

Message

From: Gavin Lambert <[REDACTED]>

GRO

on behalf of Gavin Lambert <[REDACTED]>

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Sent: 15/08/2014 16:01:43

To: Paula Vennells <[REDACTED]>

CC: Alwen Lyons <[REDACTED]>

Subject: revised Board update with more on Sparrow

Attachments: Period 4 financial results update for Board final.pdf; P4 CFO Forecast Page final.pdf

Paula

Revised note, the only change being most of Belinda's extra material on Project Sparrow. Alwen and I have just discussed and I understand that the Board are interested in the detail and will want to know we're on top of this, to the extent we can be.

Gavin Lambert

GRO

From: Gavin Lambert

Sent: 15 August 2014 14:19

To: Paula Vennells

Cc: Chris M Day; Alwen Lyons

Subject: revised Board update

Paula

Revised update below. On your comments:

- Finance – Chris has edited and signed off the para below and we've picked up your other comments in a revised intro to the finance report
- CWU/Acas – the background from Tom M is that we have asked formally and the CWU has said that it will not go to Acas unless we have offered the same pay deal for Supply Chain and Admin. This is unaffordable and we have made this clear. We will be pushing further on this next week and escalating this to Dave Ward (Andy's boss) via Neil. Para revised below to be clearer: 'However, CWU has refused our formal offer for Supply Chain & Admin and we *have made a formal offer to the CWU to use Acas to conciliate a speedy resolution.*'
- TTL engagement scores – additional question added on communicating a clear vision (even more impressive increase)

Other edits since last draft

- I've added in 'as part of systematic engagement with retail targets' to the win in mails piece, as a hook for Martin/Kevin to contact NEDs for help at the point when you/they think that'll be helpful.
- I've changed a couple of bits where the tone jarred on second reading but not change the substance

Dear all

As there hasn't been a Board meeting this month, I wanted to give you an update on various issues before I go on leave.

Firstly, I've asked Chris Day to summarise our **results to July** and his Period 4 financial report is attached. To maintain the focus we are holding our Quarter 1 forecast at budget but, as you'll see, the outlook remains unchanged from Period 3 and therefore there may be some shortfall against this. With a sustained focus there is time enough to pull this back and I am cautiously optimistic that the work which is underway will give us the best chance to succeed in our income and profit targets.

I recognise we need to change our approach and am putting in place new **actions to address our cost base**. I've set up a Cost Reduction Group comprised of a subset of ExCo, and will be chairing the group each week to make sure we achieve the £53m of costs savings required for this year. The Group met for the first time on Wednesday and we have identified a long list of business-wide initiatives to plug the £14m gap to the target.

The **Business Transformation Programme** has concluded its first phase assessment of the business and is now beginning work on the future Target Operating Model. I have been pleased with the team's work so far and look forward to our detailed discussion on business transformation at the September Board.

Further to the discussion of accelerators at the July Board, a programme to "**win in mails**" has been established which integrates work on network extension, simplifying mails products and establish the supporting digital capabilities. The team are making impressive progress at the Bishopsgate hub and have already developed an initial trial solution for Home Shopping Returns which they aim to go live with in two locations next week. Verbal agreements have also now been confirmed with retailers for trials in 84 locations, as part of systematic engagement with retail targets.

Securing buy-in from Royal Mail to move at pace presents a significant risk and we are engaging at senior levels to resolve. I have asked Martin and Kevin to provide a full update on the programme at the September Board when I expect the team will be ready to demonstrate the new tablet-based solution.

Elsewhere in the business, you'll be interested to know that on **Project Sparrow** the complaint scheme is well established with all but 6 full applications submitted ahead of the end of August deadline. As expected a number of difficult issues relating to the Scheme are now coming to a head. At Tony Hooper's request the Working Group has suspended meetings over August, so we are working through issues to discuss when the Working Group calls resume on 28 August. Second Sight have produced a Draft Part Two report (essentially a briefing report for Applicants and mediators on 'thematic' issues arising from Scheme applications) which we believe is of a very poor quality. It lacks evidence and analysis and is unhelpful to applicants and Post Office in terms assisting a resolution of applications. We have provided detailed comments to Second Sight along with a letter for the record setting out why we consider the Report to be lacking. We are working through our next steps and will provide a detailed update at the Board in September.

On **industrial relations**, the picture continues to be mixed. We have resolved the dispute with our Managers in Supply Chain following their acceptance of the pay deal we agreed with CMA Unite. The deal is similar to that approved by Crown managers and is fully affordable. However, CWU has refused our formal offer for Supply Chain & Admin and we have made a formal offer to the CWU to use Acas to conciliate a speedy resolution. On Incentives, the FS, Crown and IR teams are meeting the CWU and aim to introduce, ideally with union support, new schemes for Counter staff and FSs in early Autumn.

Again building on the discussion of risk at the July Board, PWC have been supporting us to develop a **risk appetite statement and framework** for Post Office. The risk team will be presenting a proposed appetite statement to the Board in November.

Finally, I see the next 12 months as a 'game changer' for our business and I need our people to be fully engaged with both the opportunities and challenges. We held a **Team Talk Live event back in July** and for the first time we had staff attending from across the business. I gave a keynote address and chose to deliver unvarnished messages about the scale of the challenges we face and the changes we need to deliver. Despite this, feedback from the event has been very positive, with an increase in staff saying they are *proud to work for the Post Office* (up from 82% to 85%), a greater rise in staff who *support our strategy and direction* (73% to 85%), and an even more significant increase in staff who think

that the *senior management team communicates a clear vision* (51% to 74%). This gives me real encouragement that we can achieve our goals. An edited version of my keynote address is available online should you wish to watch it over the summer: <https://vimeo.com/103499956> Password teamtalklive2014.

I will provide more information on all these issues when we meet at the Board on 25 September. In the meantime, I hope you all have an excellent summer.

Gavin Lambert I Chief of Staff

5th Floor, 148 Old Street, London, EC1V 9HQ

GRO

