

OFFICIAL SENSITIVE - COMMERCIAL

**To:** Baroness Neville-Rolfe  
**From:** Laura Thompson, ShEx **GRO**  
**Date:** 9 June 2015

**Subject:** Meeting with Paula Vennells, Post Office Limited CEO  
Thursday 11 June 16.00-16.45

**Meeting purpose:** An introductory meeting with POL CEO Paula Vennells. As well as general discussion on the Post Office, Paula will want to talk about the POL Board awayday on Wednesday 17 June, part of which you are attending.

**Meeting attendees**

- Paula Vennells, Chief Executive Officer, POL
- Al Cameron, Chief Financial Officer, POL
- Kevin Gilliland, Network & Sales Director, POL
- Mark Davies, Communications & Corporate Affairs Director, POL

Biographies are at Annex B. Tim McInnes from the ShEx team will also attend.

**Background**

This is your first meeting with Paula Vennells since you became Minister for the Post Office. Paula has tended to meet with Ministers 2-3 times per year.

Paula will want to give you an overview of Post Office, particularly progress against their transformation plans and highlighting some challenges. She will be particularly keen to understand your first impressions of the Post Office, and your initial views on Government policy for POL, particularly the balance between social and commercial drivers. See Annex A for background on key areas that Paula may raise with you.

Paula will also want to discuss the POL Board Awayday, which you are attending for part of the afternoon session on Wednesday 17 June (the Awayday continues the next day as well). Paula is keen to understand what you would like to get out of your time at the meeting. The three items on the Awayday agenda are: the new Government; Financial Services strategy; and Mails strategy. (We will provide further briefing before you attend)

Note that Paula also has an introductory meeting with the Secretary of State next Monday (15 June). You may wish to pass on to him any reflections on your meeting with Paula.

**Briefing contents**

- A. Main issues to discuss with Paula
- B. Biographies of meeting attendees
- C. POL Board Awayday details

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### ANNEX A: MAIN ISSUES TO DISCUSS WITH PAULA

#### Long-term strategy

- POL has been working on a refresh of its strategic plan and expects to present it to Government in the next few months. It is working alongside professional advisers and is confident it will continue to be able to operate in line with available funding.
- Paula will want to talk about the progress POL have made in their plan to date, including highlighting the main challenges faced and those ahead. She will be very keen to understand your initial thoughts on Post Office and any areas of particular priority for the Government.

#### Financial performance

- POL exceeded operating profit targets for the financial year ending March 2015 although revenue fell short of budget by £55 million. Operating profit was £100 million (versus budget of £99 million); this performance was mainly driven by cost efficiency and effective cost control.
- Paula may want to reflect on this performance which was reassuring, particularly after a very difficult start to the 2014/15 financial year. It shows that the business is willing to take hard decisions and focused action to respond to underperformance. The new financial year has started well and after one month is ahead of budget in both revenue and operating profit.

#### Network Transformation (NT)

- Paula will want to update you on progress with NT so far, and will be keen for you to visit more transformed branches (like the one you visited in Ipswich)
- We expect the discussion will focus on the challenge of completing NT and in particular the branches which have not yet engaged with NT, who will be receiving notice in the next week or so of changes to contract terms. POL are revising their letter to subpostmasters based on your feedback last week.

#### Banking

- POL are working with the British Bankers Association (BBA) and the high street banks to develop a standard offer that would make a consistent counter service available to all personal and SME high street bank customers (e.g. withdrawing and depositing cash). This is particularly important where the last bank branch in a community closes.
- The challenge for POL will be to ensure the arrangement works commercially. After a good start progress has slowed recently, and Paula may want to update you on this. You will also be receiving advice from the Business Finance and Tax Team in BIS shortly on this and related matters.

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### Horizon IT system

- Paula may want to reassure you that POL are handling the issues relating to the mediation scheme set up in connection with their IT system, particularly the forthcoming BBC Panorama programme (which is now likely to be broadcast a week later i.e. Monday 29 June).
- It remains the case that there is no evidence of systemic fault with the IT system. We (ShEx) have communicated to POL that the Government maintains that the mediation scheme and cases within it are independent of Government. POL are supportive of that approach.

### Premium Bonds (NS&I) and Government Services

- Paula may raise the proposed withdrawal of Premium Bonds from Post Office by NS&I – we are providing separate advice on this (9 June submission from Tim McInnes).
- This could also prompt a discussion about POL's business with Government more generally – traditional Government services revenues are declining with the move to digital. POL are considering their longer term strategy for Government services, including ID assurance and assisted digital services.

