing
23/07/25	Action 3	<u>Risk</u> MZ/DM to pick up risks with each individual owner and agree key controls/triggers and actions. Update 08/08/13: Ongoing	MZ/DM	End of Sept
23/07/29	Action 6	<u>Risk</u> Internal Audit to communicate their purpose and ensure SLT realise that they can request help if they have an issue which needs audit Update 08/08/13: Currently being drafted.	MZ	End August End September
23/07/30	Action 1	<u>Unconscious Bias</u> A note to be produced for ExCo to explain what we are doing as a business	AA	End Sept
23/07/32	Action 3	<u>Unconscious Bias</u> Explain what we are expecting people to do – the key deliverables	AA	End Sept

ExCo 20 August - Actions and Decisions

20/08/08	Action 2	<u>Business Performance</u> Circulate the Lucy Kellerway article from the FT	AR	25 Aug
20/08/17	Action 1	<u>ExCo Cascade</u> Put in place a process for cascade of ExCo decisions and update on discussions. Update 12/09: ongoing – process put in place	MD/AL/AR	Ongoing

ExCo 10 September – Actions and Decisions

10/09/04	Action 4	<u>Supply Chain</u> Need to produce a supply chain P&L to help highlight the cost drivers to the customers and help reduce demand.	CD	End Nov
10/09/09	Action 3	<u>Strategy and Funding</u> Work to continue network expansion including effect on P&L	SB	End of Oct.
10/09/11	Action 1	<u>Sparrow</u> Paper to come to ExCo and the Board on the future of the Post Office's position as a prosecuting authority	SC	End of Oct
10/09/12	Action 2	<u>Sparrow</u> Communications team to continue contact with MPs involved in Sparrow to build the relationship and build in good news e.g. NT. Next contact before JA letter (likely 1 <sup>st</sup> week Oct).	MD	Ongoing

ExCo 16 September – Actions and Decisions

16/09/01	Action 1	<u>Cost Management/Value for Money Board paper</u> Set out a timeline (5 weeks and 5 months) in section 3 linking back to the people strategy from June away day. Refresh work from strategic plan showing savings target and actual as one page annex, showing projections to 2020 as a reference point.	CD	20/09
16/09/02	Action 2	<u>Cost Management/Value for Money</u> ExCo to see the detail of the weekly updates before their weekly meetings	CD	17/09
16/09/03	Action 3	<u>Cost Management/Value for Money</u>	SB	End Oct

		Set up a cost reduction strategic programme board to give the work structure and monitor progress for the 5 week, 5 months and 5 year horizon to include communications.		
16/09/04	Action 4	<u>Cost Management/Value for Money</u>  Consider how we will build a contingency into the plan.	CD	End Oct
16/09/05	Action 5	<u>Cost Management/Value for Money</u>  Section 5 to be expanded into a programme – include reference to IT value for money. Currently underplays what is happening (possible additional appendix)  Update 23/9: Meeting on 24/9 for Chris,Sue and Paula to discuss setting up a Strategic Cost Programme.	CD/SB/PV	18/9
16/09/06	Action 6	<u>Cost Management/Value for Money</u>  Set up a cost workshop to identify costs/wastage in the business.	CD	November
16/09/07	Action 7	<u>Cost Management/Value for Money</u>  Communication needed to explain what we are trying to achieve through Cost Management, growth, investment, commercial culture message to come from Paula then quarterly briefing set up.	KG/FH/HD/MD	End Oct
16/09/10	Action 3	<u>Supply Chain</u>  Information on how we could cover Supply Chain IA – legal advice needed on the use of other supplies	HF	End Sept
16/09/11	Action 1	<u>IT Strategy Update</u>  LS to return to ExCo with a proposal on standardising the IT equipment provided by the Business. To highlight opportunity to	LS	End November



		reduce cost and fixed/variable costs.		
16/09/23	Action 3	<u>Strategy &amp; Funding</u>  Need to start to reconsider targets for this year STIP & LTIP – because of the delay in getting agreement. Start to communicate this with Will & Tim.  - Also need to consider communication to colleagues for STIP.	ME/FH/CD/SB	ongoing
16/09/24	Action 1	<u>Business performance</u>  What support can we give to Branches to make the re launch of lotto a success. Update PB: We have done a lot with Camelot for the launch of the new Lotto game into POL branches including, product introduction & education, branch incentive programmes, POS – Camelot POS, not POL, new horizon prize payment functionality for the Lotto game, social media/PR and internal communications.	KG/PB	Completed
16/09/25	Action 2	<u>Business performance</u>  Paula to circulate Archie Norman article.  Update 24/9: Article circulated to ExCo.	PV	COMPLETED
16/09/26	Action 3	<u>Business performance</u>  Consider whether we have the right focus products as part of the Budget Process – to see if more products could be included as ‘focus’	CD/KG	End Dec
16/09/27	Action 4	<u>Business performance</u>  What are the levers to move the ‘easy to do business with’ performance. Email from SFM to explain why the measure has	PB/SFM	18/09

