

Message

From: Paula Vennells [GRO]
on behalf of Paula Vennells [GRO]
Sent: 21/05/2013 05:09:04
To: Theresa Iles [GRO]
Subject: URGENT 4 Board - board papers - briefing notes

Ppo 4 Board thx

Sent from my iPhone

Begin forwarded message:

From: Martin Edwards [GRO]
Date: 20 May 2013 21:45:14 BST
To: Paula Vennells [GRO]
Subject: RE: Comments on Board papers

Thanks Paula!

Re POCA – my point about striking a reasonably reassuring tone with the Board is less because I think the team is completely on top of this – and more the point that the latest positioning from DWP should not be viewed as a sudden and fundamental game changer. This is nowhere close to being a final govt position – but what it does do helpfully is clarify one part of govt’s thinking at a time when we still have the opportunity to take appropriate stakeholder action and think through the other scenarios. (It would have been really unhelpful to get this info in July). Perhaps best if we discuss positioning further in the morning if you have time?

Will forward you a separate email re Arbuthnot.

From: Paula Vennells
Sent: 20 May 2013 20:44
To: Martin Edwards
Cc: Paula Vennells
Subject: Re: Comments on Board papers

Martin, thank you. This is a masterpiece - definitely one of your best - and timely. It helps me enormously.

Nothing significant in terms of content then...!

My one worry is that I don't believe we are on top of POCA. (You suggest I say we are.) Can you reassure me by digging? Kevin S is too laid back - we have talked about this for months and months. Or am I being unfair. Fact please?

Thanks again - and in advance for the CEO notes.

One last Q: James Arbuthnot review: what is the latest do you know?

P

Sent from my iPhone

On 20 May 2013, at 15:21, "Martin Edwards" [GRO] wrote:

Hi Paula

Comments below on each of the Board agenda items. The overall point I'd make is that while there are over 300 pages of papers, the vast majority of this is taken up by the ARA and minutes of previous meetings. Rather than read through all of this, I'd suggest you focus the time you have available this afternoon on thinking time as follows:

- a) how to position the discussion with the Board on mutualisation following Friday's discussions with Will and your discussions at conference (the short strategy & funding update from Chris and Mark's stakeholder plan only need to be skim read);
- b) how to sum up the discussions from conference and where this leaves us on NFSP handling (although you might prefer to let Kevin kick off on this);
- c) how to introduce the POCA topic – see my high level pointers below (happy to discuss further over the phone); and
- d) in light of the above, how to position the discussion with Mark Russell.

1. Strategy and funding update (including the stakeholder and communications plan)

You only have 30 mins allocated to discuss some very meaty topics. I'd therefore suggest that you and Alice focus the time available on the following substantive points/updates (particularly iii and iv):

- i) on the strategy discussions with government, the main concerns at this stage are on POCA (to be discussed as part of the FooG slot) and mandation. On the latter, we have made progress with the Minister – she understands the case intellectually, but nonetheless this still remains an incredibly difficult decision for her politically. Our focus now is on reassuring her that we have a rigorous and credible plan to implement the proposed changes, in a way which minimises the stakeholder noise. (The next meeting with her is on 3 June).
- ii) on funding:
 - a. quantum – no specific warnings yet from govt that we will not secure what we need, but we shouldn't be sanguine – the difficult horse-trading with BIS finance may yet arise in early/mid June as they seek to finalise their wider spending settlement with HMT;
 - b. time scale – our central case scenario remains a two year settlement, but if HMT impose a strict stance with all depts then we may only get one year. We have put forward clear arguments and Shex are fully supportive. We propose reviewing the case for a longer-term deal (for the years beyond 2016/17) from July onwards. Shex support this approach. We will discuss with the Board again in July so no need to make a final decision now.
- iii) On mutualisation, in light of discussions over the past few days we need to consider the option of offering more clarity about the timetable/milestones, otherwise Ministers and/or the NFSP will seek to fill the vacuum and we may lose control of the agenda. This is a commercial argument as much as anything (every company needs

to manage its political landscape). In terms of Board handling, the best approach might be to agree this broad principle at this stage, and suggest that we will come back with further advice on the options to discuss in June (we would need to make time within the agenda of the offsite). To Alice's concern, this external messaging would absolutely start with a clear statement and definition of financial sustainability (and we are progressing the work with Rothschild to support this).

- iv) **Governance:** board sub-committee's mandate should be extended to allow sufficient flexibility for the next period of negotiations with government.

