



EXECUTIVE COMMITTEE  
AGENDA

for the meeting to be held on 16 October 2014 in Room 501

Present: Paula Vennells (Chair), Gavin Lambert, Lesley Sewell, Chris Day, Kevin Gilliland, Neil Hayward, Nick Kennett, Alwen Lyons, Martin George, Chris Aujard, David Ryan, Alana Renner (deputising for Mark Davies)

In attendance: Angela Van-Den-Bogerd, Henk Van Hulle, Giles Dunning

Apologies: Mark Davies

Start time : 09.15hrs  
End: 17.00hrs

Time	Item	ExCo Sponsor/Presenter
09.15 – 10.15	Risk Appetite	Chris Aujard
10.15 – 11.00	Project Titan	Nick Kennett
11.00 – 11.15	BREAK	
11.15 – 12.45	P & E Strategy	Neil Hayward
12.45 – 13.15	Network update pre-Board	Kevin Gilliland
13.15 – 14.15	Digital i-clinic working lunch	Giles Dunning
14.15 – 14.45	Team talk live planning session	Alana Renner
14.45 – 15.00	EUC	Lesley Sewell
15.00 – 15.10	BREAK	
15.10 – 15.40	Funeral Plan – Product sign off	Henk Van Hulle
15.40 – 16.10	Q1 BREC Debrief	Martin George
16.10 – 16.25	Verbal update on Sparrow	Angela Van-Den-Bogerd/Chris Aujard
16.25 – 16.40	Verbal Industrial Relations update	Neil Hayward
16.40 – 16.45	Noting papers for the Board: <ul style="list-style-type: none"> <li>• Significant Litigation Report</li> <li>• Health and Safety Report</li> <li>• Cyber Security &amp; Information Assurance</li> </ul>	
16.45 – 17.00	AOB	
17.00	CLOSE	

## POST OFFICE LIMITED EXECUTIVE COMMITTEE

### RISK SESSION (Risk Appetite)

#### 1. Purpose

The purpose of this paper is to invite the Executive Committee to:

- Consider and approve the proposed risk appetite statements (appendix 1).
- Finalise the risk appetite proposal for subsequent discussion at the ARC.

#### 2. Background

The Executive Committee received a presentation in August setting out the purpose of defining risk appetite and outlining a high level plan for the development of a risk appetite statement. This paper forms part of this overall development process.

The purpose of a risk appetite statement is to provide a framework for risk-taking for the business which forms an integral part of investment and decision making. Establishing a risk appetite statement is a key responsibility of the Post Office Board, albeit informed by the executive.

The risk team have developed a prototype version which has been discussed with Executive Committee members and subject matter experts within the Senior Leadership Team (SLT). The resulting draft, attached for consideration, represents a 'beta' version which will necessarily be developed and improved over time as its effectiveness and efficacy is tested in the context of 'live' business decisions.

The prototype risk appetite statement combined seven key categories of risk (see appendix 2). These are consistent with best practice guidelines and should be broad enough to cover most types of risk within the business. It is important that the resultant risk appetite statement provides a practical tool to support decision making and therefore it is prudent to limit the number of risk categories; however, there is no fixed rule as to the number of categories and the final set should be determined by business need rather than arbitrary theory. For example, an additional risk category (Corporate Affairs) has been suggested and should be considered for inclusion as part of this discussion and evaluation process.

As part of the development process, data was gathered on potential metrics and indicators that could be used to measure the effectiveness of the appetite parameters. For example, under legal & regulatory risk we will use the number of occasions that we are obliged to notify the Information Commissioner's Office of data breaches as a key metric in evaluating whether we are operating within our parameters of risk appetite or not. These indicators and metrics are not required for the initial phase of statement definition but will subsequently be used to operationalise the statements.

Reputational risk has not been included as a discrete area of risk because the risk categories focus on the causes of risk and reputational risk or brand damage is an outcome or consequence of one or more of these causes.

#### 3. Discussion Process

In order to give structure to the discussion the risk team have developed some scenarios to enable the Exco to test the statements and refine them from a practicable and operational perspective. The scenarios will be introduced at the meeting.

Each scenario will be tested against the levels of appetite proposed under each category to confirm or amend the level as appropriate.

**4. Next steps**

The redefined appetite statements will be submitted to the ARC for consideration on 21<sup>st</sup> October 2014.

**David Mason**  
**Head of Risk Governance**

**Appendix 1 - Draft Risk Appetite Statements:**

Category of Risk	Risk Appetite Statement	Proposed Owner
<p><b><u>Market</u></b> Exposure to market changes, competitor activity, reputational or brand damage</p>	<p>POL has:</p> <ul style="list-style-type: none"> <li>• <b>Receptive</b> appetite to pricing to drive revenue growth; but not at the expense of profit. We expect POL products to be 'top quartile' but not generally to be the most competitive in class.</li> <li>• <b>Hungry</b> to take on competitors in markets where we are mature (mails, government services).</li> <li>• <b>Receptive</b> to acquire market share in markets where we are still relatively new entrants (e.g. FS / Telephony).</li> <li>• <b>Cautious</b> appetite for business initiatives that may cause reputational or brand damage.</li> </ul>	<ul style="list-style-type: none"> <li>• Martin George</li> <li>• Nick Kennett</li> <li>• Mark Davies</li> </ul>
<p><b><u>Financial</u></b> Exposures to credit, liquidity, pricing risks or external financial related crime.</p>	<p>POL has:</p> <ul style="list-style-type: none"> <li>• <b>Averse</b> appetite for not having sufficient financial resources to ensure the continuity and sustainability of the company. This especially relates to ensuring that sufficient funding is always available.</li> <li>• <b>Averse</b> appetite for financial crime to occur within any part of the organisation.</li> <li>• <b>Averse</b> appetite for disruption to any credit facility</li> <li>• <b>Hungry</b> appetite to generate profitable income over time.</li> <li>• <b>Receptive</b> appetite for reducing dependence on subsidies over time.</li> </ul>	<ul style="list-style-type: none"> <li>• Chris Day</li> <li>• Charles Colquhoun</li> <li>• Colin Stuart</li> </ul>

<p><b><u>Legal / Regulatory</u></b> Compliance with regulations, law, and any other external oversight.</p>	<p>POL has:</p> <ul style="list-style-type: none"> <li>• <b>Cautious</b> appetite for Legal and Regulatory risk accepting that in some areas there are conflicting imperatives between 100% compliance and commercial practicality.</li> <li>• <b>Minimal</b> appetite for higher profile and/or Financial Services matters.</li> <li>• <b>Averse</b> appetite for legal or regulatory failings that lead to censure</li> </ul>	<ul style="list-style-type: none"> <li>• Martin George</li> <li>• Nick Kennett</li> <li>• Chris Aujard</li> </ul>
<p><b><u>People</u></b> Capability and capacity of staff. Ethical behaviour including staff misfeasance.</p>	<p>POL has:</p> <ul style="list-style-type: none"> <li>• <b>Averse</b> appetite associated to the health, safety and wellbeing of POL staff in everything we do. [This is paramount to every aspect of POL operation]. This includes loss of life, serious injury and non-compliance to [relevant]regulation and policy.</li> <li>• <b>Minimal</b> appetite for: <ul style="list-style-type: none"> <li>- Misalignment of people capability and capacity of staff.</li> <li>- Unethical behaviour including staff misfeasance.</li> <li>- Inadequate assessment of the necessary talent and capabilities identified in order to build the learning, development plan and resourcing strategy (employees &amp; agents) to drive business performance.</li> </ul> </li> <li>• Insufficient people capacity to enable PO to effectively deliver core services to customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Neil Hayward</li> <li>• Martin Lewis</li> </ul>
<p><b><u>Technology</u></b> Systems and IT related risk; stability, design, implementation. This also includes information security, hacking, and</p>	<p>POL has:</p> <ul style="list-style-type: none"> <li>• <b>Minimal</b> appetite for loss of key IT services beyond what is defined in the business continuity framework for incident severity prioritisation and associated Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO).</li> </ul>	<ul style="list-style-type: none"> <li>• Lesley Sewell</li> </ul>

<p>unauthorised use of data.</p>	<ul style="list-style-type: none"> <li>• <b>Minimal</b> appetite for inaccurate and unreliable processing of data.</li> <li>• <b>Averse</b> appetite for data loss/leakage that can lead to customer, commercial or reputational damage.</li> </ul>	
<p><b><u>Operations</u></b> Internal processes and operations including financial reporting processes, governance and control processes and oversight, supply chain management, physical asset management.</p>	<p>POL has:</p> <ul style="list-style-type: none"> <li>• <b>Minimal</b> appetite for inefficient processes that result in: lost time, duplicated effort, and increased risk of financial loss or errors in any part of its business or core processes.</li> <li>• <b>Averse</b> appetite for inefficient or failure of, governance and control processes, critical financial reporting processes, critical supply chain and business continuity processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Lesley Sewell</li> <li>• Kevin Gilliland</li> </ul>
<p><b><u>Stakeholder</u></b> Major stakeholders including:</p> <ul style="list-style-type: none"> <li>• External stakeholders, government, the minister, consumer futures, royal mail</li> <li>• CWU &amp; CMA</li> <li>• NFSP</li> </ul>	<p>POL has:</p> <ul style="list-style-type: none"> <li>• <b>Receptive</b> appetite to lose the engagement of any key stakeholder in the process and for staying the course in face of opposition if in the wider interests of the business and its commercial priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Neil Hayward</li> <li>• Mark Davies</li> </ul>

<p><b><u>Corporate Affairs</u></b></p> <p>The relationship of the company to its Shareholder (BIS/Government) and to the media, political and environmental factors that influence the shareholders direction to the company</p>	<p>POL has:</p> <ul style="list-style-type: none"><li>• <b>Receptive</b> appetite in taking forward its strategy in the corporate affairs environment- as it is recognised that there will inevitably be opposition and adverse comment – but if POL presents a clear, cogent, confident case it can create the right environment for change</li></ul>	<ul style="list-style-type: none"><li>• Mark Davies</li></ul>
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**Appendix 2 - Risk appetite categories and attitudes**

## Categories of Risk Appetite

The categories of risk used have been updated to be consistent with the September guidance to the Executive Committee (Exco) on 'Articulating Risks Guidance for Reporters' for reporting risks to the Board.

These are:

	<b>Category</b>	<b>Definition</b>
1.	Market	Exposure to market changes, competitor activity, reputational or brand damage
2.	Financial	Exposures to credit, liquidity, pricing risks or external financial related crime.
3.	Legal / Regulatory	Compliance with regulations, law, and any other external oversight.
4.	People	Capability and capacity of staff. Ethical behaviour including staff misfeasance.
5.	Technology	Systems and IT related risk; stability, design, implementation. This also includes information security, hacking, and unauthorised use of data.
6.	Operations	Internal processes and operations including financial reporting processes, governance and control processes and oversight, supply chain management, physical asset management,
7.	Stakeholder	Major stakeholders including political, social, NFSP, CWU, CMA, etc.

These risk categories / types are consistent with best practice operational risk types used within ERM frameworks of non-financial firms.

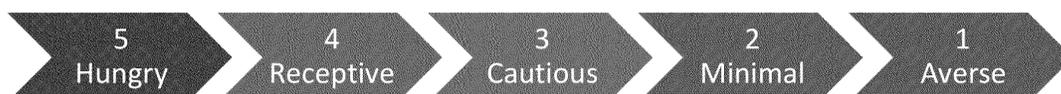
## Risk Attitudes

The definition of risk appetite incorporate the business' attitude to taking risk, e.g. how risk seeking we intend to be to achieve our stated objectives.

The proposed 'attitudes' to risk are consistent with those outlined at the May Exco meeting.

This risk attitude scale seeks to provide guidance on the level of risk that the Post Office is willing to take in its business operations. The Post Office will use a five point scale to denote its attitude to risk in strategic, programme and operational processes.

### The five point scale is:



**Hungry:** Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

**Receptive:** Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.

**Cautious:** Preference for safe options that have a low degree of risk and may only have limited potential for reward.

**Minimal:** Preference for ultra-safe options that are low risk and only have a potential for limited reward.

**Averse:** Avoidance of risk and uncertainty is a key organisation objective.

## Risk Metrics and Indicators

Once risk appetite statements have been agreed, identified metrics and indicators will be used to track and report whether we are on track and within risk appetite. This will be used for Board and Exco reporting.

For example:

<b>Category of risk</b>	Technological
<b>Risk appetite statement</b>	We have <b>averse</b> risk appetite for data loss/leakage that can lead to customer, commercial or reputational damage.
<b>Metric</b>	Incident data log
<b>Indicator</b>	Any recorded high risk event that requires reporting to the ICO or FCA as per ICO/FCA guidelines

This structure reflects the Institute of Risk Management (IRM) guidelines on risk appetite

## Post Office Limited Executive Committee

### Project Titan Update

#### 1. Purpose

To update the executive committee on the next steps of the program, governance, what agreements that Exco will be asked to appraise and contingency plans are in place.

#### 2. Background

- 1) Project Titan is due to launch on December 8<sup>th</sup> 2014, initially dealing with renewals for annual travel insurance, moving to full responsibility for the sales and administration of policies from January 2<sup>nd</sup>.
- 2) Following the negotiations for the administration elements of Titan, the target cost reductions have materialised in line with the plan. Furthermore, the underwriting solution has yielded 10-15% net rate improvement for the costs of underwriting the product.
- 3) Titan program was budgeted to spend £4.9m and is on target to be brought in on budget and on time.
- 4) FCA application was submitted on 15<sup>th</sup> August and is in train. No initial concerns have been raised. Time lines are tight and the FCA is not obligated to reach a decision within any specific time frame which creates a risk to the program which we have mitigated (see below)
- 5) Aon (current broker) and Axa (current underwriter) are both fully engaged with and are supporting with the transition to ensure a smooth program.

#### 3. Governance

There are a series of activities and actions outstanding in order to conclude the program

- 1) As an independent subsidiary, POMS Board will provide to the PO Board (on a subsidiary to parent basis) the following documentation for approval and noting.
  - i. POMS 3 year plan – which provides the business activities and target outcomes that POMS will undertake to support the FS strategy as defined within the 2020 Strategic Plan. This will be tabled for noting and set the agenda for POMS;
  - ii. An independent overview of the contractual agreements between PO and POMS (see (section 3iii)) and the commercial principles that apply – this paper, which has supported by the PO Finance and Legal will also be tabled to the POMS board. In both cases the support of the Board will be requested, seeking a mandate for execution of the agreements;
  - iii. An independent evaluation by Grant Thornton, conducted at the request of the PO Board and managed by the Group Risk function, to assess POMS' readiness to launch and that the risks identified in a paper to the Board in June have been effectively managed/assuaged.

- 2) These documents will be provided to October PO Board in which the following outcomes will be tabled seeking authority to the PO Executive Committee to finalise and agree the POMS / PO agreements
  - i. *Master Services Agreement* - PO supply of critical business functions such as IT, HR and Finance;
  - ii. *Licensing agreement* - providing POMS with authority to use the PO Trademarks and delegate this authority to other administrative business who conduct activities on behalf of the group;
  - iii. *Distribution agreement* - PO commitment to provide access to the PO channels; and
  - iv. *Sub-ordinated loan agreement* – agreeing the terms of the loan provided to POMS to commence trading and secure its regulatory funding requirements.

#### **4. Risks and mitigation**

The current arrangements with Aon/AXA expire as at 31<sup>st</sup> December. There are a number of risks to the delivery of Titan including the continuation of customer activities from 1<sup>st</sup> January. The following points highlight the risks and concomitant mitigation strategies.

- 1) FCA approval is not given by 1<sup>st</sup> December 2014:

POMS will become the appointed representative of Thistle Initiatives (Regulatory Consultants) until the relevant approvals have been received (contingency contractual arrangements are in place);
- 2) Post Office board does not give approval for POMS to commence trading (for example that Grant Thornton fail to provide sufficient confidence that POMS is fit for purpose):

POMS will work with its new underwriting partner to establish an operational environment. The commercial impact of this would be in the region of £300,000 per month, until POMS could re-assure the Board of its capability to trade.
- 3) Post Office unable to reach agreement with Bol to continue to provide regulatory oversight of the insurance business:

Bol are obliged under conduct of business rules within the FCA guidelines to ensure the continuance of service to insured customers. Bol and POMS/PO discussions surrounding the regulatory oversight remain positive. If however this changes, options exist surrounding gaining the same oversight from either Thistle Initiatives directly or via POMS and its underwriting partners.

#### **5. Additional Opportunities**

The launch of Titan provides Post Office with additional revenue opportunities – these are primarily surrounding the securing of enhanced of net rates costs, lower administration costs and an improved online journey combined with better rates leading to improved click to sale rates.

While these benefits have been included in the business, the better than expected underwriting solution should generate up to £400-500,000 benefit in Q4 2014/15, versus the budget of £200,000.

## **6. Summary**

- 1) Titan is on schedule to launch in December 2014.
- 2) Commercial deals are significantly better than the prior model and de-risk the business as control now sits within POMS rather third parties.
- 3) To conclude this program on time and budget Governance process needs to be concluded
- 4) Where possible risks have been mitigated
- 5) Subject to the support of the services contract by the Post Office board, the project will seek Exco execution of the contracts with POMS.

## **7. Conclusion**

- 1) Exco is asked to note this paper and the actions contained.

**Paul Havenhand**  
**Head of Travel & Insurance**  
**October 2014**

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**POST OFFICE LTD ExCo/BOARD**

**Post Office People & Engagement Strategy –  
Plan for the next 12 – 18 months**

**1. Purpose**

- 1.1 Since the June strategy Board meeting, the People & Engagement plan for the next 12 – 18 months has been developed. This paper describes the short term actions over the coming 12 - 18 months that will support the transformation of the business in line with the requirements of the Business Transformation programme, Winning in Mails and the FS strategy.
- 1.2 Progress against the plan will be monitored at the Transformation Committee, with regular updates for ExCo and the Board. Actions are already underway, some of which are described in section 3.

**2. Background**

- 2.1 All of the activities in the P&E plan have been aligned to the 10 accelerators of the strategy defined by the ExCo.
- 2.2 There are some immediate actions that have emerged as a result of the development of the Business Transformation Programme, the FS strategy and Winning in Mails. These have been detailed in section 3.
- 2.3 Ensuring that the P&E team is ready to support managers through the transformation period will be critical to the success of Post Office's transformation. The immediate, short term actions mainly relate to managing the costs down across the organisation and to dealing with the implications of this with key stakeholders, such as the trade unions and the NFSP. A deep dive into the approach to managing these stakeholders has been included in the supporting documentation to this paper.<sup>1</sup> Scenario planning, including recommendations from a communications perspective has also been included.
- 2.4 The focus of this paper will be the next 12 - 18 months. Further development of the P&E plan will be done in phases to align with the further refinement of the business strategy linking to POL's transformation. The process of which will be iterative.

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<sup>1</sup> The supporting papers are – P&E Strategy - Changing the way we work with our unions, P&E Strategy–changing the way we work with the NFSP, P&E Strategy– stakeholder messaging & scenario planning, critical issues and timelines (tbd)

**Strictly Confidential****3. Activities/Current Situation**

3.1 The People & Engagement team have been working closely with the business since the June Board presentation to identify the people implications of the 10 accelerators and to ensure the P&E team are in a position to support these activities. The P&E plan is therefore set by the implications of Business Transformation, Winning in Mails and the FS strategy. Sections 3.2 to 3.4 focus on these 3 key business change programmes. All the supporting initiatives and projects highlighted against the change programmes are shown in more detail in sections 3.5 to 3.7.

**3.2 Business Transformation Programme**

<b>Implication of BTr</b>	<b>P&amp;E Action</b>
Significant headcount reductions gaining greater efficiency across the organisation, specifically relating to wave 1 in the short term.	P&E team ready to support line managers through significant workforce changes, providing toolkits, processes and supporting documentation, including a defined approach to MTSF and the use of compulsory redundancy.
Organisational design – review of the top level structures across the business (ExCo and 2 levels below) to gain greater efficiency and clear accountabilities.	Cost savings identified and new structures implemented. New talent hired against organisational capability gaps and key talent retained.

**3.3 FS Strategy**

<b>Implications of the FS Strategy</b>	<b>P&amp;E Actions</b>
Sales capability of Financial Specialists.	Refresh the FS population with c.30% churn in workforce, supported by the revised Performance Management process. Underpinned by the Sales Capability working group.
Increase number of FSs, MSs and introduce the CRM role in the agency network.	Work with the FS team on the attraction strategy for these roles based on 'what good looks like' with targeted recruitment campaigns, utilising innovative, digital methods of recruiting.

**3.4 Winning in Mails/Network Extension**

<b>Implications of 'Winning in Mails'</b>	<b>P&amp;E Actions</b>
Talent. Reorganising and restructuring the Commercial function in line with the strategy is a priority, in particular the product managers.	Identify new structure as part of wave 1 and identify skills and capabilities required to drive the strategy, engendering a mindset of B2B2C in the way we develop products and services.
Sales capability – short term goals of increasing sales capability across the Network. Longer term focus on Agents and FS.	The sales capability working group has been put in place in line with accelerator 9. The purpose of which is to drive in year income and develop the longer term strategy to developing sales capability across the whole network.
Revised Postmaster models, contracts and reduced remuneration linked to	The proposed changes to models and network development will face opposition from the NFSP.

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simpler transactions.	Scenario planning and recommendations are being developed in order to manage the NFSP and ensure we have Govt. and the minister aligned with our plan.
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**3.5 Reshaping the organisation -**

The implications of Business Transformation wave 1 and the target operating model work will be a key focus for the P&E team. Ensuring the wave 1 structure has been defined and implemented in year will be a priority.

There will be a requirement to upgrade in critical roles, improve the support to our field based managers [particularly those supporting the Agency network] and increase the impact of Learning & Development. This will be done alongside identifying new skills and capabilities we will need and retaining our current talent.

<b>Activity</b>	<b>2014/15 plan</b>	<b>Outcome</b>	<b>Date/ Accountable</b>
Put in place the right leadership population	Complete a review of the ExCo and SLT roles, structures and people in post. Including immediate changes to support short term objectives then phase 2 following the TOM outputs.	Revised structure and leadership in place. List of new hires agreed and appointed.	Mar '15 – Neil H/ Fay H
Upgrade the population in critical roles.	Review and refresh the following populations;- FS/MS – Financial Services AM/BM – Network & Sales	Changes implemented, increasing capability and reducing costs as per business plans, as agreed with KG/NK.	Mar '15 – Ann M
Branch Support Programme - reduce L&D spend whilst increasing the effectiveness of delivery.	Centralise L&D delivery and design to increase the impact of learning interventions and maximise the utilisation of resource, whilst enhancing digital capability.	New structure in place and cost savings identified	Phase 1 - Jan '15 – Sarah M Phase 2 – Dec '15 Sarah M
Ensure the P&E team is ready to support line managers through significant workforce changes.	Ensure the processes and tools are in place to manage;- Consultation for job losses (timelines agreed to implement VR/CR – MTSF) Managing people through change.	All toolkits in place in readiness for impact of changes.  Workshops developed and delivered to big people leaders.  Workforce changes implemented in line with wave 1 (benefits realisation).	Sept '14 – Fay H/ Tom M  Dec '14 – Fay H/ Tom M  Mar '15 – Neil H/ David R

**3.5.1 P&E Team - change ready –**

A significant amount of preparation has already gone in to supporting workforce changes as a result of business transformation. The P&E team – working alongside the programme – have developed detailed toolkits, processes and supporting documentation, including line manager guidelines to support the business through the transformation period. Workshops will also be set up for line managers, enabling the HR Business Partners to talk the line managers through their responsibilities and how they will be supported. The SLT

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population have also been engaged as a group to outline their leadership role through the period of transformation. The P&E team are working closely with the programme and have released members of the team to work full time on Business Transformation, including the P&E SMEs, a lead for IR and an organisational design lead. Alongside this, a project team has been prepared to deal with the administration of all people changes and a cross functional 'People Change Governance Group' has been set up to manage and monitor the people implications of the programme. Underpinning this is a support team within the HR Service Centre, with flex resource for peaks of activity. The team has an integrated approach across People & Engagement disciplines, with particular focus on union consultation and legislative responsibilities. This approach has been designed and implemented in readiness for wave 1 activity and is already in the process of supporting the business in developing their case for change and designing their new organisational structures.