### National Federation of SubPostmasters (NFSP)

- Paula may update you on the process to agree a new funding model for the NFSP, who are the representative body for subpostmasters. The preferred option is a 15-year deal whereby POL will fund NFSP to represent all subpostmasters and fund special projects to improve the overall performance of branches– this will be ratified at an NFSP special conference meeting later this month.
- Your office is in the process of arranging a date for you to meet NFSP general secretary, George Thomson.

### New Post Office Chair

- You are meeting the two appointable candidates (Simon Burke and Tim Parker) on Wednesday 17 June. Subject to obtaining the necessary clearances we will aim to announce the successful candidate in early July, before the next Board meeting.
- You should note that all four candidates who were interviewed for the role were offered, and accepted, a meeting with Paula before interview.

### Visit to POL offices

- Paula will be keen to invite you to visit POL's new offices in Finsbury Dials. The company moved there in March this year from their old Royal Mail offices in Old Street. This has been an important move for POL, not only reducing the cost of their central HQ but also symbolically with a modern, open and transformed way of working.
- We are also working with your office to arrange more visits to Post Office branches.

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**ANNEX B: BIOGRAPHIES OF MEETING ATTENDEES****Paula Vennells, Chief Executive Officer**

Paula has worked for Post Office Limited since 2007 in a number of senior roles including Managing Director. She became Chief Executive on 1 April 2012. Previously Paula spent five years with Whitbread plc latterly as Group Commercial Director. She began her career with Unilever and L'Oreal and held directorships in sales and marketing with a number of major retailers including Dixons Stores Group and Argos. She is currently a Non-Executive Director and Trustee for Hymns Ancient and Modern Group.

**GRO****Alisdair (Al) Cameron, Chief Financial Officer**

Al became the Chief Financial Officer of Post Office in January 2015. He is also a non-executive on the Board of Oxford University Hospitals. From 2002-14 Al worked in a variety of roles for Centrica plc, a FTSE 100 company, including Director of Audit & Risk, Group Financial Controller, Finance Director of British Gas and Managing Director of British Gas Enterprise. Previously he was a partner with Arthur Andersen and served as a trustee of the e-Learning Foundation.

**GRO****Kevin Gilliland, Network & Sales Director**

Kevin joined Post Office Ltd over 30 years ago as a counter clerk and has gained significant experience in Sales and Account Management. Kevin also managed major partners of Post Office Ltd, including government departments and banks during the development of the initial Card Account and universal banking. More recently, Kevin had been leading the work on developing the Network Strategy and Operating Models. (You met Kevin during your visit to Ipswich on Friday 5 June.)

**GRO**



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**Mark Davies, Communications & Corporate Affairs Director**

Mark joined Post Office as Communications Director in July 2012 after two years as Communications and Campaigns Director for the charity Rethink Mental Illness. Prior to that he spent five years as Special Adviser to the Rt Hon Jack Straw MP, working in the Foreign and Commonwealth Office, the House of Commons and the Ministry of Justice. He worked as Special Adviser to Baroness Amos, then Leader of the House of Lords, for 18 months in 2004-05. Mark began his career in journalism in 1990 and during 13 years as a reporter, writer and editor he worked for the Liverpool Echo, the Liverpool Daily Post, CNN and the BBC.

**GRO**

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**ANNEX C: POL BOARD AWAYDAY DETAILS**

Note that further briefing for your attendance at the Awayday will follow.

**AGENDA** (approximate)

Wednesday 17 June 14.00 – 18.00

- Preparing for the next funding round: key choices for the network, social purpose, and relationship with Government
- Discussion with Baroness Neville-Rolfe (c. 1 hr)
- Options for further cost savings

Thursday 18 June 08.30 – 15.30

- Guest speaker: David Sayer, KPMG Global Head of Banking, to discuss financial services
- Financial Services strategy discussion
- Mails strategy discussion
- Guest speaker: Liz Brandt, CEO of Ctrl-Shift, to discuss developments in identity market

**LOGISTICS**

The Awayday takes place at Warren House in Kingston upon Thames (KT2 7HY). You are travelling there by train on Wednesday 17 June to arrive at 15.00, and will leave at 16.30.

Richard Callard from the ShEx team will be at the Awayday as he is a Non-Executive Director on POL's Board. He will be arriving earlier in the day and will not be travelling with you.