Mark's paper on comms/stakeholder planning is in good shape – the only comments back were from Alice re Labour handling and network size commitments (on both questions I think Mark's response was spot on). If the other NEDs have comments which aren't substantive major points then it might be appropriate for Alice to ask them to be sent to Mark by email in view of time pressures.

The Board shouldn't spend long discussing the 'deep dive' process with Shex/KPMG (which is frankly an irrelevance in the context of the big issues noted above!).

2. NTP, Crowns and NFSP strategy

The only paper which has been tabled for this discussion is the one on the Crowns/IR situation – the other papers on NTP and NFSP handling which were tabled for ExCo last week are being dealt with as oral updates. I assume as part of this agenda item you will provide a read-out of the conference discussions.

We discussed the Crowns paper in detail at ExCo last week – as you know, the main recommendation is that we should maintain our resolve while redoubling communications efforts (redeploying super-briefers) and closely monitoring the impact of the IR situation on customers and our ability to implement the CTP reforms. Seeking to impose the pay offer or force the hand of colleagues would increase the risk that staff aren't brought into the necessary workplace reforms. Equally any compromise with the CWU at this stage would also undermine the CTP plan and our position with the NFSP.

Project Robin is covered in the CEO's report but may be better discussed as part of this item. As we discussed last week, while the reforms are helpful to staff during a period of no consolidated pay increases (because they provide an RPI uplift), we do not believe we should undermine our relationship with RM by proceeding with the staff consultation before they are ready.

Kevin will obviously need to provide an update on the agreement reached with the CWU on Thursday re the £100 'not a colleague share' (!) – explaining that: a) this was an important breakthrough given that CWU conceded the link to transformation; b) we needed to honour our previous commitments in this area to maintain the moral high ground; and c) it comes out of the £1,400 payment for last year.

On the recommendation that we shouldn't share additional information with the CWU while the dispute is ongoing – this needs to be subject to the caveat of FoI risks which we discussed as ExCo last week (i.e. we need to be clear that we can exempt information as commercially confidential under the FoI Act if we want to withhold it).

3. ARA

Spoke to Chris and Mark about this – the overall sense from both is that we're in reasonably good shape at this stage. There were two broad themes which came back from Board members in their comments over the weekend:

- <!--[if !supportLists]--><![endif]-->the document is still too long with too much repetition – Mark is doing some further editing and also believes that once it's in the proper format this will help with the flow and readability;
- <!--[if !supportLists]--><![endif]-->some substantive debate between Susannah, Alice and Neil about the positioning in the DRR re the political constraints on remuneration. Mark is working up a new form of words which attempts to strike the balance between making the point which Neil wants to register, while not sounding too tetchy/provocative (i.e. Susannah's concern). He was going to test this out with Neil, Alice and Susannah this afternoon (he will send you a side copy, but we agreed that it probably wouldn't be appropriate for you to be directly copied into this particular exchange).

4. LTIP/STIP papers

The first paper is just a factual update on the 2012/13 outturns against the scorecard measures and the implications for STIP payments to you and Chris.

The second paper is there for governance purposes i.e. RemCom reporting back its recommendations to the full Board. Neil will lead this discussion. The paper:

- a) <!--[if !supportLists]--><![endif]-->outlines the recommended scorecard measures for 2013/14;
- b) <!--[if !supportLists]--><![endif]-->explains the proposed STIP arrangements for Chris (which I understand you have already discussed with him); and
- c) <!--[if !supportLists]--><![endif]-->explains the proposed LTIP performance conditions for the award dated April 2013 (linked to access criteria and EBITDAS targets).

I checked with Alwen - Alice may ask you and Chris to leave the room during this discussion.

5. Mark Russell lunch

The approach to the conversation with Mark will fall out of the morning's internal discussions with the Board on strategy, mutualisation and POCA. To state the obvious, it is important that Mark's encounter with the Board backs up your conversation with him a couple of weeks ago – i.e. he needs to leave with a clear sense that this is a strong, commercially-focused and independently minded Board which Ministers need to take very seriously. But not one which is politically naïve – we know we need to manage our political/stakeholder environment effectively in order to deliver our commercial objectives.

In addition to the bullet points sent to the Board by Alwen on 16 May (at 13.28), a couple of other questions/issues you might want to raise with him:

- <!--[if !supportLists]--><![endif]-->Are there any parallels or lessons learnt from other parts of the Shex portfolio on how to handle our situation? (i.e. similar instances of tensions between commercial and political interests and how they have been managed?).