**3.5.2 Leadership & Talent –**

The work to define an optimised leadership team structure has commenced, and working in partnership with the Business Transformation programme, this has progressed over the last month. Wave 1 of these changes will be ready for early November. The top line structure at ExCo –1 and ExCo -2 alongside the cross business staff cost efficiencies are currently being validated with the relevant ExCo members for implementation from November. We will therefore, shortly address the issue of a large SLT with overlapping responsibilities. This review will enable us to implement a structure with clear reporting lines and accountabilities – providing the platform for better decision making and swift execution of the strategy. We will enter the market place for new talent to complement and build the leadership cadre as required (a number of hiring needs have already been identified) – whilst supporting and continuing to nurture and develop our retained SLT.

**3.6 Focusing on our customers -**

Whilst changing the way we look at our customers, we will also need to increase the focus we put on the relationship with our Agents; as they are our customers serving the end user customer of Post Office products and services. We will be reviewing the way we recognise and reward employees and agents for achieving sales success and working to improve sales capability across the whole network.

<b>Activity</b>	<b>2014/15 plan</b>	<b>Outcome</b>	<b>Date/ Accountable</b>
Review of the way we reward our people to drive high performance and increase customer satisfaction	Continue to review the way we reward and recognise people to ensure focus on the customer and deliver high performance, underpinned by the new performance management process.	Revised incentives and colleague offers in place for Q1 15/16.  Revised performance management process in place POL-wide.	Mar '15 – Keith M  Mar '15 – Ann M/ Tom M
Improve agents sales effectiveness	Guiding Coalition initiative extended across the agency network to support the mails revenue shortfall for 14/15.	c.200 mails coaches in place and targeted to 4000 agency branches	Mar '15 –Michael L/ Neil H
Invest in sales capability across the whole network (inc. Financial Services)	Drive in year income and develop the longer term strategy to developing sales capability across the whole network	Plans agreed by ExCo/Board for roll out.	Jan '15 – Neil H/ Kevin G

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Review agents remuneration and contracts	In line with network expansion we will review existing contracts, relationships and remuneration structures for agents – linked to franchise model review resulting from TOM.	Revised framework ready for network roll out end of 15/16.	Mar '16 – Nick B/ Kevin G/ Keith M
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**3.6.1 Sales Capability –**

Starting to change the way we work is crucial to the longer term sustainability of the business, and this will require a much more rigorous focus on commercial skills and the development of sales capability. A working group has already been established to take a data-driven view of the current sales landscape in order to inform a short term and a longer term plan for capability development. In the short term, the focus will be on creating a coherent and shared set of activities that will drive short term performance – focusing on both “good to great” and “poor to good”. We will support the extension of the Guiding Coalition programme and look at how we can transfer that level of energy and focus into other sales channels. We will re-align our resource to support those branches that have the greatest capacity to be profitable and, as guided by the commercial strategy, gear up to support further transfers of Crown branches to Multiple Partners. The recently agreed new Performance Management process for non-managers reduces the time taken to manage the exit of poor performers – and this will be extended to cover other roles and team (specifically, for example, in Financial Services) to enable quicker exit of poor performance. The longer term work has commenced to identify what it would take for Post Office to build a world class sales capability – identifying all the levers to identify, source, develop, reward and incentivise the right sales behaviour. An update on progress will be provided to ExCo and the Board in January.

**3.7 Changing the way we work -**

One of the key enablers to changing the way we work is changing the relationship Post Office has with its trade unions and the NFSP. The issues and implications of doing this have been further explored in the supporting documentation to this paper. The way we communicate with our people, including agents will play a key part. We also have an opportunity to use the move from 148 Old St to Finsbury Dials as a watershed moment, shifting the relationship between the old style head office and front line colleagues, to one which is seen as a support centre to the front line. Introducing new ways of working, making better use of technology and encouraging collaboration across different teams will help to change the culture within the organisation. This will also be underpinned through the messaging in communications across the business. We have already begun to change the way we communicate with our employees and agents to increase their understanding of and engagement with Post Office's strategy.

<b>Activity</b>	<b>2014/15 plan</b>	<b>Outcome</b>	<b>Accountable</b>
Develop and communicate a compelling change narrative for our employees and stakeholders.	Develop a change narrative explaining the imperative and ensure this is reinforced by a regular cycle of engagement (through the revised Team Talk suite), with a feedback mechanism for accepting, validating and implementing colleagues' ideas to	Change narrative developed and shared supported by Team Talk communication channel.  'Making it Easy' crowd sourcing tool in place.	Jul '14 – Mark D  Aug '14 – Mark D

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	accelerate business transformation.	Ideas implemented and savings achieved	Mar '15 – Mark D
Exploit the move from 148 to FD in order to accelerate culture change.	Use the move from 148 to enable new ways of working. #thinkdigital.	FD is seen as 'Business Support Centre' adopting mutual ways of working	Mar '15 – Neil H/ Harry C
Revise the collective bargaining frameworks POL has with its unions.	Change the collective bargaining frameworks to a more collaborative engagement framework, whilst increasing the pace of change within Post Office.	New Collective Engagement framework in place.	Mar '15 – Tom M
Ensure the NFSP reconstitutes as a trade body.	Support the NFSP in its reconstitution activity and ensure the new organisation (trade body) is one designed and structured to support Network Transformation.	New Union representative structure in place.  NFSP new organisation in place and funding agreed on a value for money basis.	Mar '15 – Tom M  Jan '15 – Nick B

**3.7.1 Digital -**

In addition to the initiatives described above, the P&E team has also been developing digital solutions to optimise business as usual processes. E.g. we are utilising video interviewing technology at the moment for Christmas Paid Work Experience candidates. We plan to continue to use this method of recruiting across other roles within the business, including recruitment for FS and MS roles. We are also in the process of trialling e-payslips for employees in People & Engagement, Commercial and Financial Services. Once the trial has been completed successfully, we plan to roll out the approach across the rest of the organisation, including Agents. Using digital methods for traditionally paper based activity is both cost effective and helps change the culture of the business, using innovative technology. In addition, the Branch Support Programme aims to move much learning & development activity on line with plans currently in development.

**4. Key Risks and Mitigation**

- 4.1 The changes to the workforce as a result of business transformation and network extension could meet opposition from the trade unions and NFSP. This could result in widespread industrial action and a negative PR situation, impacting on the pace of change. There will also be potentially strong opposition to the planned implementation of the collective engagement framework and changes to the union representative structure. **Mitigation:** The proposed changes will be difficult to implement with strong union and NFSP opposition. To mitigate the risk, the business will need to show strong and united leadership. Appetite for this will need to be gauged as without this support, it will not be possible to change the relationship with the unions. Ensuring we have the support of the shareholder for our approach in the lead up to Christmas and the general election will also be critical to taking these changes forward.
- 4.2 Current performance and the communication of it has created a sense of urgency and an understanding of the 'burning platform', however this will need to be managed well to ensure the business does not dis-engage its people. Furthermore, the impact of current business performance on our ability to invest and how this is seen will need to be carefully managed – **Mitigation:** The

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change narrative has been developed and shared across the business, underpinned by further communications supporting the key messages. Communications from the CEO have also been positioned much more starkly based in the realism of the business' financial position and the absolute need for change. This will need to be balanced against a compelling vision of the end game for the organisation to enthuse and engage our people in the change journey.

### **5. Conclusion**

- 5.1 A clear milestone plan has been developed to ensure pace and traction in the delivery of the strategy. The next 12 months will be critical and needs complete focus on core activities that deliver the business strategy. The P&E plan will need to evolve over this time in line with Business Transformation, Winning in Mails and the FS strategy.
- 5.2 A programmatic approach to managing the P&E plan has been implemented and will be monitored by the Transformation Committee with regular updates provided to ExCo and the Board.
- 5.3 The activities listed in section 3 are predicated on the current financial position and resources available to the P&E team. Further investment could be required to accelerate some activity based on business need and priorities.

### **6. Recommendations**

The Board/ExCo is asked to:

- 6.1 To note the update and actions set out above.

**Neil Hayward**  
**16<sup>th</sup> October 2014**

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**POST OFFICE LTD ExCo/BOARD**

**Post Office People & Engagement Strategy –  
Changing the way we work with our unions**

**1. Purpose**

- 1.1. This Post Office Industrial Relations (IR) strategy is based on raising capability and confidence across our business in dealing with trade unions. It is designed to increase our levels of direct employee engagement and accelerate the achievement of our commercial objectives and strategy. Our default position is to adopt a collaborative approach to working with our recognised unions, whilst recognising theirs are one set of interests to be balanced against others. Our customers and colleagues come first at all times.
- 1.2. Our unions, particularly the Communication Workers Union (CWU), are unlikely to support our intended approach as it will reduce their historic influence. This reflects the deep-seated industrial relations culture and arrangements across Post Office and Royal Mail, which are at odds with best practice in the public and private sectors. To handle the associated reputational and political risks, we will take particular care to be 'pro-Post Office, not anti-union'. Our stakeholder approach and key messages are already established and tailored to each audience.<sup>1</sup>
- 1.3. We will implement this IR strategy as part of an integrated approach to transforming our business and commercial network, which has its own, inherent industrial relations risks. This requires us to show resolve in the interests of our customers and our colleagues. The reward will be a leaner, quicker approach to industrial relations and change, alongside a great, engaging working environment for our people.
- 1.4. Although we have started to introduce a new approach to industrial relations, notably through the resolution of the Crown dispute in 2013/14 and the agreement of a new, shorter and more robust Performance Improvement Process, our unions do not yet accept this as a new reality, and our pace of delivery needs to increase. Only a new strategic approach to industrial relations will achieve this. This strategy sets out the context for change and the practical ways in which we will transform the relationship with our unions and, as a result, improve employee engagement and business performance. It represents a fundamental change in our relationship with unions.

**2. Background**

- 2.1. The Post Office has an ambitious commercial strategy specifically in relation to Business Transformation, Winning in Mails and the FS Strategy. Creating the goodwill and high levels of motivation required to successfully deliver this is a shared responsibility.
- 2.2. Without changing the way we work with our unions we will find it hard to deliver our strategy and plans. This IR strategy is designed to add tangible value to the business by making us faster at delivering change and by reducing the business cost of union representation. It will support the ten 'accelerators' which guide our work, notably the

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<sup>1</sup> See Appendix 3.

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radical reshaping of the organisation and the accelerators which involve 'Changing the way we work'.<sup>2</sup>

**Figure 1: Alignment with People and Engagement Strategy**

<b>People and Engagement Strategy</b>	<b>IR Strategy</b>
A commercial, customer-focused culture	Reduce the cost of union facility time & balance the needs of all stakeholders
An agile organisation that delivers faster execution	Reduce cycle time for implementing change
Higher levels of engagement from our employees	Embed a new modern partnership based 'Collective Engagement Framework' – national in scope, local in practice
The roles and skills in place to drive the execution of the strategy	Establish IR/ER CoE; up-skilling managers and HRBPs Roll-out 'Managing Change in a Unionised Environment' workshop.
Remove duplication and complexity from our structure	Re-work [and as appropriate remove] many of the c 300 collective agreements to ensure they are fit for future business purpose and legally compliant. Embedding streamlined and simplified people policies.

### 3. Context

- 3.1. We are an independent business with recognised unions which are still organised for, and wedded to, a pre-separation from Royal Mail view of Industrial Relations. We have made significant progress in asserting that 'the old rules don't apply', notably through the resolution of the Crown dispute with CWU in 2013/14, but still have a long way to go.
- 3.2. Just under 26% of all UK employees are members of a trade union, and only 14.4% of private sector workers belong to one.<sup>3</sup> Even compared to the public sector, which is considerably higher (55.4%), union density at the Post Office is exceptionally high. Latest figures show that 90% of CWU, or team, grades are paying members. The equivalent number for Unite CMA (CMA), Middle Manager, grades is 40%.<sup>4</sup>
- 3.3. There are currently 38 individuals on full-time pay release for union activities within the Post Office.<sup>5</sup> This equates to 1,767 working weeks, 8,835 days, or 61,845 hours per year.<sup>6</sup> The total business cost of these individuals in pay, pension and expenses was £1.27m in 2013/14.<sup>7</sup> This is an unsustainable cost for the business and an unjustifiable use of public money.
- 3.4. There is also the 'known unknown' additional cost to the business of time being taken off from normal working duties by part-time union reps carrying out union duties and activities locally and the associated cost in management time this brings with it. The IR team is currently undertaking a forensic investigation into this issue.

<sup>2</sup> "8. Lead change with the right people in the right places – we will ensure that colleagues have the skills and authority needed to manage their areas of responsibility, and are held accountable for delivery of the right outcomes for our customers

9. Inspire and engage everyone in our turnaround story – we will make a compelling case for change to our agents, employees and stakeholders in order to drive performance and customer service

10. Manage our partners with purpose – we will build profitable partnerships informed by a rigorous analysis of their position and our customers' needs." 'Our 10 accelerators to deliver a commercially sustainable Post Office'

<sup>3</sup> Trade Union Membership 2013, BIS, May 2014.

<sup>4</sup> Figures taken from Post Office payroll which administers 'check off' of union dues.

<sup>5</sup> The Post Office IR Framework gives our unions 41 full-time paid Reps. Three posts are currently vacant.

<sup>6</sup> Based on a working year of 232.5 days per year and a 35 hour working week for a Post Office employee.

<sup>7</sup> Taken from payroll figures of total employment costs and T&S spend of all full-time Reps for FY 2013/14.

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- 3.5. We have also identified that there are a further 40 CWU Reps within Supply Chain, all of whom are Royal Mail employees still influencing colleagues due to the previous, pre-separation IR arrangements not having been replaced. These are at zero cost to Post Office but it is clearly inappropriate and unhelpful to have employees of another company playing any part in Post Office business and we need to serve notice on this arrangement as part of our removal of the Royal Mail legacy from our IR landscape.
- 3.6. Notwithstanding, the combined total of 38 full-time union reps on paid release alone in the Post Office versus the current number of management IR subject matter experts currently employed in the business represents a ratio of over 10:1 in the unions' favour. Union reps also receive additional professional support and 'back-up' from Union HQ, including training.
- 3.7. A 'like for like' comparison with BT Plc. which has a similar level of CWU membership density as the Post Office (85%+), shows that applying the formulaic approach used by BT, which is based on 0.8FTE per 500 union members, would realise cost savings to Post Office Ltd of ~£0.8M pa.<sup>8</sup>
- 3.8. Fifty major collective agreements governing various workforce practices transferred to Post Office under separation from Royal Mail. There are a further 200+ which exist through custom and practice at varying local levels. These agreements are not reflective of the business we need to become.

## 4. Key Outcomes

- 4.1. The capability and confidence of our leaders and line managers to improve individual and team performance during a significant, challenging transformation is one critical success factor for our business. Overcoming the current IR barriers to releasing more discretionary effort from employees – and giving managers the ability to manage – is another. We need to up-skill our front line managers and HR Business Partners (HRBPs) so they can successfully own, lead and manage change in a highly unionised environment, whilst simultaneously redefining that environment through new agreements.
- 4.2. This strategy will contribute towards commercial sustainability for Post Office by delivering:
  - Reduced cycle time for implementing change – by replacing many of the current 'collective agreements' with more flexible, commercial policies;
  - Reduced cost of union facility time;
  - Capable and confident managers & HRBPs empowered to successfully manage timely change in a highly unionised environment;
  - Improved service efficiency and customer satisfaction as we raise performance; and
  - Higher and sustainable levels of employee engagement as line managers are enabled to manage.
- 4.3. We will deliver this by transforming the industrial relations landscape. Our default position is to adopt a collaborative approach to working with our recognised unions while recognising theirs are one set of interests to be balanced against others. Our customers and colleagues come first.

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<sup>8</sup> Based on a projection of the average cost of a Rep (£33,500p.a.) and the total number of Reps (12) which would be required under the BT formula.

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**5. Themes**

- 5.1. Our work has four main themes which will underpin our ongoing work to account manage our unions. These are set out below.
- 5.2. An explicitly commercial approach to all negotiations on pay to deliver affordable results and change union and employee perception of the Post Office’s approach and ability to manage unions effectively. We have agreed all Managers’ pay until 2016/17, on a self-funding basis. In contrast, the CWU refuses to accept this approach.
- 5.3. A step change in business skills in working with unions. Not all our colleagues, particularly front-line managers, have the skills and support they need to work with unions confidently and colleagues effectively. We will work to up-skill the business through training, support and a wide range of guidance which we will produce to underpin our engagement. See Appendix 2 for a summary of how this will work on a day-to-day basis. This is designed to allow more decisions to be taken at the appropriate, local level.
- 5.4. A new, modern approach to engagement and change. Through a new ‘Collective Engagement Framework’ and ‘Managing Organisational Change Framework’ which will be the new rules for collective engagement. This will represent an extremely challenging negotiation process.
- 5.5. A new, lean Collective Engagement Framework. Reframing the extant National Industrial Relations Framework Agreements is critically important as ultimately these will set the future context for collective engagement with the CWU and CMA over business transformation generally and how Post Office will accomplish significant revenue growth and reduce its cost base. This will result in a realignment and reduction in the number of full-time union representatives.
- 5.6. In summary, the successful delivery of the strategy is designed to create a new, legacy-free culture of employee engagement in the Post Office. It is designed to bring the CWU and CMA on that journey so long as they are willing to accept that challenge. This has significant implications for the People and Engagement agenda across the business.

Figure 2: Culture change – direction of travel in industrial relations for Post Office

<b>As is</b>	<b>To be</b>
Sector norms	POL Governing Principles and Values
Custom and practice	Transformation
Over-emphasis in Comms on union collectivism	Greater emphasis in Comms to individuals
Formal/fixed roles	Flexible/agile working
Hierarchy	Flatter structures
Central ‘command and control’ by CWU	Devolved empowerment of local reps
Engagement at national level with unions’	Greater engagement at local level
Indirect engagement with colleagues via unions’	Greater direct engagement with colleagues
Reactive/crisis management of unions	Proactive/ planned engagement with unions

**6. Delivering the Strategy – Resourcing, Priorities and Timeline**

- 6.1. To address the current imbalance of influence over employees’ behaviours (e.g. industrial action) away from the unions (CWU in particular), we must be able to demonstrate that every colleague is valued, feels valued and is invited and trusted to participate in meaningful and regular conversations directly with their line managers.

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- 6.2. Post Office line managers hold the key to improving the levels of employee engagement – we need to up-skill & support them and the HRBPs to effectively manage timely change in a unionised environment.
- 6.3. We need a lean, focused and expert team to deliver this challenging strategy. We have already integrated IR and ER into one team. It needs to focus on a short list of priorities which will underpin the themes outlined at Section 5.
- 6.4. A New Employee Relations & Engagement Team: Delivering this strategy requires targeted investment in expertise and needs to be fully integrated with our work on employee relations and employee engagement. This will be offset and, in time, funded, through the reduction in paid union officials and facility time. It will have clear metrics against which to judge success (**see Appendix 1**)
- 6.5. Notwithstanding the planned reduction in the cost of union facility time, there is a compelling business case for investing in additional resource for establishing an adequately resourced IR and ER capability to readdress the current imbalance of IR resource/influence available to the unions. We will create a new Employee Engagement Team, bringing together IR and ER which will work closely with Comms and HR. This will be led by the Head of Employee Relations & Engagement as part of the People & Engagement Team. Please see **Appendix 1** for details.
- 6.6. Priorities: To deliver the strategy we will:
- Produce and roll out a workshop – ‘Managing Change in a Unionised Environment’;
  - Re-work, modernise (and, as appropriate, remove) many of the collective agreements, policies and procedures ensuring they are fit for future business purpose and legally compliant;
  - Produce and embed a ‘Managing Organisational Change Framework’ to rationalise and simplify collective agreements, policies and procedures;
  - Replace the national agreement on trade union facilities and time with a new trade union duties framework that will reduce the cost to the business;
  - Produce and embed a robust ‘account management’ approach to the governance, tracking, managing and authorising TU facility time; and
  - Produce and regularly update a forward-looking IR ‘Heat Map’ to enable us to identify ‘early wins’ and pro-actively plan IR/ER team interventions for supporting managers and HRBPs through change and transformation.
- 6.7. Timeline: Replacing the existing IR Framework with the new proposed framework – and realising the associated savings – is a 6-month end-to-end process. We have already completed two months of preparatory work which has included production, and ExCo approval of, this Strategy. Work is now focusing on the introduction of a new structure for engaging with our unions, and preparation for negotiation on a new formal framework.
- 6.8. The key decision point comes in November (month two of the six), at which point we will need to formally table our proposal to the unions in order to deliver by March 2015. This could be delayed (or, slightly brought forward) to integrate with broader business priorities, notably Business Transformation. Assuming no change to the plan, the timeline is as set out below.

**Strictly Confidential**Figure 3: Timeline for implementation

Stage	Month	Activity
1	November 2014	Introduce new framework for union engagement – JCNC and other fora
2	December 2014	Seek union agreement for new Collective Engagement Framework
3	January 2015	Mutually terminate/serve notice on current IR Framework – dependent on business progress and union position on Business Transformation and staff reductions
4	April 2015	IR Framework ends after 90 day notice period
5	April 2015	No. of Reps reduce from 41 to ~20 (target, subject to negotiation)

**7. Key Risks and Mitigation**

7.1. This approach has a number of clear risks which we will seek to mitigate:

- Seeking to implement the Strategy could delay other business activity, particularly Business Transformation – *Possible if the unions chose to withdraw from all co-operation. The changes needed to delivery Business Transformation, notably compulsory redundancy, will be fiercely opposed by the CWU regardless of any IR Strategy. This plan integrates with this key business objective – the union Rep reduction element of the IR Strategy will not be implemented until we have agreement or a definitive rejection of our proposals, specifically 'Wave One' of Business Transformation;*
- Post Office will be portrayed as anti-union – *This is a certainty, the key is whether it will be seen as such by colleagues and stakeholders. Our approach can fairly be described as pro-union as our ideal end-state includes recognised unions with agreements consistent with Acas best practice and a level of union representation still above industry benchmarks. We will emphasise this point to colleagues and stakeholders, as well as to the unions themselves;*
- The business will not have the resolve to implement the Strategy – *this would be highly damaging to the Post Office. If it is a likely outcome we should not take this work forward. This is best mitigated through a strong and united endorsement of this strategy, having accepted the challenges inherent in delivering it;*
- Implementing the work will expose the current cost of Post Office industrial relations, which will reflect badly on the business – *it is possible that government or the right-wing media would sensationalise the Post Office's current IR Framework, which is now significantly above the public sector norm. This is a risk with our present situation and, if it was exposed as part of this work, could legitimately be portrayed as Post Office taking action to address a legacy issue;*
- Relations with the Royal Mail would be damaged – *This is possible in the sense that we would be pursuing a very different approach to RM in our approach to unions and because we would be asking them to take back 40 CWU reps from Supply Chain. This can be mitigated through effective stakeholder management at IR and senior exec level, and also by making clear that this is no criticism of RM's approach, which is appropriate to their needs as a separate company.*
- Union membership and support will increase in reaction to the Strategy – *It is hard for either to increase much beyond its current levels within CWU grades. This is an employee engagement strategy and only by reducing union influence can we effectively improve employee engagement.*

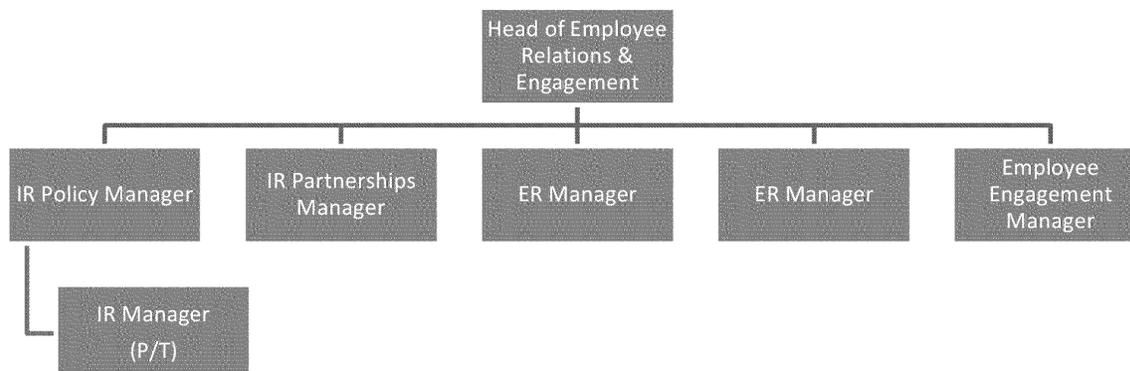
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**8. Next Steps**

8.1. There is an urgency to start delivering this strategy. It will support our accelerators for commercial sustainability. The ExCo discussed the following in August 2014. The outstanding decision is when to deploy this, bearing in mind other business priorities. To deliver this, we will:

- Continue with on-going work noted in this strategy;
- Integrate this approach with the business strategy to manage other key stakeholders (including the NFSP and Govt.) to ensure a cohesive plan for engaging stakeholders and communications;
- Work closely with colleagues, particularly those responsible for Business Transformation, to keep these workstreams integrated; and
- Present this strategy, supporting analysis, and high-level delivery plan, to the Post Office Board for discussion and approval.