		moved.		
16/09/28	Action 5	<u>Business performance</u>  SFM to provide a note to explain the Branch Compliance performance. If the performance is not accurate remove from the Board pack, but need to triangulate with customer complaints coming through especially for passports.	PB/SFM	18/09
16/09/29	Action 6	<u>Business performance</u>  Need to consider if we could replace Branch Compliance with FS compliance. Define how this could be measured.	NK/KG	End Oct
16/09/30	Action 7	<u>Business performance</u>  All ExCo members to consider before committing spend that we need to hit the profit target this year and challenge discretionary spend.	All	On going
16/09/31	Action 1	<u>Sales recovery plan</u>  Dangerous Goods – consider using the Pin Pads for customers to identify if they have been asked if the parcel contains Dangerous Goods. Subgroup to consider to include Lesley, Paul & Kevin Update PB: This is currently being considered by the Dangerous Goods project team and a CR has been raised with Fujitsu for a full response on the feasibility of enlivening the pin pads with this transaction	LS/PB/KG	On going
16/09/32	Action 2	<u>Sales recovery plan</u>  Contact the NFSP (George) to tell him about the changes in small parcel dimensions – the shoebox Update: Done	KG	Completed

16/09/33	Action 3	<u>Sales recovery plan</u>  Need to update forecast with actual P6 numbers for 2014/2015 budgets.	CD/NS	End Sept
16/09/34	Action 4	<u>Sales recovery plan</u>  Challenge the budget needing to be approved before Christmas – to see if it could work after Christmas. Test the plan to see if it could be moved back and still hit the end of March target.	CD/SB/NK	End Oct
16/09/35	Action 1	<u>Action Log</u>  Note from Andy Garner– explain the SLA contract penalties on us and on suppliers. How we will monitor these penalties. Issue to be taken to the Operations Board. Paper circulation to all for reading.	AG	End Sept
16/09/36	Action 1	<u>AOB</u>  FS Mystery shopping using filming is widely used and becoming normal practice. It is used by various banks including Santander, Lloyds and Natwest.	NK/KG	Closed

ExCo 15 October – Actions and Decisions

15/10/01	Decision 1	<u>Looking Beyond Network Transformation</u>  Proposal to take forward network development focussing on growth was agreed.		
15/10/02	Action 1	<u>Looking Beyond Network Transformation</u>		

		Return to ExCo with a defined proposal and timeline, (including resource plan to be agreed with Chris Day and Fay Healey).  Terms of Reference to cover (1) customer and growth; (2) models; (3)ownership and efficiency (including product portfolio) and to be agreed by a sub-group of NK,MG,KG,SB	SB	End Nov
15/10/03	Action 1	<u>Q2 Full Year Forecast and Budget</u>  Pick up the staffing levels with Fujitsu to ensure service levels can be achieved for Q4 telephony campaign.	MG	End Oct
15/10/04	Action 2	<u>Q2 Full Year Forecast and Budget</u>  Reconsider the mobile strategy as Fujitsu are unable to deliver.	MG	End Oct
15/10/05	Action 3	<u>Q2 Full Year Forecast and Budget</u>  Driving Licence renewal leaflet and poster to highlight the risk to customers of non-renewal.	PB	As soon as material can be printed
15/10/06	Action 4	<u>Q2 Full Year Forecast and Budget</u>  Build a plan to ensure any overachievement in EDIT is invested to drive current year revenue growth – to be considered at Trading meeting.	KG/PB/MG/NK	Mid Nov
15/10/07	Action 5	<u>Q2 Full Year Forecast and Budget</u>  Consider any additional FYF risk to FS and telephony sales as a result of 'Action Short of a Strike' and feed into Sarah Hall.	NK/MG/SH	End Nov



15/10/08	Action 6	<u>Q2 Full Year Forecast and Budget</u>  Undertake initial debate on the top-line of next year's budgets – to understand the challenge eg high level income targets relating back to FYF and exit rates.	SB/CD/MG/NK/PB/KG	Mid Nov
15/10/09	Action 7	<u>Q2 Full Year Forecast and Budget</u>  Fay and Colin to return to ExCo with a cost/headcount reduction proposal including CR as one of the tools. All teams to assume CR as a tool to achieving cost reductions.	FH/CD	12 Nov
15/10/10	Decision 1	<u>Q2 Full Year Forecast and Budget</u>  All ExCo members to ensure their plans hit the numbers in the budget allocation and highlight any risks as appropriate.		
15/10/11	Action 1	<u>FS Investment Products</u>  Nick to bring the FS Investment product options back to ExCo after completion of the market research for decision on progressing further.	NK	Jan 2014