- <!--[if !supportLists]--><![endif]-->Mark will be close to the RM sales process, so worth probing for his thinking on interdependencies with our position and any further intelligence on developments.
- <!--[if !supportLists]--><![endif]-->Any further intelligence from Mark's discussions with Howard Orme on the funding prospects (both in terms of quantum and time horizon)? Is there anything more we need to be doing to build our case?

6. FooG update

I gather from Alwen this discussion may be moved forward to the morning to come before the lunch with Mark R.

On the major issue (POCA), I know you are due to speak to Martin M this afternoon (I gave him a quick update this morning). Obviously one of the issues to agree with him is whether you or he should introduce the latest developments with DWP to the Board. If you need a speaking note let me know, but otherwise I'll avoid putting details down in an email. I think the overall message should be that we're taking the situation seriously and putting in place the necessary analytical and stakeholder workstreams – but there is no reason to panic at this stage.

On the wider paper, it's in much better shape than it was (a relative statement!). Explains how we're re-focussing our resources on 6 key opportunities (POCA; IDA; IPS digital journey; assisted digital more generally; DVLA enhancements; UKBA enhancements), with some associated cost savings. We may need to reassure the Board that we're absolutely not waving the white flag on this – but that it makes commercial sense to adopt a more targeted approach rather than trying to be everything to everyone within govt. The commercial and communications teams are working closely together to take this forward at both a working and political level (and we're also highlighting the dependencies to BIS as part of our strategic plan). You may also want to mention the external stakeholder support: a) the very positive Consumer Futures report published today, which highlights the value which the public place on our delivery of govt services; b) the NFSP lobbying – which while cack-handed and overplayed, should at least help focus the Government on the need to make further progress.

The only substantive update in the paper is on the IDA procurement process, where we've now received more clarity from Cabinet Office about the forecast (but not guaranteed) volumes over the next 18 months. In view of the uncertainty we're looking to de-risk the financials by partnering with a wholesale provider – our brand and unrivalled physical presence should put us in a strong position to secure a favourable arrangement.

7. Minutes of previous meetings

I didn't spot anything significant to note in the various minutes. There are no actions attributed to you in the status report.

8. CEO's report

Separate background note to follow this afternoon – I'm chasing down some additional updates.

9. Financial performance update

No papers for P1, Chris will provide an oral update. The key headlines were as Nick S set out last week:

- <!--[if !supportLists]--><![endif]-->EBIT is favourable against budget once adjustments are taken into account;
- <!--[if !supportLists]--><![endif]-->Costs favourable against budget overall – but further work needed to meet the additional staff costs efficiency challenge (which is currently held centrally);
- <!--[if !supportLists]--><![endif]-->Income is slightly adverse against budget – while travel and passports are performing strongly, mails is behind, particularly as a result of the Bentley changes (the mitigating actions are discussed in more detail as part of the CEO's report).
- <!--[if !supportLists]--><![endif]-->POOC costs are over-spending, mainly as a result of unplanned carry over of spend from 12/13 (although apparently we're in a better position than at this point last year). Mitigating action is a regime of close monthly monitoring of project spend for each directorate.

10. Items for noting

No significant developments to note in: a) the H&S report (the trends are marginally positive); b) the register of sealings; and c) the significant litigation report (on the latter we'll need to update the Board on the Second Sight investigation in July as part of the CEO's report – I discussed with Alwen and we agreed that it would be premature to brief the Board on developments tomorrow. You've got a meeting with Alice and Alwen after the Board to agree the approach with JA).

On the FS ARC paper, just a couple of points to note:

- <!--[if !supportLists]--><![endif]-->re-confirms the view that we're content with Bol's capital and liquidity position;
- <!--[if !supportLists]--><![endif]-->it *doesn't* cover two points that have emerged from the regulators as part of the Polo discussions, which Nick will mention in the ARC if there's an opportunity (on both we can say that we will engage Tim on the detail):
 - o <!--[if !supportLists]--><![endif]-->FCA is now going to be taking a much closer interest in our customer interactions (e.g. commented in detail on Polo press release), and will be interviewing both you and Nick in the coming weeks;
 - o <!--[if !supportLists]--><![endif]-->the PRA is going to be taking a closer interest in the Bol's resolution regime for the current account – and helpfully flagged this up to us in a three-way meeting on 10 May. We will be maintaining appropriate pressure on Bol to ensure this doesn't hold up the full launch of the current account next year.
- <!--[if !supportLists]--><![endif]-->On Polo, will provide you an update on the first week's trading performance as part of the background briefing for the CEO's report.

Let me know if there is anything more you need from me.

Thanks, Martin

Martin Edwards | Chief of Staff to the Chief Executive

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GRO