**Neil Hayward**  
**16th October 2014**

**Strictly Confidential****APPENDIX 1: Post Office Employee Relations & Engagement Team****Proposed Organisational Chart****Employee Relations & Engagement Team Commitments**

The ER&E Team will:

1. Ensure that the IR strategy remains wholly aligned with 'Post Office People and Engagement Strategy'.
2. Focus on outputs/outcomes; measuring them and making them come alive rather than on inputs / internal processes / checklists etc.
3. Build on the excellent work that has gone on in Post Office already.
4. Produce and maintain an organic IR 'Heat Map' to facilitate a continual line of sight to future transformation change programmes.
5. Enable Post Office lines of business to better coordinate; risk assess and time the implementation of change programmes to reduce the risk of industrial action.
6. Collaborate with directors, business managers, HR, internal and external communications L&D teams etc. to maximise the power of the resources available.
7. Focus on relationship strategies that involve the right people at the right time in the arena of industrial and employee relations.
8. Using targeted interventions of training/IR support for priority groups / individuals, as opposed to generic and huge 'sheep dip'. We will be guided by team feedback and the Employee Engagement results.
9. Remain cognisant that anything we do in the arena of IR/ER and employee engagement must 'fit' within the framework of current POL initiatives, all of which have their own inter-dependencies and sponsor.
10. Work smart.

**Strictly Confidential****APPENDIX 2: Employee Relations & Engagement Team Success Criteria/Metrics****Sustainable positive climate of industrial & employee relations**

Measured/Evidenced by:

- The number of collective disputes raised by the unions
- The impact on performance and productivity due to industrial action and organised non-cooperation.
- Examples of successful joint/collaborative initiatives undertaken in partnership with the unions featuring positively in internal and external media/communications – i.e. 'good news' stories.

**Sustainable high levels of employee engagement**

Measured/Evidenced by:

- Employee engagement index
- Reduced levels of absenteeism
- Retention of business critical talent
- Improved performance and increased levels of discretionary effort.

**Removing IR barriers & out-dated collective agreements that militate against reducing cycle time to time to implement change and which drive up preventable costs to the business**

Measured/Evidenced by:

- Embedding a new 'Collective Engagement Framework Agreement' containing a revised collective dispute resolution procedure
- Embedding a 'Managing Organisational Change Framework Agreement' (MOCF)<sup>9</sup>
- Embedding streamlined and simplified people policies
- A reduction in cycle time and costs for successfully resolving collective (union) work related disputes
- A reduction in cycle time for successfully and cost effectively resolving cases of individual grievance; performance management, conduct and capability issues involving union interventions
- The reduction of union facility time and associated cost to the business
- The introduction of a trade union data base for tracking and managing TU facility time

Where agreement for the removal of IR barriers to change has not proved possible through collective engagement it is proposed that the parties in dispute will adopt the revised and agreed collective dispute resolution procedure annexed to the 'Collective Engagement Framework Agreement'.

**Industrial Action Contingency Plans**

Should the adoption of the revised collective dispute resolution procedure not result in the avoidance of lawful industrial action, we will set in train robust Industrial Action Contingency plans developed and very effectively deployed in Crowns, which will be revised as required. These will involve Comms and Employee Engagement as well as operational requirements. These already exist for the Crown and Supply Chain networks.

<sup>9</sup> The MOCF will spell out the context within which a specific number of change situations need to be played out, e.g. redeployment, relocation, surplus staff, VR, performance management etc.

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### APPENDIX 3: Stakeholder Assessment and Approach

#### 1: Purpose

- To ensure stakeholders understand the Post Office IR strategy
- To gain support for the IR strategy and reduce the likelihood of stakeholders campaigning for its reversal.

#### 2: Summary of approach (detail at Annex A).

- Tier 0 stakeholders – will be engaged as part of consultation prior to implementation (whether agreed or unilateral)
  - CWU David Ward/Postal Executive, Andy Furey
  - Unite CMA – Brian Scott
  - Unite senior leadership (Ian Tonks)
- Tier 1 stakeholders – engage shortly before implementation:
  - ShEx and BIS Secretary of State and Minister to make aware and reassure about our stakeholder approach
  - Number 10 (to make aware)
- Tier 2 stakeholders – engage shortly after implementation to explain reasons for action:
  - Key parliamentarians (Select Committee, All Party Group, CWU-sponsored MPs, Shadow BIS ministers)
  - Labour policy team
  - other Government Departments
  - NFSP
  - Citizens Advice (Consumer Futures)
  - Royal Mail
  - Bank of Ireland
- Tier 3 stakeholders – reactive approach with:
  - media, moving to proactive if necessary.
  - other parliamentarians.

#### 3: Core messages

##### 1: The Post Office is pro-union

- The vast majority of our employees are union members and unions will continue to have an important role in the Post Office.
- Our employee relations culture needs to evolve from an over-reliance on indirect collective engagement through our unions, to greater levels of direct engagement with individuals. Both have an important role to play – we need to do both better.
- Our new approach will be consistent with Acas best practice and is designed to provide better lines of engagement with employees and unions.

##### 2: We need to manage our costs on union facility time just as with every other part of the business

- As a beneficiary of public funding we need to take a responsible approach to reducing avoidable spending.

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- The Post Office's current Industrial Relations Framework is significantly more generous in terms of paid release than comparable public and private sector organisations.

**3: We need to be flexible in order to compete**

- The Post Office has an ambitious commercial strategy that we need to deliver if we are to survive.
- We need to raise engagement across the business in order to deliver our strategy.
- And we need to be able to increase the speed at which we make change ~~happen~~ happen in order to compete in fast-moving markets.

**4: The Post Office is now an independent company and needs its own IR approach**

- Our current employee relations culture has been shaped by the history of Post Office within Royal Mail.
- The Post Office is now independent from Royal Mail. We are very different businesses (in terms of number of employees, business model, ~~sector, sector~~) and we need our own IR approach.
- The Royal Mail's approach to IR is entirely appropriate for it as a separate company.

**4: Materials (to be based on the above)**

- Script
- Reactive statement
- Q&A

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**Annex A: Post Office IR Strategy – Stakeholder Approach**

<b>Stakeholder</b>	<b>Tier</b>	<b>POL owner</b>	<b>Likely position and context</b>	<b>Approach</b>
<b>Government</b>				
BIS – Overall	1	Mark Davies		
ShEx (Richard Callard and team)	1	Mark Davies	Supportive in principle but alive to political implications. Increasingly risk averse as election draws nearer.	Proactive – before implementation
BIS Minister	1	Paula Vennells	Supportive in principle but alive to political implications. Increasingly risk averse as election draws nearer.	Proactive – before implementation
BIS Secretary of State	1	Paula Vennells	Supportive in principle but alive to political implications. Increasingly risk averse as election draws nearer.	Proactive – before implementation
No. 10	1	Mark Davies	Will support cost cutting agenda and curbs on union influence	Proactive – before implementation
Treasury	2	Mark Davies	Will support cost cutting agenda and curbs on union influence	Proactive – on implementation
DWP (as key client)	2	Kevin Seller	Will support cost cutting agenda but will need reassurance about service	Proactive – on implementation
DfT (as key client)	2	Kevin Seller	Will support cost cutting agenda but will need reassurance about service	Proactive – on implementation
Cabinet Office	2	Gavin Lambert/Jane Hill	Have pioneered radical changes to union facility time in central government. Likely to be very supportive but potential for being caught up in political machinations as a result.	Proactive – on implementation
BIS Select Committee	2	Jane Hill	Some members are CWU and/or Unite sponsored. Potential to use to make helpful interventions.	Proactive on implementation for: Chair Adrian Bailey (Lab), Conservative Members (who would make helpful intervention if needed), CWU sponsored members (Paul Blomfield and Katy Clark)
All Party Parliamentary Group	2	Jane Hill	Varied as cross-party. NFSP acts as secretariat so Labour Chair will take lead from them.	Proactive on implementation for Russell Brown, Lab Chair, Richard Graham, Con (he would make helpful intervention if needed), Alan Reid (LD).
<b>Opposition</b>				
CWU/Unite sponsored MPs	2			Proactive on implementation for Jon Cruddas (CWU), Alan Johnson (CWU), Paul Blomfield (CWU), Katy Clark (CWU), Peter Hain (CWU), Kate Hoey (CWU)
	3			Others - Reactive
Labour Strategy/Manifesto	2	Mark Davies / Jane Hill	Technically no influence at present but impending election and change of government possible. Labour close to union movement.	Proactive on implementation

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Team (Torsten Hendriksen-Bell, Stuart Wood)				
Chuku Umunna	2	Mark Davies / Jane Hill	Technically no influence at present but impending election and change of government possible. Labour close to union movement.	Proactive on implementation
Ian Murray	2	Jane Hill	Technically no influence at present but impending election and change of government possible. Labour close to union movement.	Proactive on implementation
<b>Media</b>				
Media as a whole	3	Nina Arnott	Dependent on tone of debate, may be a non-story. Likely lines are: 'union bashing' / shocking cost of publicly funded union time / personal (eg. Alice and the unions) / modernisation	Reactive, moving to proactive briefing if necessary.
<b>Unions and other representatives</b>				
CWU Dave Ward/Postal Executive	1	Tom Moran / Neil Hayward	Almost certain to be anti the proposal and will see this in the wider context of the CWU's relationship with Post Office	
Andy Furey	1	Tom Moran	Will be deeply hostile, strikes at his influence and power base.	
CWU Reps		Tom Moran	Personal agendas here, particularly those who would lose their jobs. However many could be keen on VR.	
Unite Leadership (Ian Tonks)	1	Tom Moran	Strongly defensive – but proposition for CMA Unite is an improvement on current arrangements and does not attack facility time so an opportunity to 'divide and rule'	
CMA - Brian Scott	1	Tom Moran	Strongly defensive – but proposition for CMA Unite is an improvement on current arrangements and does not attack facility time so an opportunity to 'divide and rule'	
NFSP	2	Nick Beal	Very sensitive to any sense that money is going to other bodies. Currently trying to get close to the CWU so may make common cause.	Proactive on implementation
CWU Sub-postmaster Division	2	Nick Beal	Very sensitive to any sense that money is going to other bodies. Currently trying to get close to the CWU so may make common cause.	
Citizens Advice (Consumer Future)	2	Mike Granville	Not directly relevant but likely to have a view and comment.	Proactive on implementation
<b>Suppliers &amp; Clients</b>				
Royal Mail	2	Martin George	Would be very concerned by any potential impact on the business and also any exposing of different approaches to union involvement (RMG's 'Agenda for Growth'). However potential that they would want to see Post Office succeed as the platform for their own, similar, action.	Proactive on implementation
Bank of Ireland	2	Nick Kennett	Main concern is impact on business (and potentially any other relevant point.	Proactive on implementation
Other Suppliers (IT)	2	Lesley Sewell	Not core but would need to be updated.	Proactive on implementation
<b>Internal Stakeholders</b>				
Chair (Alice Perkins)	1	Paula Vennells	Crucial – must be briefed before we go public.	Proactive – before implementation
Board (1:1)	1	Paula Vennells	Crucial – must be briefed before we go public.	Proactive – before implementation

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**POST OFFICE LTD EXCO/BOARD**

**Post Office People & Engagement Strategy –  
Changing the way we work with the NFSP**

**1. Purpose**

The purpose of this paper is to:

- 1.1. Update the ExCo/Board on the current position of the NFSP strategic relationship;
- 1.2. Agree actions required for discussion with the NFSP in light of the imminent Network Development activity, Business Transformation proposals and wider (non agent) IR landscape.

**2. Background**

- 2.1. Our assumption remains that Post Office wishes to continue to ensure that there is effective engagement between its branch operators and the management structures within the organisation – it is a very large, complex organisation made up of more than 8,000 separate businesses, likely to expand. NFSP remain well placed to be a strong and credible body that is the voice of the UK's post office operators which can reflect views that add value to the overall Post Office customer proposition through effective challenge, contribution to business/operational/product development and also provide a range of benefits to operators. Critical to NFSP maintaining this position is their transformation away from a trade union design to a new organisation similar to a trade association. Our vision for this is set out in annex 1.
- 2.2. The approach to managing the NFSP strategic relationship over the last 12 months has been framed in the context of agreeing terms for the revisions to Network Transformation (NT2), gaining support for the implementation of the programme and establishing a long term funding agreement for NFSP.
- 2.3. NFSP's position was that NT2 would not happen (the compulsory element of it) without their support and that there were 4 pillars to gaining this – additional compensation for existing postmasters, additional transitional payments for postmasters converting their branches to Locals, a one-off payment for provision of retail information (in lieu of a wider remuneration increase) and securing a long term funding arrangement for NFSP. Three of these four have been implemented. The final pillar has not yet been completed – we have an agreed MOU and this has been used as set of principles to develop the legal document (Grant Agreement (GA)) that is currently under review by NFSP. Timescales for signing this have shifted, driven primarily by NFSP needing to gain authority to sign this via a Special Conference (originally planned for November, now slipped to at least January), as a consequence of a version of the MOU being leaked by NFSP dissenters prior to their May conference and subsequent debate at conference. Publicly the NFSP have positioned that there are options for their organisation – stay as is, merge with another body (e.g. CWU, National Federation for Retail Newsagents (NFRN)) or contract with Post Office. Privately George Thomson

**Post Office People & Engagement Strategy – Changing the way we work with the  
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acknowledges an agreement with Post Office is the best outcome for them and this has been the main focus of his efforts.

- 2.4. Up to July that had been the route Post Office has also been assuming. However, the recent developments and conversations relating to Network Development/Extension and Business Transformation (BTr) have introduced an uncertainty in this approach.
- 2.5. NFSP's current assumption is that the previously agreed MOU is "banked" subject to final negotiations. Our emerging analysis of future network design (based around an expansion of access points), the differing role NFSP may play in this and the apparent approach they continue to take to try to exert a price of support for change (despite the stability and funding the GA would provide them), is causing concern that the commitment for a 15 year funding deal is a higher risk to Post Office than before, or at least signing the GA without agreement on Network Development increases this risk. (Note that termination clauses in the GA do give Post Office options in the event of NFSP not supporting NT, encouraging members to breach contract and undertaking activity detrimental to Post Office, but to sign the agreement with an assumption these are likely to be invoked would not be a recommended course of action).
- 2.6. Whilst supporting the necessity of Network Expansion, recognising the inevitability of it and proposing some initiatives to test it, NFSP effectively tabled a demand position in order to support it. This position is structured around 3 aspects – protection of existing postmasters' income, protection of existing postmasters' investment and additional funding for NFSP – and these have been tied into seeking a further agreement described by NFSP as NT3. We achieved an interim position with them for the initial trials – this set the maximum number to 200 and the product range to that of the current Paystation, until mid-January – which whilst attained with some tensions, is significant progress from their previous position on extension.
- 2.7. This evolving landscape is causing the business to consider a hardening of its position to NFSP (BIS similarly in dialogue with us), and challenging whether signing the current Grant Agreement in isolation would be the correct thing to do.
- 2.8. However, implementation of such an approach inevitably has risks, particularly with the proximity of the next General Election and the prospect of potential disagreements with the unions happening in parallel. Whilst BIS may well position being tough with NFSP as an approach they support, the likely objective of the minister is for calm over the next 9 months. We need to be certain of the political position before pursuing our objectives.

### 3. Activities/Current Situation

- 3.1. The current GA has been under review by NFSP (including their lawyers) since July. It is likely that NFSP will seek to finalise the agreement shortly as their aspiration is to have it signed prior to any further agreement on Network Development (ND). Our emerging preference is to re-set the agreement to take account of ND, signalling this explicitly at this point could risk accusations from NFSP of bad faith. However, it is anticipated that NFSP will in any event challenge

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aspects of the GA related to proposed controls of expenditure and therefore we can stall any discussions whilst redefining our position.

- 3.2. As the access point trials progress and a more detailed programme design for ND is established, we intend to work collaboratively with NFSP in shaping the programme. The recent discussions relating to the trials have gone a long way to establishing what NFSP's position will be – both in terms of conditions and potential consequences of failing to reach agreement.
- 3.3. Critically, it feels unlikely that NFSP will concede putting back the signing of the GA for NT2 and providing support for ND without some form of additional deal with an associated financial impact. The economics of any such deal need to be considered in the overall business case for ND and Business Transformation (which envisages reductions in agents' remuneration arising from product simplification). We therefore have a short timeframe to have our mandate.
- 3.4. A likely, though not certain, consequence of failing to reach an agreement would be for NFSP to undertake negative action, some of which could have longer term implications than simply causing near term disruption. Such action should be suitably risk assessed (see Annex 4). Any such action could be in parallel with industrial action from the CWU.
- 3.5. Mitigation of many of the potential actions identified in Annex 4 is already in hand – irrespective of the NFSP's position/action, it is highly likely that individual postmasters (potentially with CWU support) could challenge in these areas. Priority should now be given to consolidating our handling of these reactions and determining our options for ensuring Post Office's desired outcomes for this and the wider NFSP relationship are achieved.
- 3.6. It has been agreed that an equivalent to the IRSG will be established for the NFSP relationship. This steering group will initially meet every 2 weeks with the terms of reference defined in Annex 5. The group will frame the mandate for discussion with the NFSP.
- 3.7. The initial decision landscape and timeline has been defined (see Annexes 2 & 3) by the NFSP Steering Group.
- 3.8. A critical decision will be to determine what the price for NFSP support will be, consequences of non-support and therefore whether PO is prepared to fund such support. This will be fully scoped in line with the wider stakeholder engagement piece and communications strategy.

#### 4. Options to be considered

- 4.1. Option 1 - As Is – continue with current approach of finalising the GA in its current guise, prepare ND case and negotiate with NFSP for an additional agreement with GA signed.
- 4.2. Option 2 – integrate NFSP agreement into the emerging ND landscape such that support for ND is explicitly coded into the agreement.

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- 4.3. Option 3 – integrate NFSP agreement into the emerging business landscape (ND, BT,IR etc.) such that a business wide assessment is fully considered and support for change is explicitly coded into the agreement.
- 4.4. Option 3 above is the recommended approach

## 5. Next steps

### 5.1. Initial activity:

- Develop a framework for initial activities identified in the Decision Landscape (annex 2)
- Review/game plan potential NFSP actions and Post Office preparation/responses (see annex 4) in conjunction with the wider stakeholder engagement planning
- Review wider competitor and stakeholder landscape
- Determine action arising from above and structure governance of these actions within Network Development programme

## 6. Key Risks and Mitigation

- 6.1. NFSP/other stakeholder activity undermines NT delivery and Expansion. **Mitigation:** we will have a proactive engagement approach for stakeholders and handling negative PR noise.
- 6.2. BIS withdraw support whilst under political/election pressure. **Mitigation:** We will work with BIS to gain ministerial support for our strategy.
- 6.3. Commercial plan undermined by lack of customer confidence in Post Office. **Mitigation:** There remains an ongoing need to put the customer voice at the heart of Post Office thinking.

## 7. Long term considerations – horizon scan

- 7.1. Acceleration of NT/expansion/compulsion/implementation of cliff. Withdrawal of support for NT is likely to have a mixed impact. In the short term, some converters would reverse their decision and compulsory exiters would use this as a means to try to avoid exit with NFSP support for this on the ground (though note that PO have government policy backing for this). Design of processes to accelerate compulsion could be easier if we do not take account of NFSP requirements. Significant roll out of access points could encourage some existing postmasters to leave.
- 7.2. Potential for NFSP alternative leadership. Currently no indication that George Thomson's position is at risk but an aggressive stance that pushes for a merge with CWU could be at odds with the more commercial part of his executive who, in the past, have privately (to PO and in secret) demonstrated some concerns with his attitude to change (this related to his lack of support for Mutualisation). This

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might emerge if tensions grow – though equally likely is that this faction remains silent and exits after a CWU merge.

- 7.3. Alternative to current MOU NFSP funding model. Irrespective of the potential NFSP actions, they have yet to respond to the Grant Agreement draft they received in July. It is likely they will have issues with this that will require negotiation - certainly POL will not concede initially and has the ability to elongate the process (that is assuming NFSP wish to engage in one at this stage). Given the evolving landscape and recent NFSP behaviour, we would want to potentially tighten up termination aspects and/or alter the funding model. This has yet to be scoped or discussed with NFSP as it has been seen as too sensitive in isolation. The current environment with make justification of this much more tenable (though not from the NFSP's perspective).
- 7.4. Alternative to NFSP as postmasters' representative organisation. Depending upon the outcome of 8.3 and the impact of a merge with CWU, we should explore developing relations with other organisations to function as a voice for the agent. This would clearly be framed as a commercial/trade play and not be badged as representation/recognition. This could include support grants based on the numbers of voluntary members (rather than the NFSP model which includes automatic membership). Examples include National Federation of Newsagents (NFRN) and Association of Convenience Stores (ACS).

## 8. Communications Impact

- 8.1. A Communication & Stakeholder engagement plan for the access points trial has been established (see Annex 6). This will be refined as outputs from 5.2 above emerge.

## 9. Conclusion

- 9.1. Whilst NFSP's position may present, in the short term, Post Office with additional risk to delivery of its Network Strategy, it should be noted that gaining clarity on that position and the subsequent outcomes in advance of signing the Grant Agreement will enable PO a "true test" of the NFSP's attitude to working with PO within the MOU framework.
- 9.2. Whilst NFSP will argue that the agreement reached last year did not commit them to supporting Network Extension, they clearly set an expectation that working together within the MOU would not reflect past approaches of "deliver demands or else". Whilst their position has softened, it remains dependent upon conditions, arguably inconsistent with such an expectation.
- 9.3. NFSP's reaction has heightened tensions related to potential reactions from stakeholders at trial launch – but it should be noted that there are many other stakeholders (including individual postmasters supported by CWU) who are likely to challenge our approach after launch and therefore a strong focus on this aspect is necessary whatever our position with NFSP.

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**10. Recommendations**

The Board/ExCo is asked to:

- 10.1. note the update and actions set out above;

**Neil Hayward**  
**16th October 2014**

**Strictly Confidential**Annex 1**NFSP/Agents' Engagement – Vision and Engagement Strategy**

Postmasters are critical to our future plans – 97% of our network is run on an agency basis. If this population is not supportive of the Post Office commercial strategy, we are unlikely to succeed overall. They, collectively, are our most important stakeholder and we wish to work with them in a mutual way to accelerate the Post Office's business transformation.

To support this, Post Office wishes to ensure that there is effective engagement between its branch operators and the management structures within the organisation – it is a very large, complex organisation made up of more than 8,000 separate businesses.

A mechanism for this would be a strong and credible body that is the voice of the UK's post office operators which can reflect views that add value to the overall Post Office customer proposition through effective challenge, contribution to business/operational/product development and also provide a range of benefits to operators. Our belief is that this will be commercially beneficial to both Post Office and operators, by helping to drive the development of products and services which are more attractive and relevant to our customers and identifying opportunities to do things more efficiently and effectively.

The National Federation of SubPostmasters (NFSP) is currently an independent membership organisation supporting operators of Post Office branches across the UK and is considered to be in a unique position to provide benefits to these operators. For over 100 years, the NFSP and the Post Office have worked closely together to help maintain the important role post offices play in providing a wide range of services to the communities of the UK.

However, the NFSP's ability to maintain itself as a member funded organisation is under threat – membership numbers has declined significantly in the last few years, primarily as a result of the reduction in the number of Post Office branches, and continues to decline as Network Transformation exits many traditional members and replaces them with retailers who are less inclined to join NFSP.

Recognising this, NFSP has explored a number of options to sustain it and intends to put these choices to its membership:

1. Establish an agreement with Post Office that guarantees levels of funding for a period of time (the MOU)
2. Merge with the CWU
3. Merge with the National Federation of Retail Newsagents (NFRN)

Expectation over the last 12 months has been option 1 – but this has become less certain in recent weeks as discussions with NFSP relating to Network Extension have caused tensions and threats from NFSP which would remove this option.

Notwithstanding recent weeks, over the last 12 months the tone of our relationship with the NFSP has become more collaborative. Our intention was to build on this by helping the NFSP complete its own transformation from a quasi-trade union to a representative trade body.

NFSP also have ambition to be a provider of services to PO but we have to tempered this with a realism that any such provision needs to be of a high quality and value for money,

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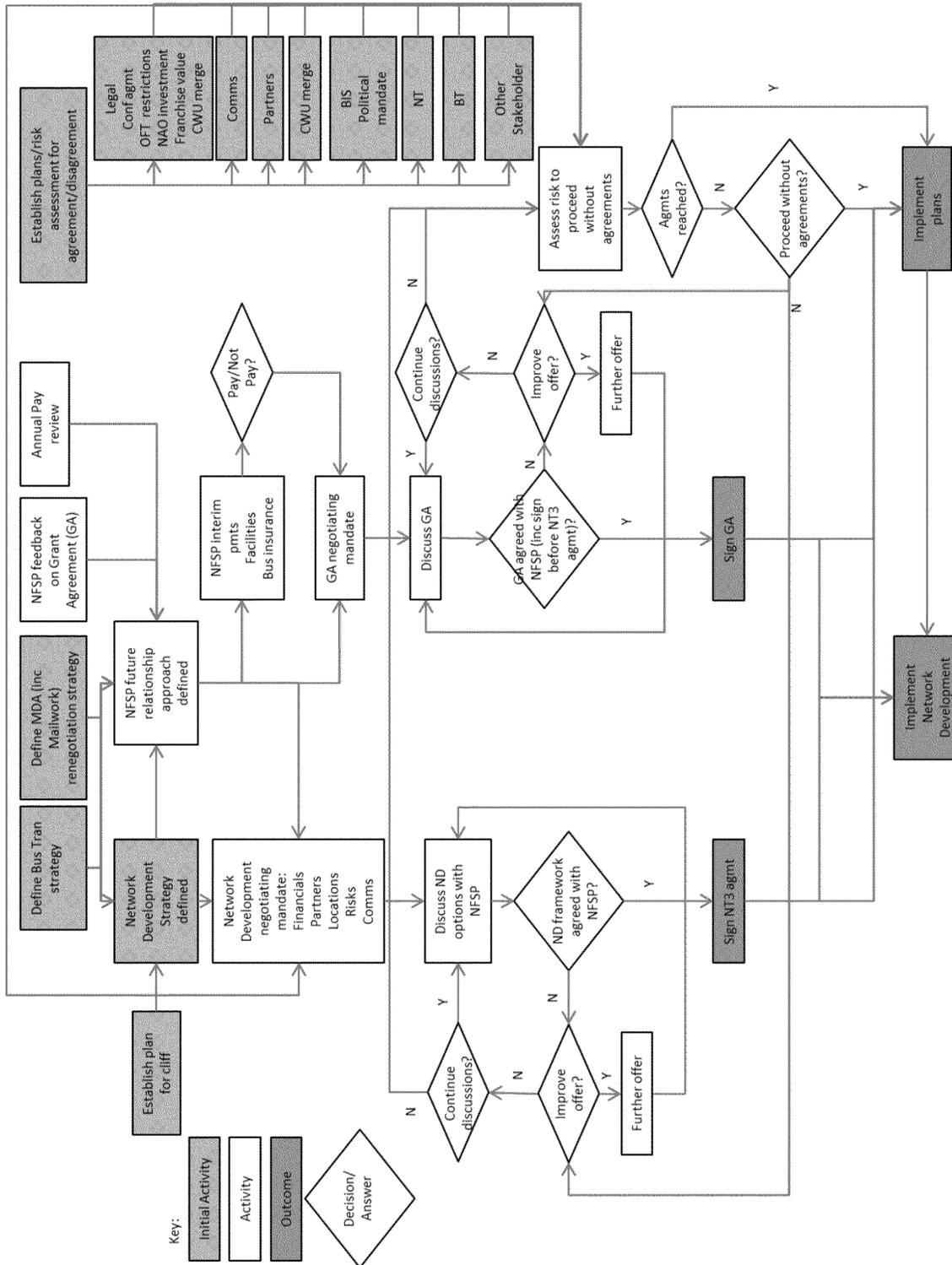
particularly in the context of our drive towards a digital future, and that there is probably a gap in their organisation capability/capacity to do this. We see the future agreement between us, with the associated grant payments, as the platform to support them in developing their organisational capability that could enable such an approach which would increase their income from us on a value for money basis. This could include secondment or funding for business development resource.

Similarly, NFSP have a desire to represent additional access points and wish to work to establish an agreement between us on how this will function, with NFSP seeking additional funding for this.

NFSP are an important stakeholder who has the potential to add value to our business. We have recognised that a collaborative relationship with them, as an organisation framed as a trade body rather than trade union, maximises this; and we recognise the need to fund them. The challenge now is how far further the respective organisations can go in order to reach an agreement that takes account of an expanded network, business transformation and other key business change activity, and the consequences of not agreeing.

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Annex 2 - Decision Landscape

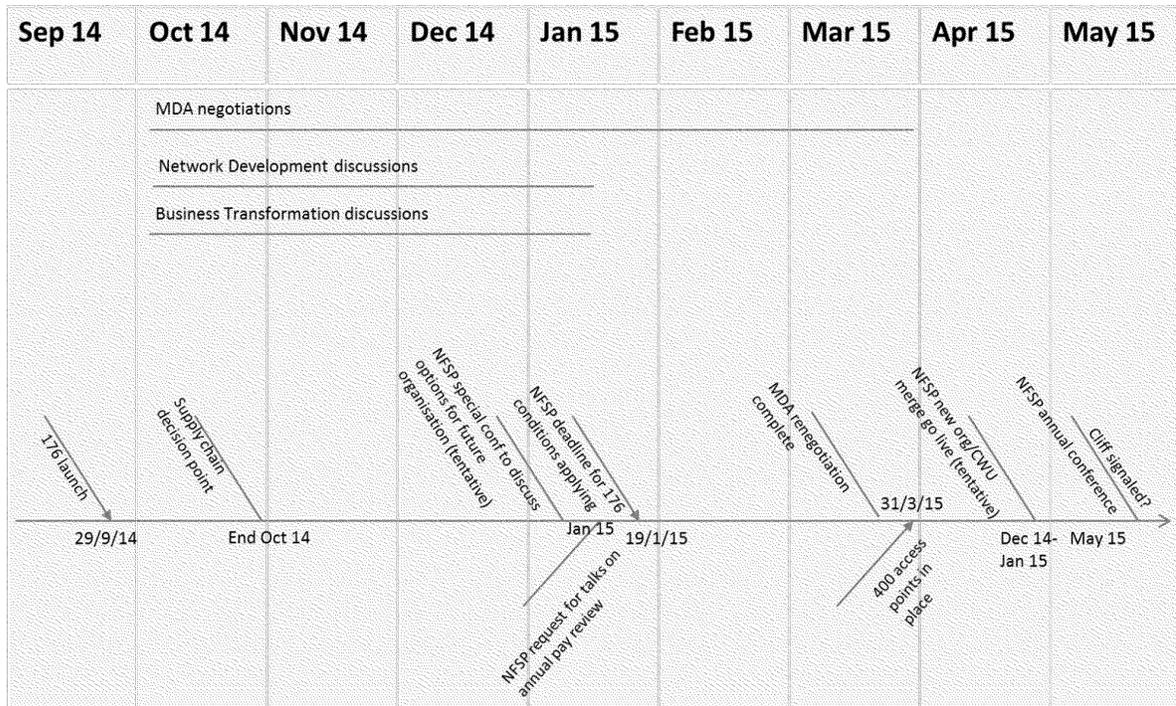


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**Annex 3**

**Timeline**



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**Strictly Confidential**Annex 4**Current landscape - Potential NFSP actions and PO preparation/responses**

Action	Current Position	PO Action Required	Owner
Withdrawal of support for the compulsory element of NT2 and any future support for the cliff	Withdrawal threat only at this stage. Some minor slowdown of voluntary exiting – though most postmasters in this space are driven by financial motivation and in fact this could increase as perceived future threat is seen as higher. Conversions may be more affected as messaging around risk to new model on variable remuneration maybe more effective.  Compulsory exit likely to be undermined.	Undertake structured impact assessment in NT.  Undertake detailed Multiples proximity analysis to determine both likelihood of decision to convert being reversed and opportunity for PO to use as lever to exit.  Accelerate cliff and associated messaging.	Ian Kennedy
Initiate an OFT (sic) investigation into PO restrictions policy, on the basis of whole estate waivers issued to multiple partners	Current access points contracts include a restrictions aspect, therefore not technically an issue. Public awareness of challenge itself could prove difficult for POL to handle.	Restrictions review currently underway – update needed from PW	Paul Williams
Initiate and investigation by the NAO into the inappropriate investment of public funds into PO branches subsequently undermined by the introduction of access points in close	Legal position sound but public awareness of challenge itself could prove difficult for POL to handle.	Test legal advice, manage comms issues.	Tanya Dunbar

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proximity			
Legal challenge to seek injunction to stop programme on the basis of new access points undermining the value of the purchased franchise/goodwill	Challenge not yet tabled. PO advice is that this is defensible.	Additional advice required of implications of NFSP seeking an injunction - how this could manifest itself, what the consequences would be for PO in terms of having to engage in a legal case/process and whether seeking an injunction would, in itself and irrespective of the outcome, force PO to stop rolling out or having to close the pilots.	Tanya Dunbar
Lobby BIS/Minister	Current BIS line is supportive to POL, though could be at risk if political/election/medi a pressure were to intensify.	Ensure regular briefings provided from Network Development including discrete focus on stakeholder/comms landscape.	Mike Granville/ Paul Brown/ Nick Beal
Withdraw from MOU process/join CWU/NFRN	<p>Withdrawal of NT support would automatically mean MOU would fall.</p> <p>CWU merge would open door for recognition and collective bargaining for postmasters, but current advice is that worker status is required.</p> <p>Merge with NFRN could be an acceptable alternative. Their membership is currently 16k (vs 6k in NFSP) and they are more commercially focussed than NFSP, therefore union type behaviours would be less prominent.</p>	<p>PO position is clear – no action considered necessary – reminder of this could be seen as provocative.</p> <p>Refresh previous external advice on impact with added focus on merge rather than just challenge for recognition, confirmation that dependency on worker status.</p> <p>Clarify what obligation for collective bargaining actually means – e.g. release time of reps, would we be forced to undertake annual pay reviews on product payments, fixed payments etc., would we be forced to meet them under certain terms and conditions etc.</p> <p>Identify actions PO could take to reduce membership e.g. force re-mandate of subscription deductions/remove check off altogether.</p>	<p>Nick Beal</p> <p>Tanya Dunbar</p>
Negative PR campaign	Highly likely NFSP would gain exposure.	<p>See Annex 6, Communication and Stakeholder Plan.</p> <p>Further consideration to be given to aggressive PO approach.</p> <p>Undermine NFSP position by indicating the</p>	Mark Davies

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		situation, apart from Mails, is no different to last year. Mails threat is recognised – hence why we are doing what we are doing which in fact improves the wider network's position as our market position is strengthened.	
Discredit partners	Likely NFSP would gain some exposure but unclear as to partner's reaction.	Ensure up to date temperature check with key partners.	Lillian Moshe
Lobby RM/failure of privatisation	Likely NFSP would gain some exposure but unclear as to impact – similar lines have been used before albeit without the wider context.	Ensure up to date position clear with RM.	Paul Brown
Discredit PO with customers	Risky strategy as this could affect individual postmaster and customer relations.	Ensure our messaging focuses on customer benefits.	Mark Davies
Position risk to closure of traditional branches	Likely NFSP would gain some exposure which would play out in the political/PR/partner impacts rather than impact on NT. In fact could increase voluntary leavers.	Ensure our messaging focuses on customer benefits and reality of the market. Business committed to Government access criteria/network numbers. Additional access points mitigate closure risk.	Mark Davies
Operational action – segregation	No indication this would be a course of action but cannot dismiss at this stage. Risk to credibility for NFSP given they positioned last year's settlement on segregation as a good outcome.  Would undermine any opportunity they might have to gain support from RM.	Ability for PO to withdraw payments to branches – review current monitoring process.  Would constitute contractual breach and PO could take legal action against NFSP. Refresh legal advice if prospect emerges.	Nick Beal  Tanya Dunbar
Breach restrictions	Risky for NFSP as a clear contractual breach for members and risks dilution of	Review existing process for monitoring compliance to restrictions.	Paul Williams

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	business in wider network in the event of an impact on PO's client contracts.		
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**Strictly Confidential**Annex 5**Network Development Stakeholder & Communications ExCo subgroup TOR**

<b>PURPOSE</b>	The role of the Network Development Stakeholder & Communications ExCo subgroup is to regularly review the current landscape and determine actions necessary to ensure the interests of Post Office are met.
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<b>ROLE</b>	<b>JOB TITLE</b>
<b>CHAIR</b>	Group People Director
<b>MEMBERS</b>	Commercial Director Network & Sales Director Communications Director Chief of Staff
<b>OTHER ATTENDEES</b>	General Manager Network Transformation Head of Policy & Briefing Head of Agents' Development & Remuneration
<b>SECRETARIAT</b>	tbc

<b>QUORUM</b>	Two members and one Other Attendee
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<b>FREQUENCY</b>	As required, suggested fortnightly
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<b>RESPONSIBILITIES:</b>
<ul style="list-style-type: none"> <li>• Contributes to and agree the strategy to proactive &amp; reactive actions arising from the current Network Development stakeholder &amp; communications landscape</li> <li>• Identifies the key stakeholder &amp; communication risks to the implementation of the Network Development Strategy and ensures that there are effective systems in place to mitigate these</li> <li>• Provide support for work streams sponsored by this sub group: monitor progress against milestones, remove obstacles, agree changes, resolve conflict and set direction as required to ensure results are delivered.</li> </ul>

<b>SPECIFIC POWERS &amp; AUTHORITIES:</b>
<ul style="list-style-type: none"> <li>• Approval of decisions &amp; actions necessary to ensure Network Development stakeholder &amp; communications landscape is as favourable to PO as possible</li> <li>• Approval of new workstreams as required. This means approving plans, timetables,</li> </ul>

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resources, and governance for initiatives intended to improve the Network Development stakeholder & communications landscape.

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Annex 6

**Communication and Stakeholder Plan**

**176 live access points: Monday 22 September**

1. Post Office remain reactive
2. Post Office go proactive
3. Post Office internal positioning
4. Q&As

**1. Post Office remain reactive after go-live**

- Mini Post Office address details searchable on Branch Finder emphasising Home Shopping Returns only (no splash page)
- Share list of access points with PR and stakeholder teams
- Brief to NBSC/ NT Helpline/ Po-Ex

Reactive external (media/stakeholder) positioning

- The Post Office offers nationwide access to a full range of Royal Mail products and services and is established as the UK's number one mails retailer. This is a market that is changing all the time - particularly with the continued increase in home shopping - and one that is becoming increasingly competitive.
- In addition to extending opening hours in many of its 11,500 branches, introducing special arrangements for business customers, self-serve options and competitive pricing, the Post Office is exploring other opportunities to make life easier for its customers and provide the best accessibility. This has involved discussions with some of our suppliers and retail partners, and we are currently trialling 'Mini Post Offices' in more than 100 existing retail outlets offering a basic home shopping and returns service. We'll use the 'Mini Post Offices' to assess customer reaction and retail fit over the coming months.
- The trial of Mini Post Offices will enhance and compliment the modernisation of the existing network, while addressing those customers who would not ordinarily use the Post Office.

**2. Post Office go proactive**

**Internal – potential activities**

- Remunerate postmasters closest to new access points with Home Shopping returns trial payment
- Identify postmasters who are advocates of Network Development (from TeamTalk)
- Promote via intranet/ internal communication channels
- Martin/ Kevin blog to business
- Share list of access points with PR and stakeholder teams

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- Full briefing notes for NT Helpline/ NBSC

### External – potential activities

- Mini Post Office splash page on website
- Develop local media plans around the Mini Post Office locations
- Martin/Kevin feature in trade magazine/ newspapers
- Mark D – Huffington Post blog
- Brief Parliament/ local MPs
- Full briefing notes for PO-Ex
- Social media promotion – easier to do business with/ 'We're changing' phase three – Twitter/ Facebook/ blogger engagement

### Proactive external (media/external) positioning

- The Post Office is changing.
- We're making it easier for customers to do business with us over extended opening hours often in more modern, open-plan environments.
- And as the UK's number one mails retailer we know this is a market that is changing all the time - particularly with the continued increase in home shopping - and one that is becoming increasingly competitive.
- This is why we're trialling over 100 Mini Post Offices, offering customers a simple Home Shopping Returns service in new locations across the UK.
- The Mini Post Offices are based in existing retail businesses and will offer customers a quick and simple way to return their online parcels.
- Offering customer convenience is important to the Post Office, particularly in a developing market.
- We're constantly exploring other opportunities to make life easier for our customers and provide the best accessibility.
- Over the year we've also introduced special arrangements for business customers, more self-service options in branch and competitive pricing.
- The Post Office now has more than 1,000 branches open on a Sunday.
- Many of our branches are now open earlier and later for customers – offering an additional 60,000 opening hours a week.
- Over the coming months, we'll monitor Mini Post Offices to assess customer reaction and retail fit.

### 3. Internal positioning

#### Are you extending the Network? What does it mean? Why?

- The competition has declared war on the Post Office.
- Let me give you an example, Collect+ has recently launched an aggressive advertising and PR campaign where they clearly set a target of 12,000 access points and said they were coming after us.
- Right now - collectively the competition has more access points than us.
- This is the first time in history this has happened.

#### Post Office People & Engagement Strategy – Changing the way we work with the NFSP

## Strictly Confidential

- We are the largest retail network in the UK and we have the largest network of any single operator. We need to fight to retain this.
- The competition is after our market share and our revenue.
- It's our market, our profits and our business that we must fight for.
- To compete we must ensure that we have more access points.

### Mini Post Office trial

- At July's TeamTalk event we committed to trialling additional access points.
- We've introduced 176 Mini Post Offices into existing retail businesses offering customers a basic Home Shopping Returns services.
- Throughout the trial we'll monitor customer reaction and retail fit to assess our next steps in this market.
- We're also trialling the name 'Mini Post Office' and the new brand to understand customer reaction.
- This is about stopping the competition taking business away from us and addressing new customers who would not ordinarily use a Post Office.
- The trial will complement the modernisation and maintenance of the existing network, improving our ability to win new contracts in different markets.
- This is not about taking business away from existing branches, but will complement the modernisation and maintenance of the existing network.
- Our priority must be our customers and what they want is convenience and ease.
- To survive we must meet this demand.

## 4. Q&As

### Why are the NFSP opposed to your plans?

We have been in regular discussions with the NFSP to explore additional access points to the Post Office network since July and we will continue to work openly and collaboratively with them. Together we acknowledge that we need to explore ways to improve our offer to customers and ensure the sustainability of our network in the future – the trial of Mini Post Offices is an example of this.

### How many access points have you opened?

We have opened 176 'Mini Post Offices' throughout England and Wales that offer a basic home shopping and returns service in existing retail businesses.

### Are you looking to increase the size of the Post Office network?

The trial of Mini Post Offices will enhance and compliment the modernisation of the existing network, while addressing those customers who would not ordinarily use the Post Office. We constantly explore ways to improve our offer and accessibility to customers and ensure the sustainability of our network into the future.

For example we are increasing customer convenience by introducing longer opening hours - over 60,000 across the network in the last 18 months. Many Post Office services are also accessible online and by phone, for customers who choose to interact with us that way.

## Post Office People & Engagement Strategy – Changing the way we work with the NFSP

**Strictly Confidential**

**If you do open up more branches or access points won't this take business away from existing branches, some of whom are struggling anyhow?**

The home and online shopping market is growing, so where we believe there are opportunities to do so, we are looking to grow our business over and above the work already carried out in our branch network. Ensuring the continuing sustainability of our network and making sure we are accessible to customers, is central to our view of a growing business.

The trial of Mini Post Offices will enhance and compliment the modernisation of the existing network, while addressing those customers who would not ordinarily use the Post Office.



# Industrial Relations Strategy Key Messages Presentation

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October 2014

Employee Relations & Engagement

**STRICTLY CONFIDENTIAL – NOT FOR CIRCULATION**



## Presentation outline

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### **1. The case for change**

### **2. Industrial Relations context**

- a) Union membership
- b) Legal framework
- c) Extent and cost of Post Office IR Framework

### **3. A new approach**

- a) Key themes
- b) A renewed focus on direct engagement with employees
- c) From an IR Framework with 41 full-time Reps to a modern, leaner structure
- d) Improved, standardised engagement
- e) Engagement and consultation as a process, not an event

### **4. Implementation**

- a) Risks and mitigations
- b) Timeline and projected benefit realisation



## The case for change

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### **Changing IR and improving employee engagement to accelerate our commercial success**

- Post Office has an ambitious commercial strategy.
- 'Buy in' and engagement from colleagues is crucial to our success. Unions are currently a barrier.
- IR Strategy based on raising engagement across the business to act as an accelerator to delivery.

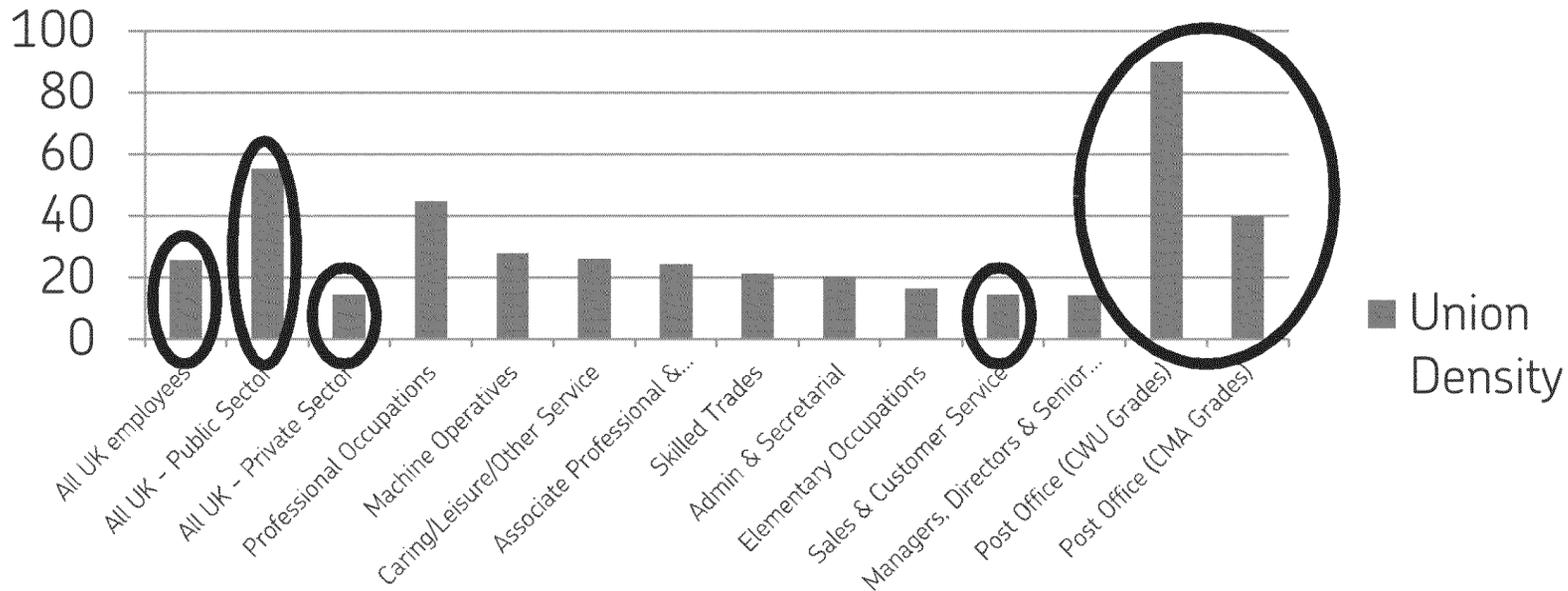
### **Pro-Post Office, not anti-union**

- Unions should and must retain an important role in Post Office – our employees have chosen to become members. In this context we must:
  - Support managers to listen, engage and lead their staff through change;
  - Equip managers with the training and confidence to work with unions – including knowing key agreements and legal obligations;
  - Make change happen quicker (reduce 'cycle time') to deliver lower costs of implementation and realise benefits sooner; and
  - Try to get union buy-in – but be willing to implement change without union support if we are confident it is the right thing to do for the business.



## Context Post Office union membership

### Union Membership in the UK 2013



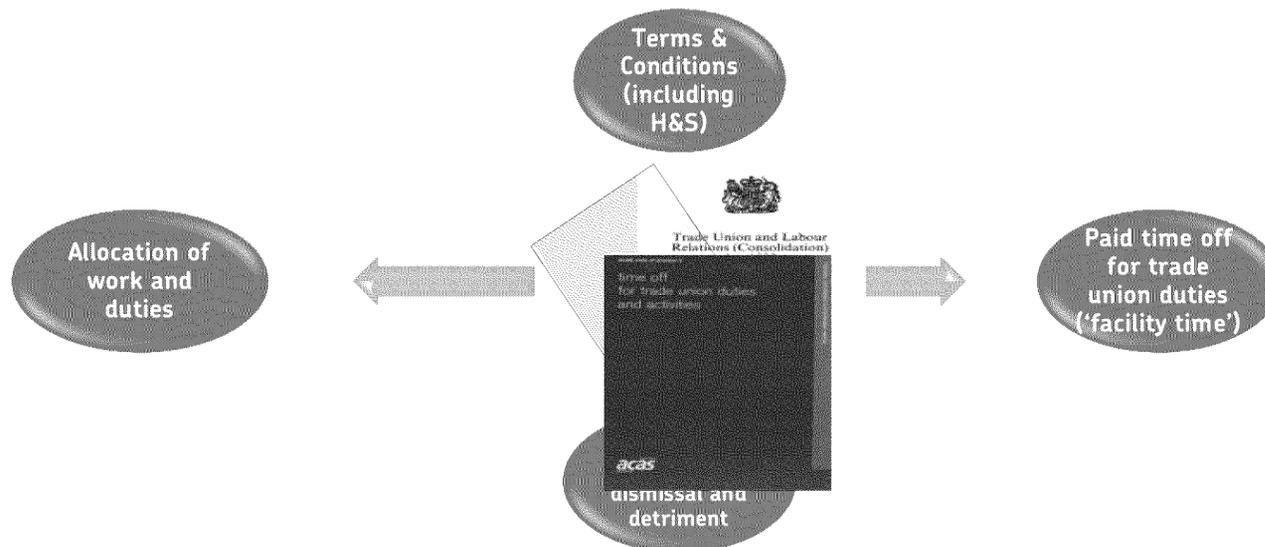


## Context Legal framework

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Employees have a right to union representation...

- Through **Trade Union and Labour Relations (Consolidation) Act 1992** and **Acas Code on Time Off for Trade Union Duties and Activities**. Support of 50% (+1) of all employees needed for automatic recognition.



...but there is no statutory minimum or maximum for the no. of union reps or collective agreements



## Context

# Extent and cost of Post Office IR Framework

The IR Framework accounts for 0.5% of total paybill

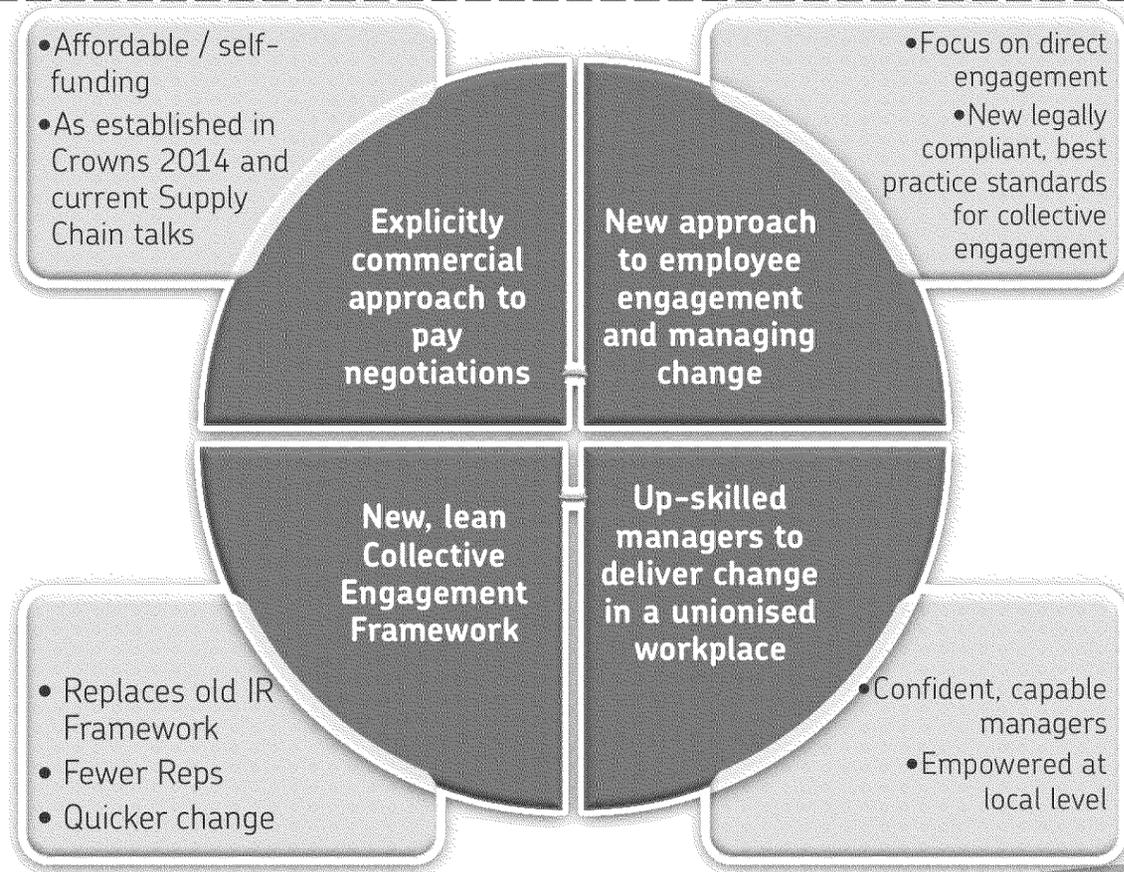
	Number (Actual)	On-cost*	Expenses*	Total	Average	Posts Vacant	Total Potential Cost**
CWU Postal Exec	1	34,553	0	34,553	34,553	1	69,105
CWU Territorial Rep	8	236,731	7,349	244,080	30,510	1	274,590
CWU Area Rep	20	551,553	55,341	606,894	30,345	0	606,894
CWU H&S Rep	4	111,724	14,609	126,333	31,583	0	126,333
<b>All CWU</b>	<b>33</b>	<b>934,561</b>	<b>77,298</b>	<b>1,011,859</b>	<b>30,662</b>	<b>2</b>	<b>1,073,184</b>
CMA National Rep	3	155,222	16,662	171,884	57,295	0	171,884
CMA H&S Rep	2	82,913	8,124	91,037	45,519	1	136,556
<b>All CMA</b>	<b>5</b>	<b>238,135</b>	<b>24,786</b>	<b>262,921</b>	<b>52,824</b>	<b>1</b>	<b>315,505</b>
<b>All Reps</b>	<b>38</b>	<b>1,172,696</b>	<b>102,085</b>	<b>1,274,780</b>	<b>33,547</b>	<b>3</b>	<b>1,375,421</b>

\* All figures taken from payroll for Financial Year 2013/14. Total pay bill was £255m.

\*\*Maximum cost exposure based on current collective agreements



## A new approach Key themes





A new approach

## **A renewed focus on direct engagement with employees**

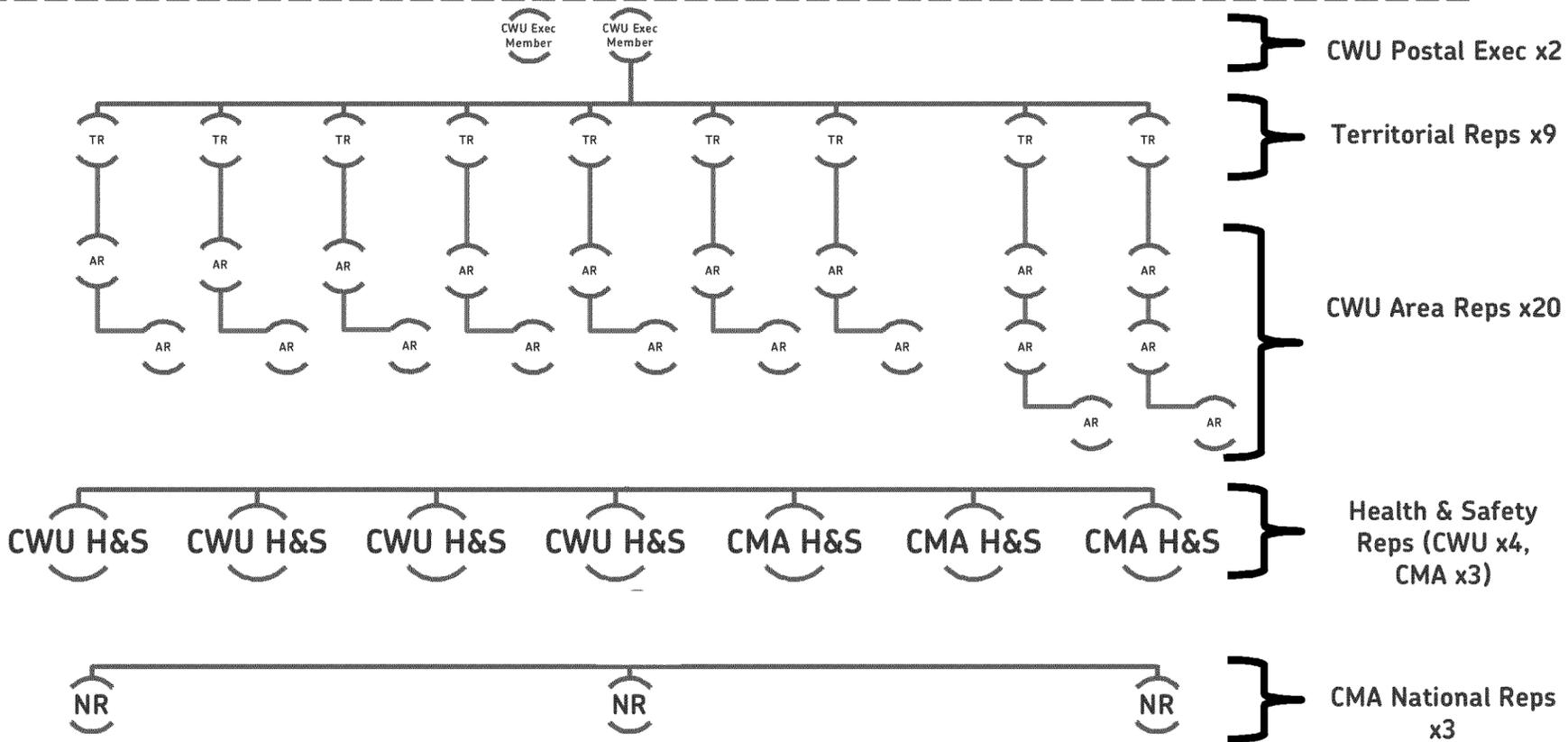
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### **A consistent, integrated approach with a focus on local level engagement**

- Direct comms to colleagues on all major change programmes and during any pay negotiations if necessary. We showed the success of this in Crown Transformation and the ensuing dispute on pay. It will be BAU from now on, with the IR team working very closely with Comms and our line managers across the country.
- A new training programme for managers – ‘Managing change in a unionised environment’.
- Using our employee engagement survey even more than we do now, ensuring a ‘you said, we did’ approach and working across Employee Engagement, IR, HR, Comms and our line managers to ensure a joined up approach.

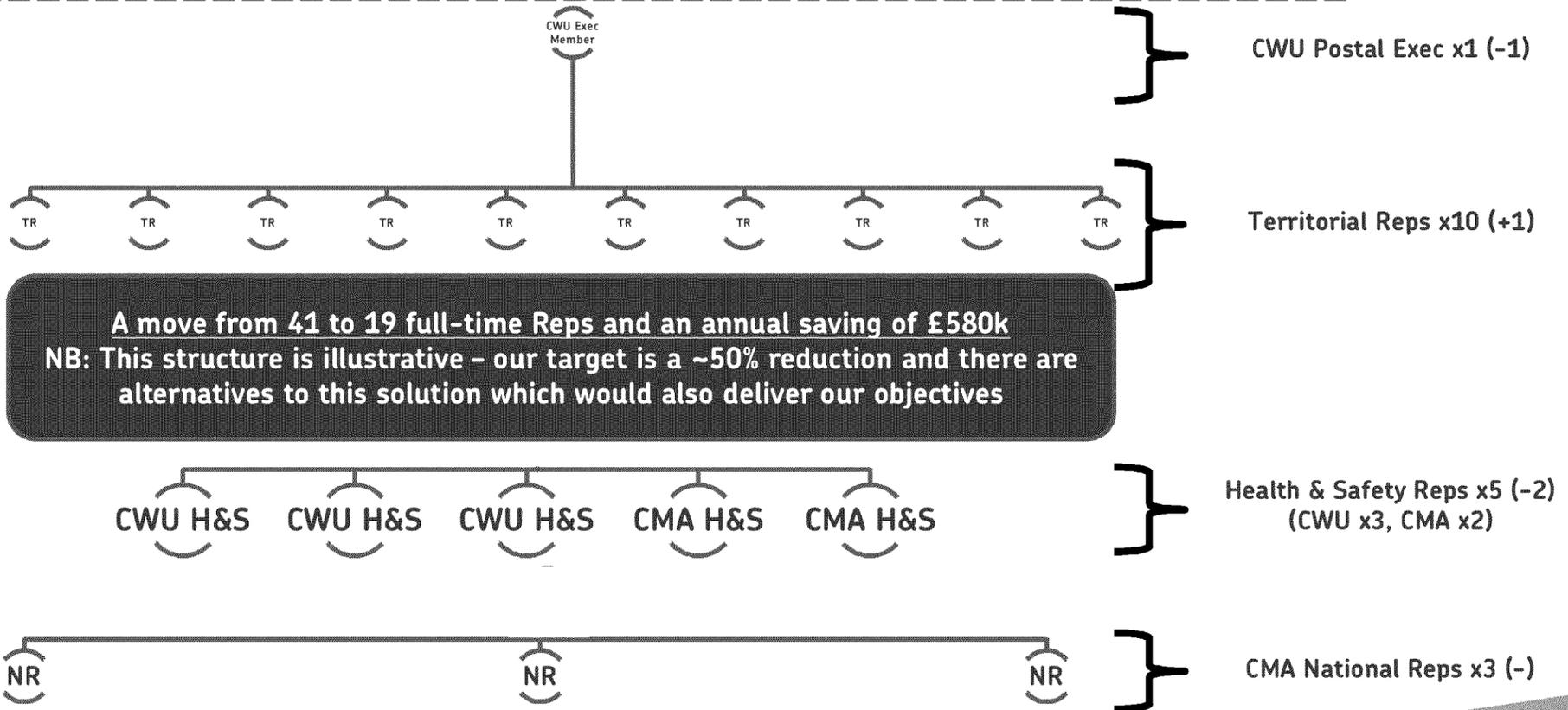


# A new approach From an IR Framework with 41 full-time Reps...





A new approach  
...to a modern, leaner structure





## A new approach **Improved, standardised engagement**

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### **Practical steps to make our engagement with unions better**

- Think - Why are we doing this and what benefits will it bring? What is the compelling business case?
- The IR team will provide **a standardised agenda for all collective consultation meetings with unions:**
  - Business case;
  - People impact;
  - Proposed date for implementation; and
  - Agreed schedule for on-going consultation – right down to date of implementation.

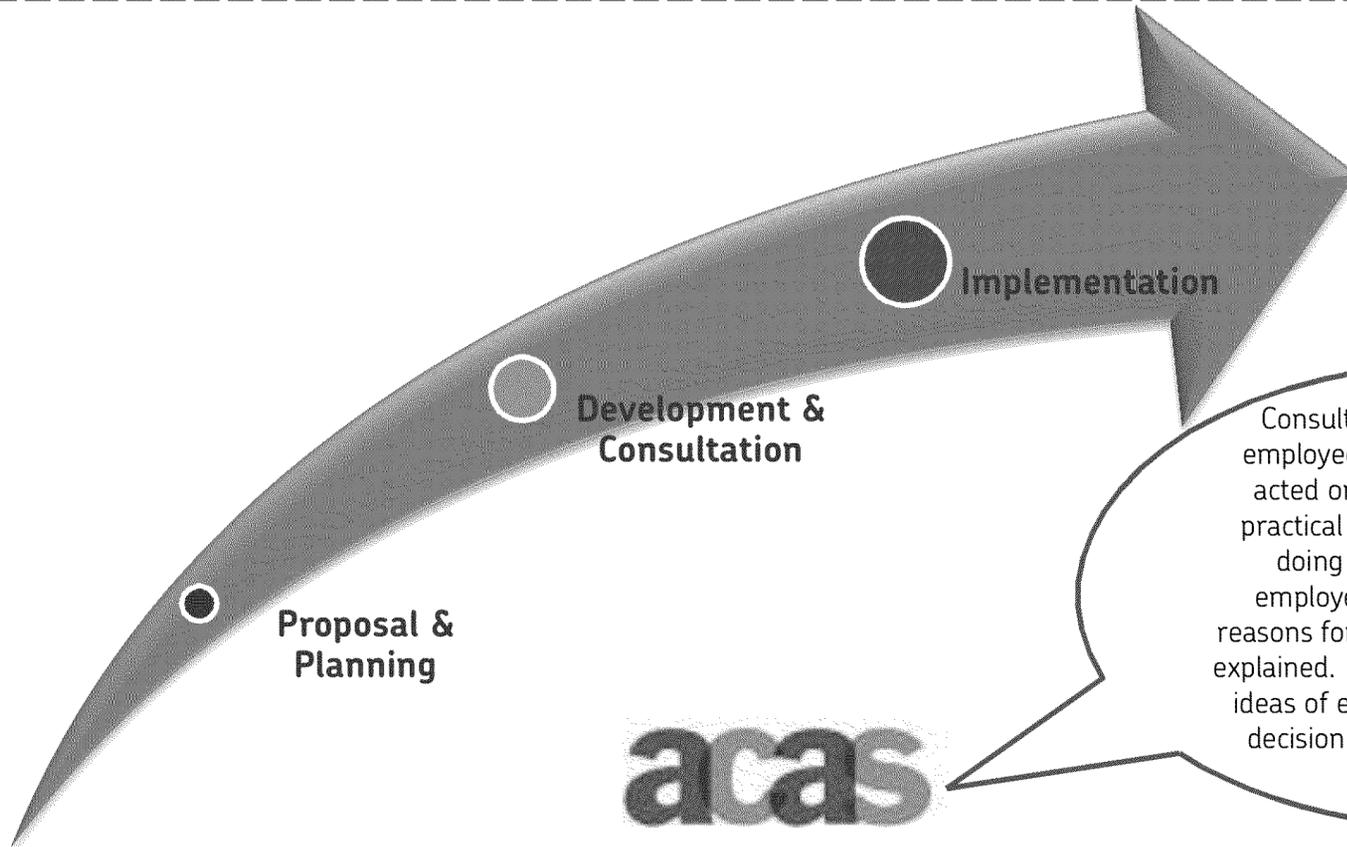
### **Forward planning for timely negotiation, consultation and information sharing**

- A new **Joint Consultation and Negotiating Committee (JCNC)**.
- Monthly operational meetings of JCNC – scheduled one year in advance.
- Bi-annual strategic business meetings.
- All designed to secure agreement for change – and allow enough time to demonstrate consultation.
- An IR 'Heat Map' to 'horizon scan' IR risks related to current and future business change. Owned by the IR Steering Group (Chaired by Neil Hayward)



## A new approach Consultation as a process, not an event

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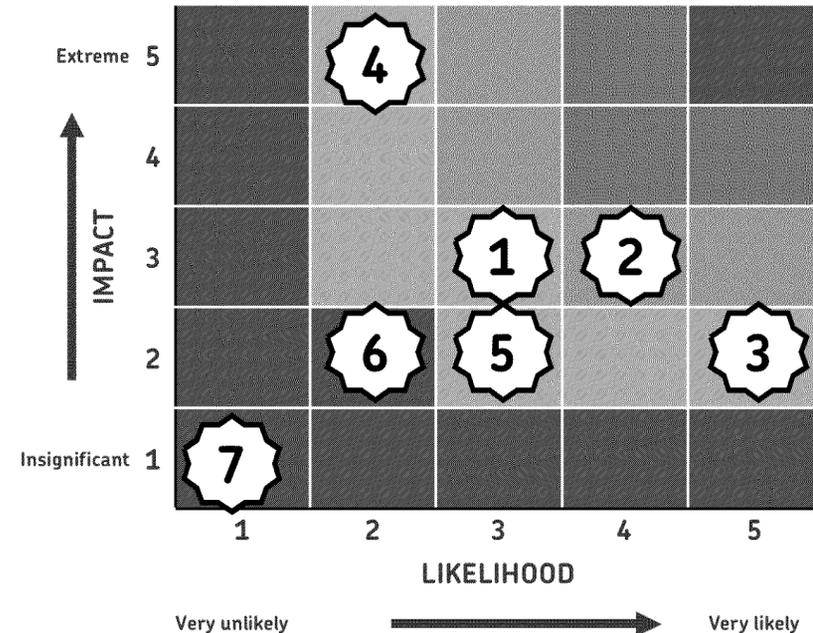


Consultation does not mean that employees' views always have to be acted on since there may be good practical or financial reasons for not doing so. However, whenever employees' views are rejected the reasons for doing so should be carefully explained. Equally, where the views and ideas of employees help to improve a decision due credit and recognition should be given.



## Implementation Risks and mitigations

1. IR Strategy implementation delays other business activity – possible that union will withdraw co-operation, but limited ability to delay.
2. Industrial action – unions have legal right to strike over this, our approach must focus on winning hearts and minds of colleagues to minimise support.
3. Post Office portrayed as anti-union – almost inevitable from unions hence need for a solid, reasonable defence of our position.
4. Business does not have resolve to implement the IR Strategy – very damaging if realised. Business sign-off needed prior to implementation.
5. Implementation exposes current cost of IR to stakeholders/media – possible but limited impact if Post Office is addressing the situation.
6. Relations with Royal Mail (which is not planning to make radical changes to its IR Framework) damaged – mitigated through stakeholder management with RM and avoiding any criticism of its approach (independent companies).
7. Union membership increases as a result of implementation – density already extremely high for CWU. Strategy based on employee engagement to address high levels of union influence on members.

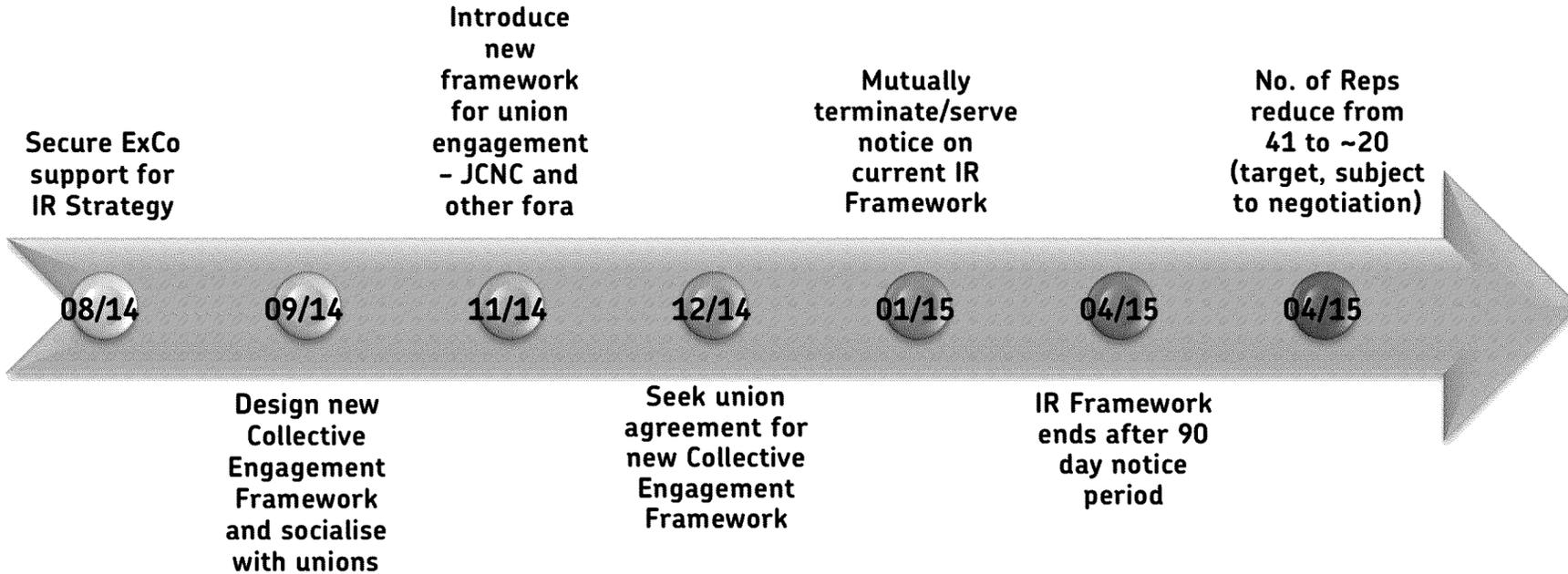




## Implementation Timeline and project benefit realisation

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Our plan is stretching but achievable...



...delivering it will remove existing frameworks and deliver ~£580k recurring benefit by year end

Questions

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**Thank you for  
your time**

## POST OFFICE LTD BOARD

### Network Transformation, Model Performance and Crown Transformation

#### 1. Purpose

- 1.1 To update the POL Board on Network Transformation, performance of the new models and progress on Crown Transformation.

#### 2. Network Transformation – converting mains and locals

- 2.1 The programme reached the end of Q2 ahead of target for contracts signed and branches opened for both mains and locals. As at 26th September, there were 4,168 contracts signed (1,657 locals and 2,511 mains) and 3,134 branches opened (1,238 locals and 1,896 mains).
- 2.2 Branch opening rates throughout Q2 have been consistently strong, averaging 25 mains and 20 locals a week. A major milestone was passed in late August when our 3,000th new model branch opened. The forecast for openings remains strong, with over 40 a week opening over the next two months. The programme is on track to beat the year-end target of 3,708 openings. The programme is also on track to meet the overall target of 4,800 contracts signed by year-end. The emphasis is on making sure as many of these as possible are locals.
- 2.3 The transitional locals process started in late July. This involves substantial engagement with the affected agents (branches modelled as locals with poor retail facing compulsory exit). Evidence from the first cohort of 50 branches has shown that this level of engagement has minimised adverse PR, although it is resource intensive. In addition, more than half of the first batch have volunteered to take a course of action as a result of the engagement – either to leave voluntarily or develop a plan to improve their retail in order to convert – rather than wait for POL to advertise their branch against their will. By November nearly 250 branches will have entered the process, with the remaining 450 following on in Q4.
- 2.4 The Community Branch Fund continues to attract interest from agents. There have been 170 applications so far (70 of which have been approved and 14 completed), and 103 expressions of interest to install open-plan working.
- 2.5 As planned at this half-year point, we are also completing detailed analysis and planning work on the 'cliff'. It is worth noting that more than half of the remaining contracts needed to complete the transformation from next year will not require additional compulsion: they are replacements for leavers that will already be in process (either from volunteers or the transitional locals process above). However, the cliff remains an important tool to complete the transformation. Although planned for introduction in September 2015, it was always our intention to re-examine where we are at this stage of the year and to engage with ShEx on planning for next year. It will also be part of the discussions with the NFSP.

#### 3. Network Transformation – performance of the new models

- 3.1 Over the last nine months, we have made significant changes to the way we open and support branches when they convert to the new formats, through improved training, better processes, and more communication and promotion. The new models are now performing well, with income growth continuing in Mains (+6% in September, up from +4% in Jan) and improved income performance in line with expectations in Locals (0%

in September, up from -8% in Jan). Customer sessions growth shows that customers are using the branches more (5% in Mains, 12% in Locals). Furthermore, 21% of customer sessions in Locals take place out of standard post office hours. For locals open more than 6 months, this has now grown to 24%. For mains with a higher daytime footfall, the figure is 9% out of hours.

- 3.2 We have developed a deeper understanding of model performance, by looking at branches in more detailed cohorts and assessing performance by assigning them to quintiles, and whether they are onsite or offsite conversions. This has helped reveal factors which are masked in overall analysis: for example, where local offsites have lottery already and do not take this through Post Office, this can lead to a significant drop in income. We have subsequently strengthened our sales messages for this product on conversion and are following up on any temporary waivers given post conversion.
- 3.3 To improve the rollout of the models, training material has been made clearer and more readily available earlier in the conversion process, including through new video formats and refresher training prior to opening. Communication with customers has been improved through better leaflets and the rollout of A-frames with a count-down to the opening date. The monitored sample first using the A-frames showed 2% better performance in their first quarter. We have also trialled increased marketing spend in some offsite branches (through door-dropping), and prize giveaways for customers who transfer to the new branch. Neither of these has shown significant uplift, but we will continue to trial other promotional activity in concert with the Marketing team. The next stage of improvement planned is to provide agents with a personalised monthly scorecard that shows them their key measures, how they rank against performance quartiles and the top 3 actions based upon their performance. This will be trialled with 50-100 branches this quarter.
- 3.4 Onsite local conversions are performing well ahead of expectation (5% up) after 12 months. Offsite conversions take longer to achieve target, but more recent cohorts have shown better earlier performance as we improve the transition process (4% improvement in performance 3 months after conversion), which will flow through to improved longer term performance. The 'recovery period' for Locals branches has therefore improved, with branches on average now achieving steady-state performance after 8-9 months compared to 11-12 months at the start of the year.

#### **4. Crown Transformation- Programme delivery progress**

- 4.1 The main programme of property transformations began in September 2013. By the end of September 2014, 248 branches had been transformed, against a target of 230. All retained Crown branches will have undergone transformation works by the end of the financial year.
- 4.2 Over the same time period, over 3,000 staff from the transformed branches have undergone the two-day CTP training programme focused on sales and customer hosting. This is in line with target and the training programme will complete in November.
- 4.3 Income performance in those branches that have completed transformation has consistently outperformed that of non-transformed branches. On average, income in transformed Crowns has been increasing 4.2% year-on-year (YoY), versus a 1.1% YoY decline in non-transformed branches. A particular highlight is the 17.5% YoY growth in Financial Services income in the transformed branches, a growth rate that is 2.3 times faster than in non-transformed branches.

- 4.4 Significant progress has been made to deliver the staff cost savings required in the retained Crown branches. The equivalent of over 440 full time counter staff positions have been removed from the network template over the same period of time, with a further 60 signed up to voluntary redundancy with end dates before the end of November. This is against a target of 503 FTE. A voluntary redundancy (VR) exercise has also been run amongst branch managers, with acceptances received for exits this financial year. Staff savings benefits totalling £16m have thus either been delivered, or secured for delivery, during FY13/14 and FY14/15. Together with the flow-through from savings made in FY12/13, this means CTP will have delivered a reduction in the Crowns' staff cost base of £20m, in line with target.
- 4.5 A large proportion of the staff saving benefit has been enabled through the rollout of over 500 of the new generation self-service kiosks, which the programme has developed with our partner, NCR. The first kiosks began operating in Harpenden branch in February 2014 and since then rollout has continued at pace, with over 430 kiosks in live operation across 155 branches by the end of September. Branches with the kiosks are, on average, conducting 60% of their mails and retail sales through the devices, as opposed to requiring customer interaction with a counter clerk. This performance is on target.
- 4.6 New duty sets have been going live in branches, synchronised with both the transformation of the branch and the exit of colleagues under VR. Customer satisfaction has been closely monitored through Voice of the Customer feedback whilst the new duties embed, with "rapid response" teams in place to resolve any teething issues. September's overall satisfaction score was 83% in transformed branches, a level marginally higher than before staff exits from the same branches began in April. The "acceptability of wait time" score in the same branches was 85%, which is the same score as in April despite the staff exits in the intervening period.
- 4.7 Work to progress the small handful of closures and relocations within CTP's scope is progressing well. Following the successful merger of two branches into one new site in Islington during Q1, Wandsworth and Newport's branches were successfully relocated to better value sites during Q2. Eviction notices have been served on the Post Office this year at Albermarle Street (Mayfair) and King's Walk (Chelsea) and in both cases no commercially viable alternative sites have been found. This has resulted in plans for redistribution of services in those areas, with Albermarle St branch closing for business in September and King's Walk branch now in public consultation over its planned closure in February. The second half of the financial year will also see branch relocations go live in central Manchester, Edinburgh, and Glasgow, as well as the closure of High Street Sutton branch, with its services to be transferred into Sutton Grove Road.
- 4.8 The franchising project has moved slower than originally targeted. Potential operators have been deterred by concerns over: Crown staff transferring under TUPE; public campaigns in opposition to franchising; and the low income likely to be generated from the significant space requirement in some sites. Numerous mitigations have been put in place against each risk, and whilst these mitigations have yielded some results, it is now certain that fewer than the 70 branches originally planned will be successfully franchised:
- 29 branches have so far gone live as franchises.
  - 22 further branches have credible applicants currently in the recruitment process with viable premises. These are expected to move into contract signature and complete public consultation this financial year.
  - 6 further branches are in the pipeline with potential applicants but are not yet at the recruitment stage, which carries a higher risk of dropout.

- The remaining 13 branches will not be successfully franchised under CTP. A number of mitigations have been put in place to reduce the Crown P&L impact of this gap, meaning that despite the fact that not all branches will be franchised, over 90% of the planned Crown P&L benefits associated with franchising will be realised (c£7.5m of £8.0m).

## 5. Crown Transformation- Forecast P&L position

[Note to Exco: The below forecast P&L position is the best view available whilst production of the half year Crown P&L is work in progress. This P&L will be finalised during w/c 13th October and as such this section may be subject to change. Any updates will be notified to the Exco meeting of 21st October]

- 5.1 Despite the programme's delivery successes and the outperformance of transformed Crowns versus non-transformed, the rate of income growth required this financial year is not being achieved. Full year Crowns income is forecast to be £5m to £7m below budget. A £7m outturn below budget would broadly align to a whole-business outturn of £880m. The primary drag is underperformance on mails, where income has declined 2% YoY in transformed Crowns and 5% YoY in non-transformed Crowns; against a budgeted 9% YoY growth.
- 5.2 Looking at the bottom line, and our ability to achieve a breakeven run-rate, the current risks- if unmitigated- would leave a **£6m to £8m** gap against the breakeven objective.

## 6. Crown Transformation- Programme response to forecast P&L position

[Note to Exco: The below list of recommended mitigations against the breakeven gap is subject to discussion and approval at the CTP meeting of 15th October 2014. As such this section may be subject to change. Any updates will be notified to the Exco meeting of 21st October]

- 6.1 A number of mitigations are available against the P&L risk mentioned above, some of which include new areas of programme scope being mobilised, and these are targeted to deliver up to **£4.8m** of additional benefit:
- New product launches during this financial year provide a part-year income increase. The run-rate calculation will assume the full-year value of the income these products would generate; and similarly discount the full-year value of any products ceased during this financial year. The net benefit of this treatment in the run-rate calculation is expected between £0 and £4m, with the most likely scenario being a **£2m** upside.
  - A number of further property initiatives are being planned, which will deliver up to **£1m** of P&L benefit. These include; a further review of property maintenance spend, with associated budget reductions; a further review of cost allocations such that any space in Crowns used by other parts of the business has its cost re-allocated to that part of the business; and a proposal to create and sub-let a separate self-contained retail unit within the available footprint of Trafalgar Square branch.
  - A further initiative is planned to generate additional counter staff cost savings, which will deliver up to **£0.5m** of P&L benefit. The recent CWU agreement to a package of new measures on performance management will enable a rolling "Leaving the Business with Dignity" programme. This will exit under-performing counter staff and hire in stronger replacements from the start of Q4. The lower pay rate and lower pension costs of the replacement staff during their early years with the business generate the saving.
  - A small number of branch closures are planned to enable a further **£0.5m** reduction in losses. These include the (already complete) closure at Albermarle Street, the closure currently in consultation at King's Walk, a merger of services

out of Rye Lane Crown into the wider agency network in Peckham, and the potential for a similar closure in Laindon, Essex.

- ShEx have confirmed their support that the activities of non-public branches such as those in the UK and Scottish Parliaments and the Royal Household should be removed from the Crown P&L. These branches lose c£0.5m per annum. Projects for reducing the running costs of these branches are already underway, to eliminate their burden on the wider business P&L.
- Up to four further branches are expected to move off the Crown P&L and be transformed into Post Office Concept stores. This selection of branches will be representative of different branch sizes and different customer demographics in order to trial elements of the “Branch of the Future” blueprint- such as new technologies- before they rollout to the wider network. These branches will be sponsored by the Commercial directorate and will mean c£0.3m of losses removed from the Crown P&L.

6.2 In the event that the breakeven run-rate is not achieved by March 2015, CTP has nonetheless demonstrated over the last twelve months that retained Crowns are able to grow income once their transformation is complete (+4%) whilst operating on a staff and property cost base that has reduced by c25% over the same period.

6.3 Although the programme team is doing everything within its power to achieve breakeven by March 2015, consideration has been given to the programme response if this objective is missed. Building back up from the worst-case income scenario this financial year (£7m under budget), breakeven would be achieved by September 2015 under the following circumstances;

- the mitigations described in Section 6.1 above are successfully delivered;
- Crowns income remains flat; and
- a further £3m of annualised cost savings are delivered during the first half of FY15/16.

6.4 At the start of FY15/16 the business will have greater freedom to make additional cost savings and planning is now beginning for these. This would involve delivering new projects to change the shape of the Crown network (through, for example, merging services of two branches into one) and from mobilising new franchising projects. Whilst planning work can begin this financial year, these can only go-live once the current commitment to staff -which defined CTP's scope of franchising and branch changes- expires at the end of this financial year.

6.5 In terms of the longer term strategy for the Crown network, development work has now begun; and a full recommendation will be made to the board in January 2015. The going-in hypothesis is that significant additional franchising would provide greater profitability than is achievable through a directly-run network. However this needs strategic consideration in conjunction with the development of new Post Office models; our ability to simplify customer journeys; our potential to create a more attractive franchising proposition for our largest branches; our FS strategy; as well as the cost, staff, industrial relations and PR risks associated with change.

**Kevin Gilliland**

**October 2014**

## Confidential

8 September 2014 (V4)

### POST OFFICE LTD EXECUTIVE COMMITTEE

teamtalk [*virtually live*]

#### 1. Purpose

The purpose of this paper is to:

- 1.1 update ExCo on plans for the next teamtalk live event in November.
- 1.2 Gain ExCo agreement to proposed approach

#### 2. Background

2.1 The last teamtalk event was the first to use live link up technology to enable Paula's keynote presentation to be heard simultaneously at all venues. It was also the first time we'd invited branch managers and postmasters to a teamtalk live event. Feedback shows it was well received and heralded a new era of straight-talking, tell it as it is communication.

#### 3. Proposal

3.1 Over the past few months we've been building up the narrative for the business – we've a strategy for growth and are building up proof points around this, but times are tough, increased competition means we need to accelerate and to hit the numbers we need to think and act differently. We've a key cost challenge ahead of us both in-year and long term if we are to build a commercially sustainable business.

3.2 Teamtalk live needs to continue to reinforce and build on this narrative. We need to acknowledge that things are feeling tough but we need to rise above the pain, seize the opportunity to be bold and agile and recognise the current situation as an opportunity. We are in a defining period for the business and that requires radical change.

3.3 We need to ensure we don't fall into the trap of trying to deliver too much through the session. The proposal is to keep it simple and focus on the following;

- **Creativity** – budgets are being cut/removed but that doesn't mean we have to stop doing things. We need to use this as an opportunity to be more creative in what and how we deliver things
- **Customer** – must remain at the heart of what we do, delivering quality products through a great customer experience is critical to our success. We need to be winning in mails and challenging in Financial Services – these pillars should be our primary focus.
- **Christmas** – we're all aware of the opportunity Christmas offers. From fighting the competition to ensure Post Office is the natural place to visit to giving confidence to our once-a-year customers that we deserve their consideration across a range of products they don't know we offer. Success this Christmas is vital to us getting closer to our targets this year and every single colleague across the business has a role to play.
- **Care** – We're going through change and times are hard and for some it will soon become even harder. We have a good track record of care and consideration for colleagues and we need to ensure this continues and we don't get side-tracked from this in our quest to deliver the numbers.
- **Costs** – updating colleagues on how we're performing against our scorecard and what the impact of the cost challenge has been

3.4 Colleagues will likely have been updated on cost reduction initiatives early in September.

3.5 In delivering teamtalk live, we need to build on the use of technology but take it one step further to show

- we're thinking digitally,
- doing things differently
- recognising the cost challenge by reducing costs

3.5 The proposal is therefore that:

- We change the date of the November event to 18 November (19/20 currently being held). This will allow us to run the teamtalk live session as part of the scheduled Crown teamtalk session
- All the presenters will be studio based and we stream the content to laptops/focus tv / Subspace Online, so no-one need travel and leave their office environment
- We make viewing of one of the keynote sessions/Q&A sessions mandatory
- We use text/twitter/email to allow colleagues to submit their questions throughout the session

Proposed timings

- 8.30am Keynote presentation from Paula (45 mins) – this could be live or pre-recorded
- 9.30am re-run of keynote (45 mins)
- 10.30am re-run of keynote (45 mins)
- 11.30am Q&A session with first three ExCo members (45 mins)
- 12.30pm Q&A session with next three ExCo members (45 mins)
- 1.30pm Q&A session with final three ExCo members (45 mins)
- 2.30pm re-run of keynote (45 mins)
- 3.30pm re-run of Q&A session (45 mins)

This schedule has been developed to allow Branch Managers to hear the keynote during the local teamtalk allotted Tuesday morning session in Crowns, equipping them (supported by a subsequent briefing note) to deliver a follow up session to their teams the following week. It also allows all colleagues and Postmasters and their teams to view and take part in the Q&A sessions over the lunchtime period, through a variety of channels including Focus TV, intranet, Subspace Online, accessible through the branch equipment or via their own devices i.e. smartphones, tablets.

#### **Benefits**

- We get to as many people as possible by bringing the event to their desktop/office
- We connect with all Crown colleagues live via Focus TV and Agents via Subspace Online – key frontline audiences who have the biggest impact on customers
- We signal a real change in how we're doing things
- We minimise the time used for both presenters and audience
- We allow Paula to be heard consistently across the business
- Colleagues can ask questions from the comfort of their normal surroundings using a variety of methods
- We dramatically reduce cost
- Post event activity can focus on impact and forward planning rather than cascading the message.

**Costs summary**

	July 2014	November 2014
Venues	£22,000	£500
Production	£102,000	In house
Video	£20,000	£20,000*
Travel	Unknown as absorbed in BAU	£0
Bandwidth increase for 148	N/A	TBD

\*if required

Although we still need to determine any costs to increase the network bandwidth at 148 (which will ensure a better video experience and handle any bottleneck), the overall saving by taking this approach as opposed to a normal teamtalk live event is in the region of £120k.

**3.6 Ongoing activity**

Teamtalk live plays a key part in the ongoing communication and engagement activity in support of accelerator 7 (*Inspire and engage everyone in our turnaround story – we will make a compelling case for change to our agents and employees in order to drive performance and customer service*). Over the coming months we'll continue the rhythm and routine of the teamtalk suite

**Teamtalk lite** – this will continue to be our weekly opportunity to talk to teams about the important things happening in the business. We've changed the format slightly to enable the session to have a clear focus on a single topic. This has been supplemented with leadership blogs and drop-in sessions to allow us to communicate the key topics in more depth, raising the visibility of key business leaders. We've already held sessions on Winning in Mails and Challenging in FS and leading up to teamtalk live we'll cover thinking digitally, delivering Christmas for our customers and building on the doing things differently message.

**Teamtalk plus** – a monthly session which will focus on our business scorecard and how we're performing as a business. This will be supplemented with news from around the business in the key areas of growth, modernisation, customer excellence and our people.

**Teamtalk leaders call** – A new introduction to the mix, this will allow us to update our key senior leaders on developments around the accelerators. It replaces the current adhoc SLT calls and will be extended to include direct reports to SLT. The plan is to hold these prior to the teamtalk plus sessions to allow better context/positioning of the key messages.

**Teamtalk live** will continue to run quarterly (the next due in January) however we'll look at how we better use technology to do more live streaming of key leaders during the intervening months

**4. Recommendations**

ExCo is asked to:

4.1 note the proposals set out above and agree the over-arching format of the event and ongoing activity, subject to further updates.

**Mark Davies**  
**8 September 2014**

**Strictly Confidential**

**POST OFFICE LTD EXECUTIVE COMMITTEE**

**End User Computer Tower Procurement: Contract Award Recommendation**

**1. Purpose**

**For ExCo to approve:**

- 1.1 EUC Contract award to Computacenter and to support presentation of this recommendation to the Board on 29 October 2014.

**2. Background**

- 2.1 The EUC Tower will provide a range of technology and support services to Post Office users; taking on directly c35,000 users who are branch-based and c4,200 who are admin based and currently supported by Royal Mail.
- 2.2 Following a comprehensive procure process Computacenter were identified as the Preferred Bidder for a 6 year (4 +1 +1) contract.
- 2.3 A 10 day standstill period (Alcatel) has been completed without challenge from the unsuccessful bidders.
- 2.4 Work on finalising the contract with Computacenter is expected to be completed on 13 October 2014. A verbal update will be provided at ExCo on 16 October 2014.
- 2.5 The contract outcome remains aligned with the emerging thinking from the Business Transformation (BTP) and Network Extension (NE) programmes, and provides flexibility to amend as required.
- 2.6 The process has been subject to a legal and financial review, and a full risk assessment.

**3. Activities/Current Situation**

- 3.1 The contract has the following features:
- A minimum spending commitment from Post Office of £70m over the initial 4 years;
  - Aligns with the requirements set out in the Post Office OJEU;
  - It provides the flexibility to support the requirements of the BTP and NE programmes;
  - It enables new services to be deployed, e.g. Common Digital Platform;
  - It enables the replacement of aged and proprietary Horizon branch counter equipment;

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- In addition, the minimum spending commitment has been stress tested against worst case scenario, including the removal of 50% of the branch network.

### 4. Commercial Impact/Costs

- 4.1 Moving to Contract Award with Computacenter represents a 'no regrets' investment for Post Office, supporting and enabling our 2020 Strategy:
- Contract negotiations continue positively, with the final position to be delivered in-line with the overall business case, which includes a reduction in operating costs, from £16.5m to £10m per annum;
  - Includes a minimum capital spending commitment from Post Office of £70m over the initial 4 years;
  - Has flexibility of contract in financial commitments and device selection;
  - Has a contract term (4+1+1) which provides mid-term options for Post Office.

### 5. Key Risks/Mitigation

The following risks have been presented and discussed in detail at the IT Transformation Board.

- 5.1 Unable to provide legacy branch counter support (Engineering Services)  
(Operations Risk - Controlled)
- Computacenter will not be able to transition legacy POS services by 31 March 2015 when the incumbent Fujitsu service expires.
- Mitigation Actions:
- Initial feedback from Computacenter is that an interim operational solution will be in place by the end of March 2015.
  - Seek to secure an option for a reduced extension to support the engineering services.
- 5.2 Relationship with incumbent (Fujitsu)  
(Stakeholder Risk - Uncontrolled)
- Announcement of Computacenter as our Preferred Bidder has challenged our relationship with our incumbent supplier. This could impact the speed of incumbent exit and may have wider operational impacts.
- Mitigation Actions:
- Enhanced Executive level engagement.
  - Execution of effective contract management.
  - Setup dedicated Post Office team to address risk.

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- 5.3 Procurement process challenge received from other bidders -  
(Legal/Regulatory Risk - Uncontrolled)

Post Office may be subject to a procurement challenge from one or more of the losing bidders, post Alcatel which could result in a financial exposure if justified. Risk would be triggered by actions of one of the unsuccessful bidders over the next month.

Mitigation Actions:

- External legal counsel has confirmed that a robust procurement process has been followed and has reviewed the resulting outcome / documentation. They have also classified the risk as low, but this cannot be completely excluded.
- Continue to execute effective communications.

- 5.4 Failure to achieve minimum spend for hardware devices –  
(Financial – Controlled)

Due to change in business demand Post Office fails to spend the minimum £70m commitment, resulting in a financial exposure as the minimum spend will be contracted.

Mitigation Actions:

- There has been significant engagement with both the BTP and NE initiatives to ensure hardware requirements are appropriate, and that the resulting costs meets the minimum commitment.
- Volumes exclude the devices required to support the new 'access points'.

**6. Conclusion**

The proposed contract with Computacenter represents a value for money outcome for the Post Office; it is aligned with the BTP and NE requirements, and has the flexibility to support Post Office emerging business requirements.

**7. Recommendations**

ExCo is asked to endorse contract award with Computacenter, and to approve the presenting of the contract to Post Office Board for award on 29 October 2014.

**Lesley Sewell  
October 2014**

**Confidential**

**POST OFFICE LTD EXECUTIVE COMMITTEE**

**Post Office Prepaid Funeral Plan**

**1 Purpose**

1.1 To update Exco with regard to a recent addition to our Life Insurance portfolio.

**2 Background**

2.1 Post Office has successfully launched a number of products aimed at the over 50s customer segment.

2.2 Our Life Insurance products generated £3m income for POL during 2013/14.

2.3 Last year an opportunity was identified to provide a credible and stable solution for those customers wishing to pay for their funeral arrangements in advance, through a specific plan.

2.4 PFPF fills a gap for those who want to secure the costs of their funeral in today's money with existing savings, rather than buy an Over 50s or Life insurance product which may not be sufficient when they eventually pass away.

2.5 Our joint venture partners undertook a substantive tender process and Dignity plc was selected to provide our Prepaid Funeral Plan and supported by the Joint insurance committee.

2.6 Bank of Ireland has procured an agreement with Dignity to supply the new product.

2.7 POL change processes have been observed and all relevant gating concurrences attained.

**3 Post Office Prepaid Funeral Plan – Key Features**

3.1 Our Essentials plan guarantees a cremation, coffin and transport each of which are enhanced for the Standard and Premium plans.

3.2 Three payment options are available - a single lump sum, 12 month payments (charge free), and 24 months (6% charge).

3.3 Customer Funds are held in the National Funeral Trust, the assets of which are entirely separate and independent of Dignity plc and associated companies and audited by KPMG.

**4 Distribution**

4.1 Prepaid Funeral is available to purchase through our on-line channel and the Dignity call centre.

4.2 A network launch through both Crown and Agency branches will be undertaken in the coming weeks following significant improvements in VMS scores re life insurance.

4.3 A comprehensive communications plan will be deployed to support the network launch.

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### 4.4 Acquisition channels:

- Direct Mail
- Online application
- Web journey for Financial Specialists
- Contact Centre

Targets for combined sales of Life Insurance, including PPF, had been agreed for 2014/15. These will be reset for the remaining months of the financial year.

4.5 Once the product is embedded through all channels, 75% of sales are targeted to be delivered via the network through a mix of lead generation and branch completions, the share of direct sales will increase in subsequent years.

4.6 Financial Specialists will be the primary focus for branch acquisitions, following launch, delivering circa 3k sales during the first year. Lead generation sales via Crown and Agency branches are estimated at 1,800 initially.

## 5 Market

5.1 The current market size in the UK is circa 120,000 sales per annum contributing to 900,000 plans awaiting draw down, the majority of these are with the three major providers - Dignity, Co-operative Funerals and Golden Charter.

5.2 Post Office will target a 5% market share, within 12 months, equating to sales of circa 6,000 policies per annum.

## 6 Commercial profile

6.1 Post Office Prepaid Funeral is expected to deliver £7m income for POL over five years.

6.2 Each Prepaid Funeral Plan sale generated through one of our branches or online will contribute circa £200 commission income for Post Office Limited

6.3 Dignity will fund Direct Mail campaigns from which Post Office Limited will receive circa £58 per sale

6.4 As Prepaid Funeral is not a product subject to FCA regulation, it has been agreed that this will not form part of the potential buyout of the insurance business by POL and therefore does not increase our cost of doing so (Project Hawk).

6.5 Dignity and Bank of Ireland will fund the marketing costs.

## 7 Recommendation

1.1 The Executive Committee is asked to note the addition of Post Office Prepaid Funeral Plan to our Life Insurance Portfolio.

**Paul Havenhand**  
**Head of Travel Insurances**  
**7<sup>th</sup> October 2014**

**Confidential****Appendix****Financial Benefits**

<b>Year</b>	<b>Sales</b>	<b>Basic Commissions (£)</b>	<b>Profit Share (£)</b>	<b>Total</b>
<b>2014/15</b>	1,050	85,000	127,500	212,500
<b>2015/16</b>	6,000	427,730	661,907	1,089,637
<b>2016/17</b>	6,000	451,349	1,040,613	1,491,962
<b>2017/18</b>	6,000	475,563	1,103,598	1,579,161
<b>2018/19</b>	6,000	501,719	1,168,168	1,669,887
<b>2019/20</b>	3,450	285,715	1,110,417	1,396,132
<b>Total</b>	<b>28,500</b>	<b>2,227,076</b>	<b>5,212,203</b>	<b>7,439,279</b>

Note: the supply contract with Dignity plc has a 5 year term.



# ExCo customer update

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16<sup>th</sup> October 2014

Prepared by the Insight team



The business is not on track to meet our customer performance target and our “Easy to do business with” performance is well below target

	13/14 Actual	14/15 Target	P6 Actual 3mth Rolling (Jul-Sep '14)	Vs previous month	YTD progress against target
Customer Satisfaction	87%	89%	86..4%	-0.3	87.5%
<b>Easy to do business with</b>	<b>41%</b>	<b>47%</b>	<b>21.3%</b>	<b>-3.5</b>	<b>25.7%</b>
Net Promoter Score	-4	2	-1.1	-0.7	0.5
	13/14 Actual	14/15 Target	September only		YTD
Queue Time (<5 minutes)	82.1%	81%	80.7%	-1.1	77.5%

Source: BREX Experience Sep 13- Sep 14 and Mystery Shopping 2013 and 2014



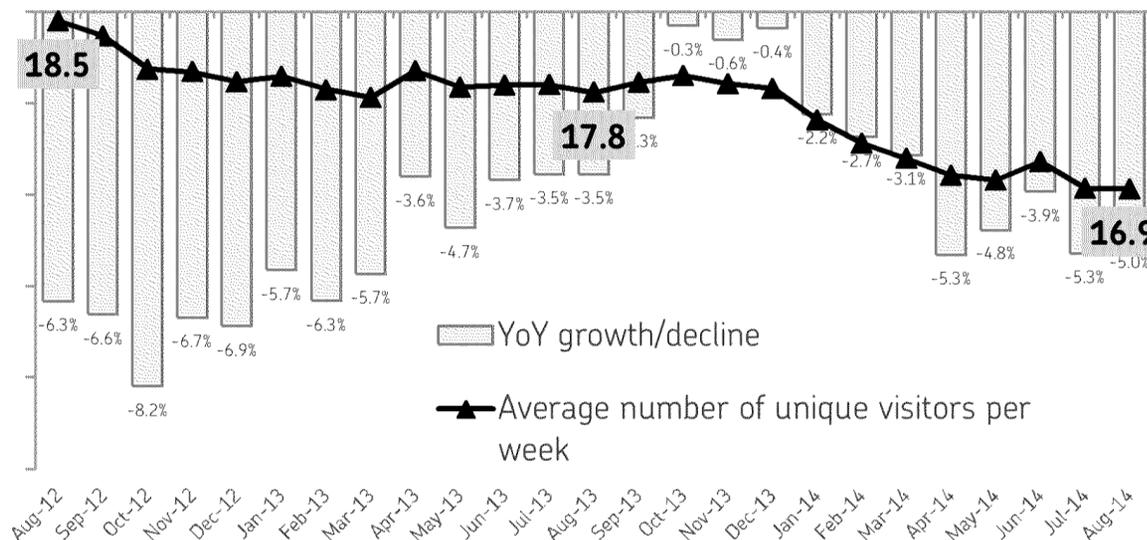
# Context – declining footfall and reduced frequency of visit

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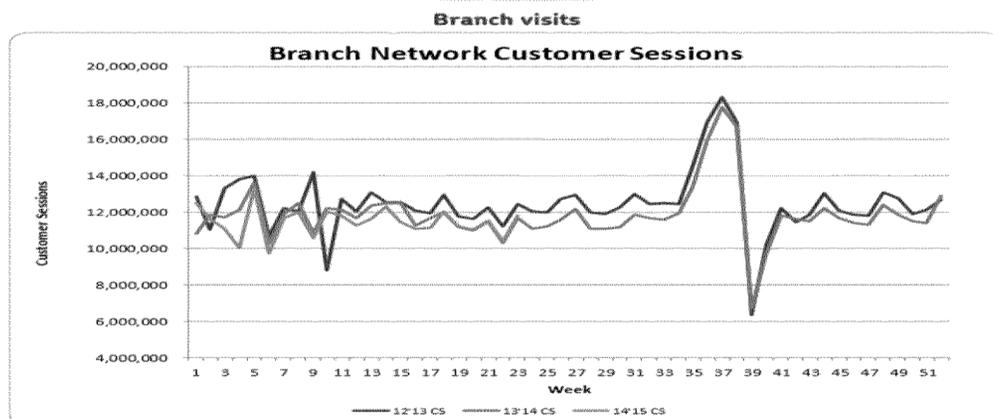


# Declining revenue and footfall continue to negatively impact our business

- Annual footfall (unique visitors) has dropped from 18.5 million to 16.9 million since 2012 – that’s a **9% decline**.
- Over the past 4 years, **weekly visits have reduced by 14%**
- Our **branches continue to be our only touch point** for the majority of customers. (55% have visited branch only)
- **Rise in online visitors does not offset** the drop in branch footfall and is largely non-transactional. 1 million unique weekly visitors.



## Customer Session data also shows YoY declines



**Main reasons for visiting website:**  
 Look for postcode/address 26%  
 Track letter/parcel 17%  
 Research products & services 14%  
 (Voice of Visitor Feb-Jun14)

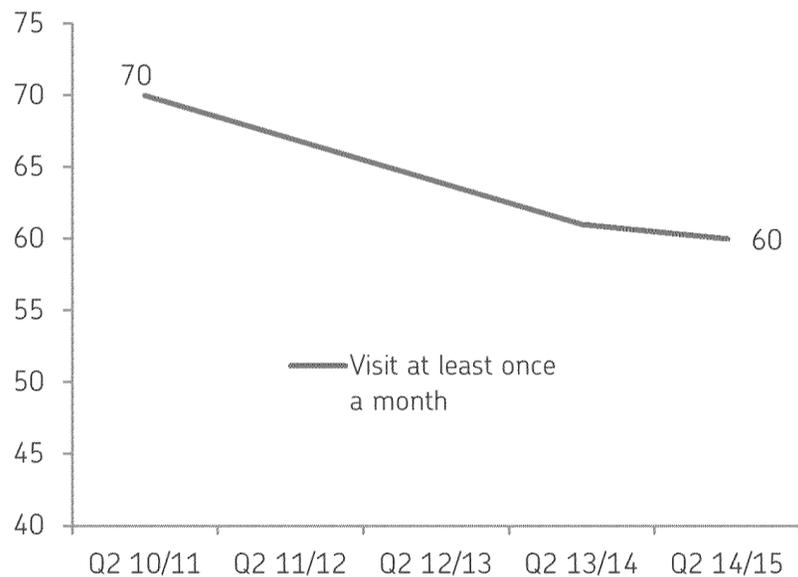


**If people are not visiting branches regularly then they are not experiencing the changes we are making, causing long-held perceptions of 'hard work' to remain**

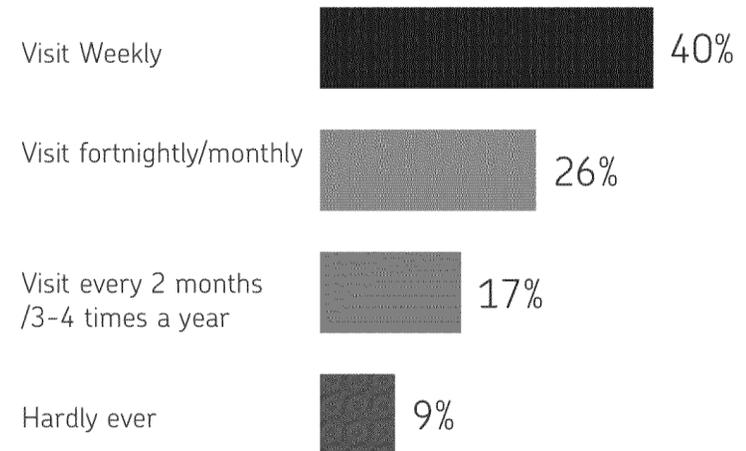
**Branch visits are becoming more infrequent with fewer people visiting branches monthly or more frequently...**

**... but those who visit a branch more frequently are more likely to think we are 'Easy to do business with'**

Frequency among those visiting branches %



Easy to do business with score %



**To encourage people to come back into branch, we need to communicate the changes we are making in our network.**

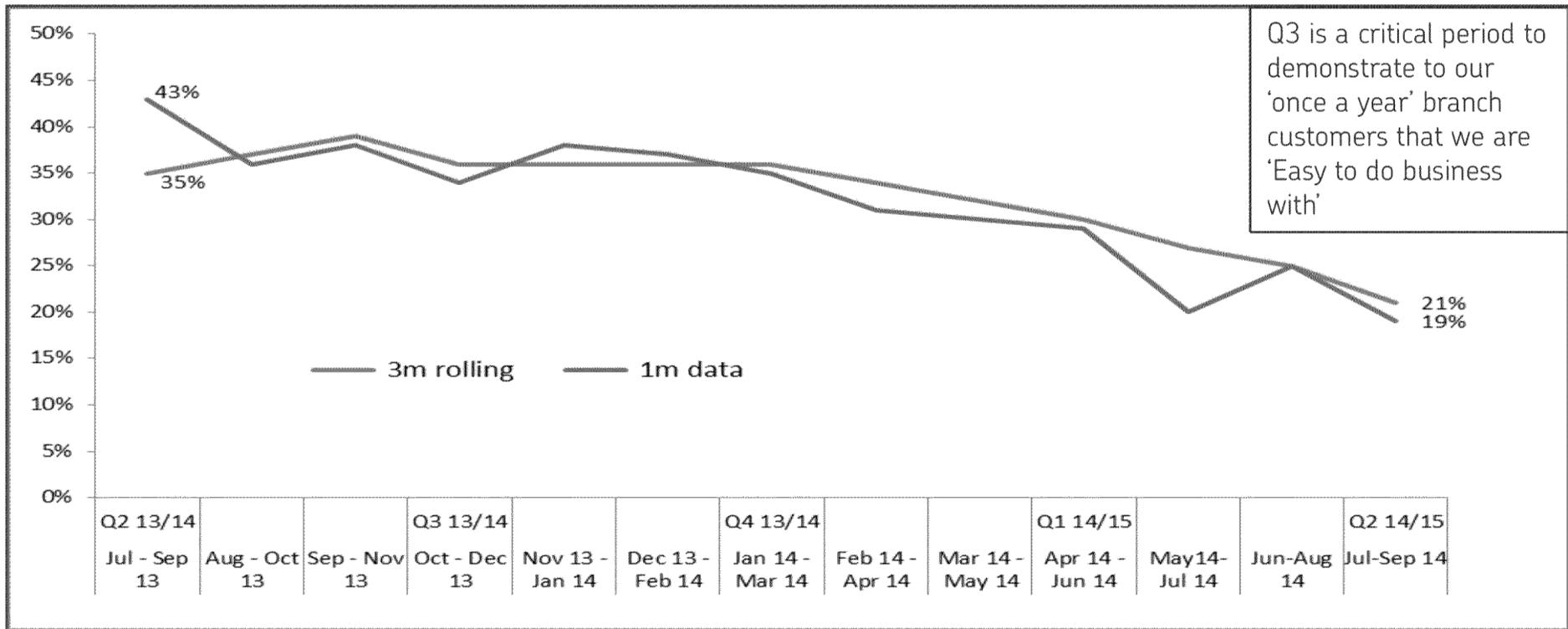


# Realising our ambitions

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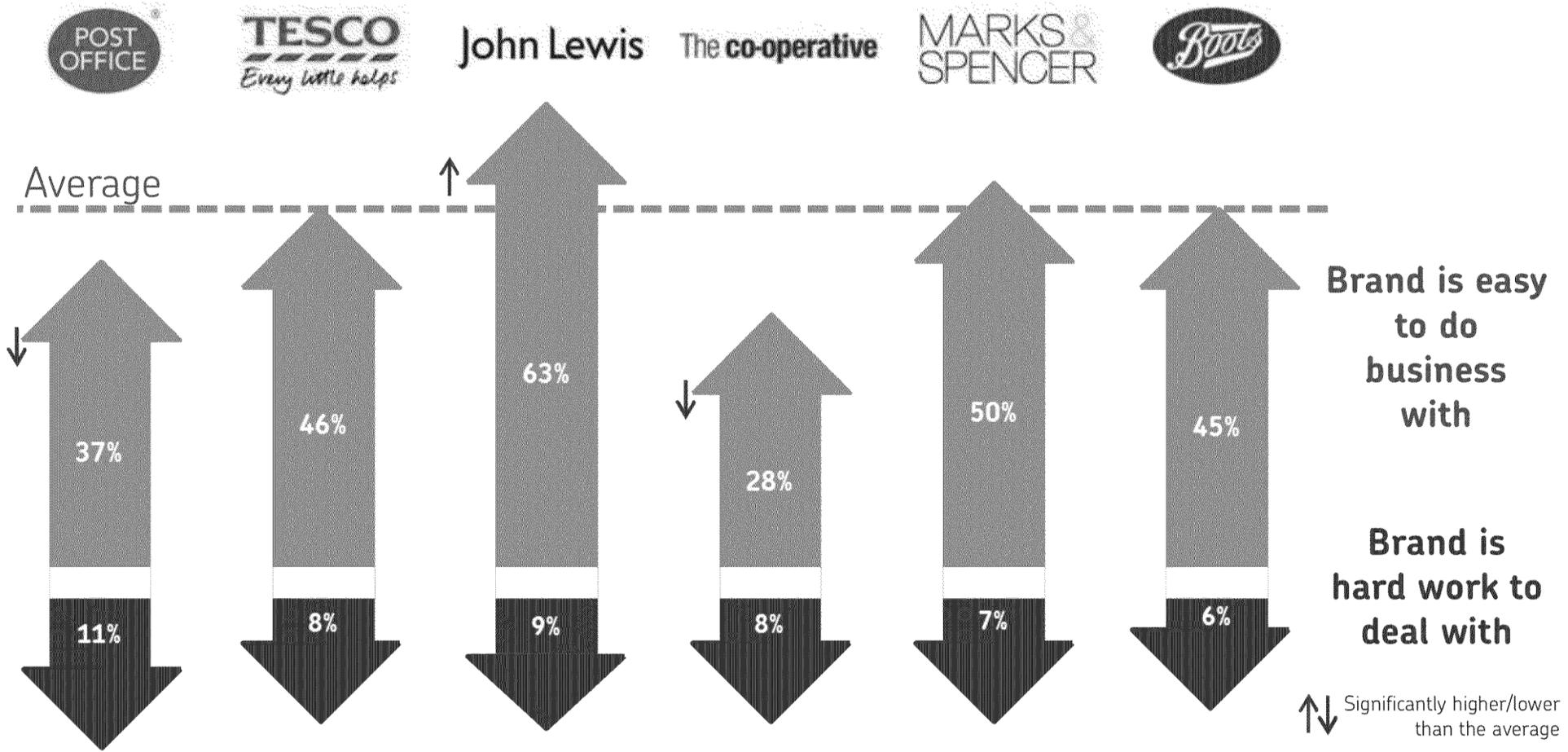


## The Ease measure has been in steady decline through Q1 and Q2 14/15, but also from a peak in Q1 13/14



- **The 3 month average rolling score dropped further in P6 falling to 21%.**
- Improvement seen in August has not been sustained, with the score returning to levels seen in July.
- More people are rating us as high effort with fewer people saying we are low effort.
- Performance on drivers hasn't moved significantly across the 3 month period, Although we did see a drop in **'Staff providing a warm welcome at the counter'** during September (down 3 percentage points compared to last month)

When customers compare us to other retailers, Post Office is seen below the average as a brand which is “easy to do business with”.



S3Q4A\_ - Dealing with [the brand] is hard work  
S3Q5 - The brand is easy to do business with . All using the brands in the last last 12 months  
Bases: Post Office 486, Tesco 455, John Lewis 164, The Co-operative 299, M&S 329, Boots 416



## And we know that Ease is a big focus across the high street

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From big, established brands with very regular customers...



“We want to make it EASY for our customers to shop whenever and however they want and ensure that every experience with us leaves them feeling good...change to a more truly customer centric culture. How to make things EASIER for our customers – a focus on customer missions to ensure they are as simple as possible”

To established competitors...



“Send, collect and return your parcels Early ‘til late, 7 days a week. CollectPlus is the largest store-based parcel service in the UK, designed to make your life EASIER. No more wasted Saturdays or lunchtime queues, just the freedom to get on with your day.”

To newer competitors...



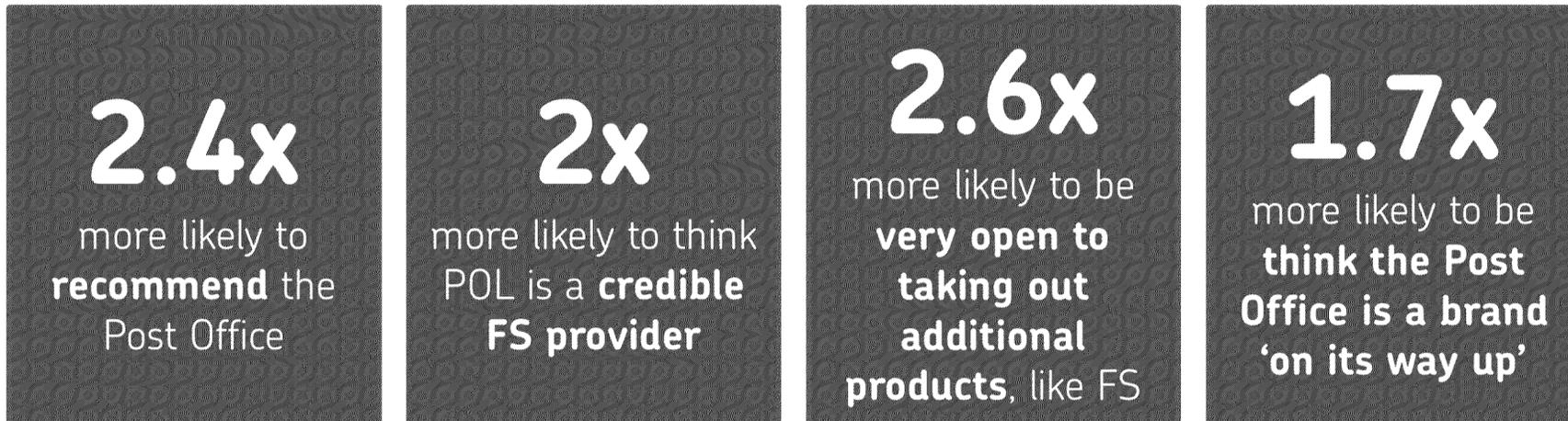
Making it EASY – We know you are busy people so we have decided to open 7 days a week, early until late so you get to choose exactly how, when and where you send and receive parcels. We are all about making it EASY for you – that’s what makes us special. You will be served in less than 2 minutes – It takes less than two minutes to Doddle, either face-to-face with one of our Doddle team or using our smart, EASY-TO-USE self-service pods



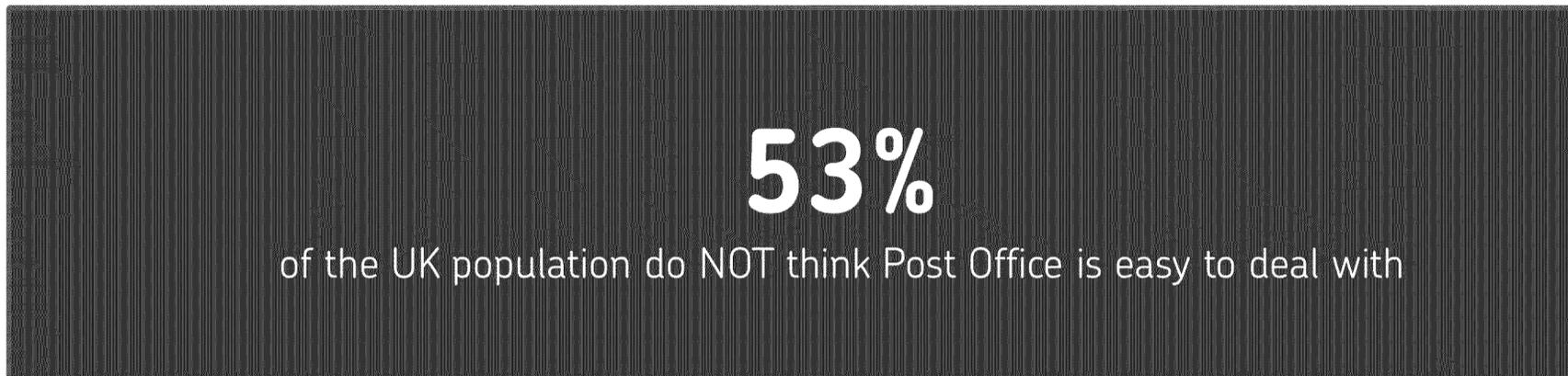
## Being seen as high effort to deal with creates barriers to improving brand perceptions and growing our bottom line

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- Those who think we're low effort/easy (47% of population) are:



- But...





# In order to grow our business, we need to understand and deliver to the needs of the most profitable customer segments

**Early indications from the segmentation model indicate that the Work Hard Play Hard segment could represent a combined revenue opportunity of up to £12m**

in FS, Telecoms and Travel

However currently these customers are more likely to think we are 'hard work to deal with'

<b>Socially responsible</b> 	<b>Quality Hunters</b> 	<b>Work Hard, Play Hard</b> 	<b>Prosperous &amp; Discerning</b> 
<p>87% ETDBW score</p> <p>32% very open to products like FS</p>	<p><b>-47% ETDBW score</b></p> <p>Minus score indicates more people in this segment think that we are high effort than low effort</p> <p>9% very open to products like FS</p>	<p><b>-43% ETBW score</b></p> <p>Minus score indicates more people in this segment think that we are high effort than low effort</p> <p>8% very open to products like FS</p>	<p>71% ETBW score</p> <p>20% very open to products like FS</p>

If we are seen as 'Easy', customers are more likely to purchase products from us

Source: Post Office segmentation and BREC experience Q1 2013/14. Target segments were developed by Mindshare. Segment opportunity = Segment size x propensity to purchase/switch product x Propensity to buy from Post Office x Value of sale to Post Office



# Improving the customer experience by focusing on key drivers of ease

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**Focusing on improving performance on the drivers of ease will improve performance across our brand metrics. The top drivers of ease centre largely around customer experience, as well as modernity (via technology) and the product offer**

Top 10 priorities (out of 32)	Share of impact on 'ease'	Focus required
 <b>Customer service</b>	12%	Staff go the extra mile to provide a good service Staff are genuinely interested in assisting customers Staff provide a warm welcome at the window
 <b>Competitive benchmarks</b>	12%	Their service is more efficient to others on the high street Their customer service is better than other organisations
 <b>Technology &amp; multichannel</b>	12%	They use technology to make things easier for customers I can deal with them through whatever channel I want
 <b>Hard work</b>	12%	Dealing with the Post Office is hard work
 <b>Product offer</b> (non mails)	12%	They have the highest quality products They offer very competitive products The products and services they offer meet my needs Their products come with great customer service
 <b>Queue management</b>	11%	The time I have to wait is always acceptable The queue moved quickly
 <b>Quick service</b> (branch)	9%	They always make me wait too long to be served Staff are quick at getting the job done
 <b>Efficient service</b> (multi channel)	8%	They make me wait too long, no matter how I choose to contact them
 <b>Staff knowledge</b>	8%	Staff are knowledgeable about what they offer I feel confident that staff know what they are talking about
 <b>Website usability</b>	5%	The website is easy to use I can find all the information I need on the website



Marketing communications will help change perceptions of “hard work” in the lead up to Christmas. By focusing on the three key service drivers of ease (customer service in branch, queue management, and queue times) we will provide credible proof points for customers visiting branches.

Total base		1 month rolling			Difference	3 months rolling			Difference	
BREC Experience		Jul-14	Aug-14	Sept-14		May - July	Jun - Aug	Jul- Sept		
Driver Theme	Statement included in driver:	n=335	n=336	n=337		n=998	n=1007	n=1008		
Customer Service	Staff go the extra mile to provide a good service	38%	41%	39%	-2%		43%	41%	40%	-1%
	Staff are genuinely interested in assisting customers	46%	50%	49%	-1%		49%	49%	48%	-1%
	Staff provide a warm welcome at the counter	44%	52%	49%	-3%		48%	48%	48%	0%
Competitive benchmarks	Their service is more efficient to others on the high street	26%	30%	35%	+5%	↑	29%	30%	30%	0%
	Their customer service is better than other organisations	27%	31%	33%	+2%		27%	28%	30%	+2%
Technology and multichannel	They use technology to make things easier for customers	39%	27%	29%	+2%		34%	33%	32%	-1%
	I can deal with them through whatever channel I want	28%	27%	30%	+3%	↑	30%	29%	28%	-1%
Hard Work	Dealing with the Post Office is hard work	16%	14%	15%	+1%		11%	13%	15%	+2%
Product offer	They have the highest quality products	22%	26%	25%	-1%		25%	25%	25%	0%
	They offer very competitive products	27%	27%	30%	+3%	↑	28%	28%	28%	0%
	The products and services they offer meet my needs	32%	32%	35%	+3%	↑	36%	34%	33%	-1%
	Their products come with great customer service	30%	31%	35%	+4%	↑	33%	32%	32%	0%
Queue management	The time I have to wait is always acceptable	31%	36%	39%	+3%	↑	37%	35%	35%	0%
	The queue moves quickly	28%	34%	35%	+1%		32%	31%	32%	+1%
Quick service in branch	They always make me wait too long to be served	15%	11%	12%	+1%		15%	15%	13%	-2%
	Staff are quick at getting the job done	45%	48%	49%	+1%		48%	47%	48%	+1%
Efficient service (multichannel)	They make me wait too long, no matter how I choose to contact them	23%	19%	21%	+2%		18%	19%	21%	+2%
Staff knowledge	Staff are knowledgeable about what they offer	55%	57%	58%	+1%		56%	56%	57%	+1%
	I feel confident that staff know what they are talking about	54%	57%	66%	+9%	↑	57%	56%	59%	+3%
Website usability	The website is easy to use	61%	53%	58%	+5%	↑	62%	58%	57%	-1%
	I can find all the information I need on the website	59%	55%	54%	-1%		58%	56%	56%	0%



# Where do we need to improve?

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Immediate activity for long term gains



# Delivering a great customer service



## Customer Service - No1

Staff go the extra mile to provide a good service

Staff are genuinely interested in assisting customers

Staff provide a warm welcome at the window



**£££ = limited investment**  
**Use existing staff as an asset**



VOC satisfaction scores range from 96% to 54% demonstrating the inconsistency of customer service in branch

### Activity

Communications to branches to embed service expectations for the Q3 Christmas period - Mark Davies and internal communications team working to communicate to branches.

Christmas makers in branch Q3

Improving mails basics in Q3. Trained frontline staff going into 4900 branches, accrediting branches with level 1 being customer service

Rewritten job descriptions in Q3, putting customers at the heart, including 121s, PDRs, 'leaving the business with dignity' and 'recruiting for attitude: all now far more customer focused

Reward and recognition in Q3. More customer focused on Agency sales team scorecard - 40% of bonus is 'customer' (weighted to Voice of Customer)

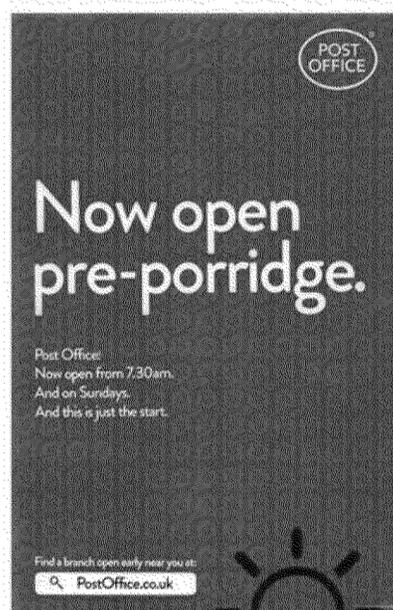
Working on improving Out of Hours performance in NT branches (on-going)



# Changing perceptions of hard work

## — Dealing with the Post Office is hard work

Dealing with the Post Office is hard work



### Activity

Tell people how the Post Office is making it easy in Q3 - Christmas campaign (filmed in a Post Office showing the changes we have made)

On-going 'We're changing' campaigns

Xmas campaign in Q3 demonstrating Ease for mails purchasing and Royal Mail parcel discount

Prospecting activity in Q3 to SMEs in the network

### Longer term

Post Office Money launch in Q4

New brand guidelines in Q3

2015 campaign activity

2015 launch of SME proposition



# Delivering an acceptable wait time

## Efficient & quick service/Queue management

- The queue moves quickly
- They always make me wait too long to be served
- Staff are quick at getting the job done



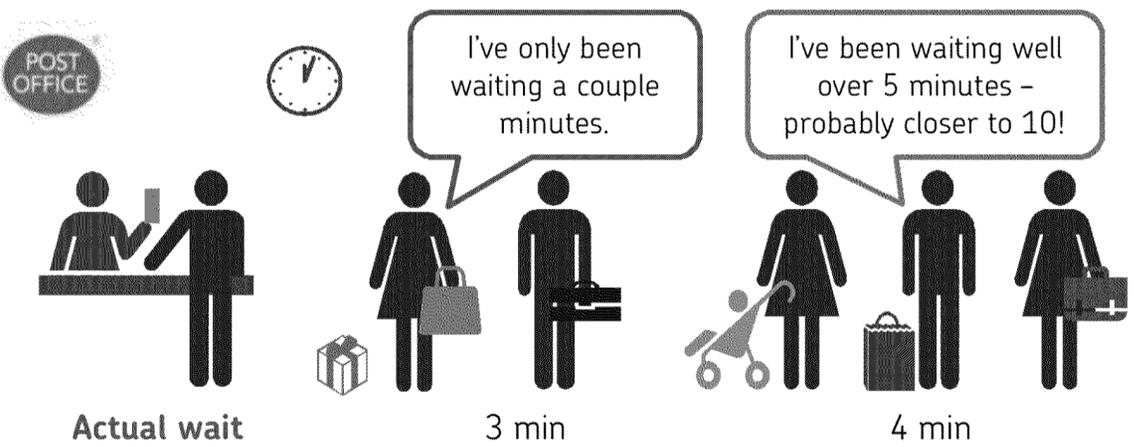
### Activity

- Communications to branches to embed service expectations for the Q3 Christmas period - Mark Davies and internal communications team working to communicate to branches.
- Thank customer for waiting (on-going)
- Proactively manage the queues (on-going)
- Queue hosts/Meeter Greeters (on-going)
- Christmas makers in branch in Q3

### Longer term

- Roll out of self service kiosks (on-going)
- Fast drop options (online mails) from Q4
- Rolling out Access points from Q3

We know that the longer customers wait, the more they overestimate...



Q2 average wait time 03.29mins  
In **1 in 5** branches the wait was over 10 minutes

For many customers, Christmas is our once a year opportunity to get it right and to improve perceptions of the Post Office into next year.

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**We are entering a key period for the Post Office to have an impact on customers' perceptions and deliver the proof that We Are Changing**

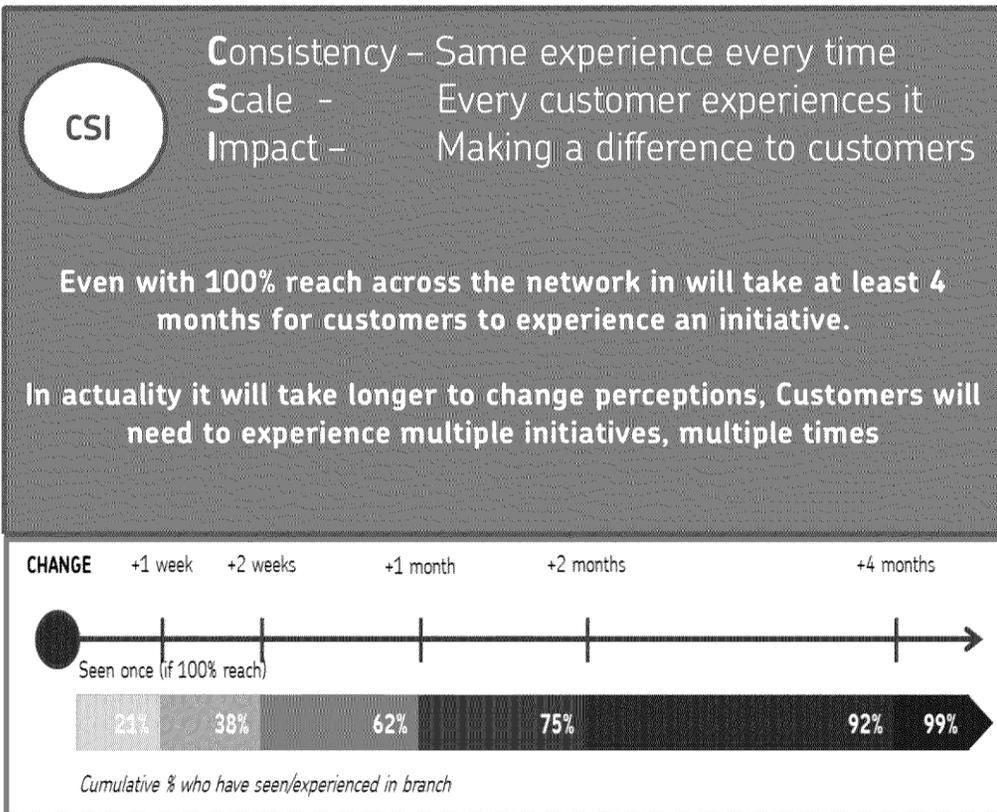


# What are we doing?

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We need to deliver initiatives with  
**Consistency, Scale and Impact**

# This has to be about more than just Christmas. To change perceptions, initiatives need to be delivered with Consistency, Scale and Impact.



**So, are we doing enough for our customers? Do we have enough CSI?**

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October 2014

**POST OFFICE LIMITED MATTERS – DISPUTE RESOLUTION  
PRIVILEGED AND CONFIDENTIAL – CLAIMS OVER £500K OR THOSE OF A SENSITIVE NATURE**

PART (A) – CIVIL LITIGATION

FILE NAME	CASE HOLDER	BUSINESS UNIT & CONTACT	DESCRIPTION	STATUS	XSP
Horizon claims (aka "Project Sparrow")	POL/RW	Belinda Crowe / Angela van den Bogerd	<p>POL has received various claims from subpostmasters (SPMs) alleging defects in the Horizon system and POL's internal processes.</p> <p>These allegations were initially made in 5 claims brought through solicitors Shoosmiths. Similar allegations have been made by the "Justice for Subpostmasters Alliance" (JFSA) and advanced through SPMs' MPs.</p> <p>Following discussions with James Arbuthnot MP and JFSA, independent investigator Second Sight Support Services Ltd (Second Sight) was appointed in July 2012 to carry out a review into these allegations.</p> <p>On 08.07.13, Second Sight published a Report finding shortcomings in POL's internal training and support to SPMs on the Horizon system, but no systemic problems with Horizon itself.</p> <p>Following the Second Sight Report, on 27.08.13 POL launched a Mediation Scheme (Scheme) aimed at resolving individual complaints made about Horizon.</p>	<p>This matter will be the subject of a separate update to ExCo.</p> <p>The Scheme received 150 applications, which are being progressed under the direction of a Working Group comprising retired Court of Appeal Judge Sir Anthony Hooper (as Chair), POL, Second Sight, and JFSA. 131 cases are still being progressed through the Scheme or are being scheduled for mediation.</p> <p>Mediations have been held for the first 3 applications. A further 9 mediations are currently being scheduled. The POL project team continue to handle the applications in line with the Board's direction to take a firmer position, informed by its legal position and tighter control over timescales and costs.</p> <p>To date, no claim has been made against POL in the civil courts, and no appeal has been made against any conviction in the criminal courts, following Second Sight's Report.</p>	Bond Dickinson

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Employment	POL/NM	Colin Stretch	<b>Legal Privilege</b>	<b>Legal Privilege</b>	Eversheds

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				<b>Legal Privilege</b>	
Employment	POL/NM	Colin Stretch	<b>Legal Privilege</b>	<b>Legal Privilege</b>	Weightmans

PART (B) – CRIMINAL LITIGATION

PROSECUTION CASES

There are number of cases which could have been prosecuted (e.g. those with full and frank admissions to theft /fraud), but prosecutions were not commenced to avoid adverse judicial comment.

Several cases have also been terminated while POL obtains an independent expert report on the Horizon branch accounting system (see below).

There are currently 14 cases which are being kept under review as to whether a prosecution (supported by an expert report) can be commenced.

EXPERT REPORT

New experts from Imperial College London have prepared a scope of work on which formal instructions and a protocol for requesting and receiving information will be based.

Appropriate individual confidentiality agreements will be prepared for both for the experts and POL employees involved in preparing the report.

It is envisaged that meeting/s to progress the report will take place with the experts, POL and Fujitsu in September and October 2014.

PROSECUTION POLICY

Former First Senior Treasury Counsel Brian Altman QC has drafted a proposed prosecution policy for POL.

Comments from POL stakeholders will now be sent to Brian Altman for review.

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**POST OFFICE LTD EXECUTIVE COMMITTEE**

**Health & Safety Report**

**1. Purpose**

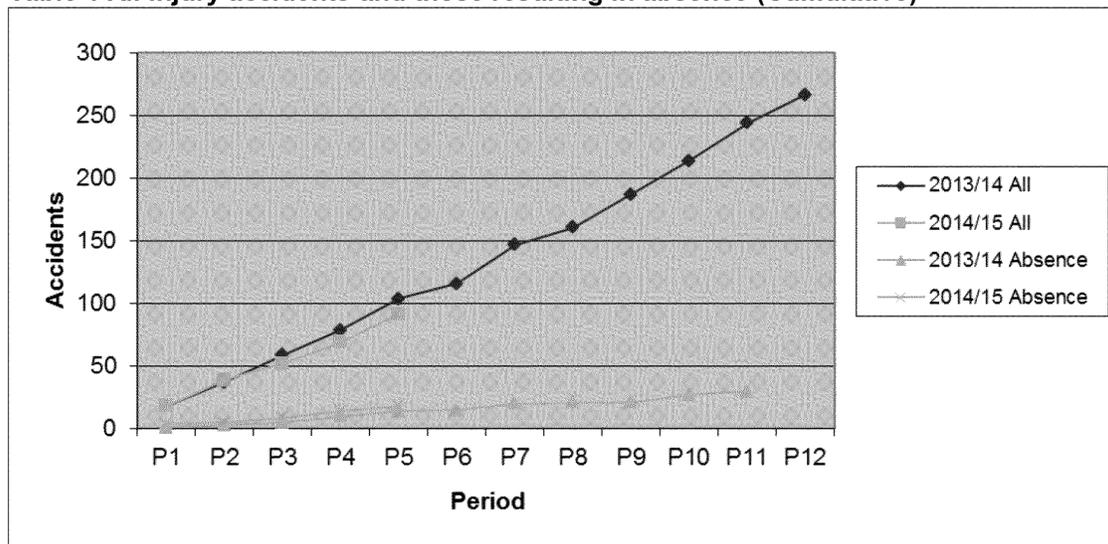
The purpose of this paper is to:

- 1.1 Provide an update on safety performance.
- 1.2 Outline risk reduction activities.

**2. Current Situation**

- 2.1 The majority of accidents fall into three main categories lifting and handling, stepping and striking and outdoor falls. These are higher frequency events with, in the majority, relatively low severity. The lower frequency types of incident can carry the potential for very high impact, for example, assaults and road traffic collisions.
- 2.2 Performance during the first five months of 2014/15 indicates that despite the slight adverse performance in absence accidents and days lost there is no current cause for concern that further reductions by year end are achievable and in line with the 5% year on year reduction target.

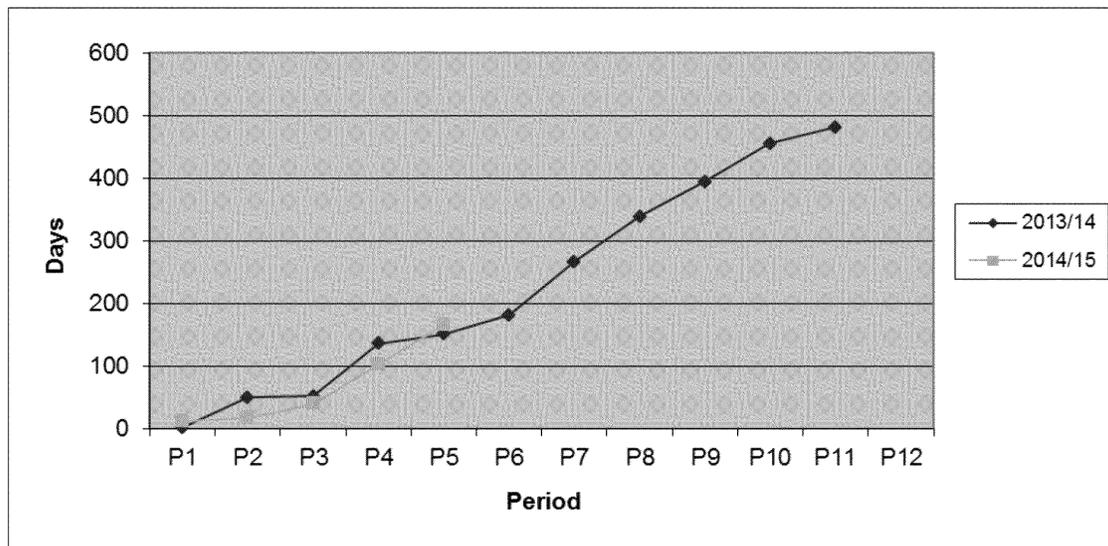
**Table 1 All Injury accidents and those resulting in absence (Cumulative)**



- 2.3 Personal injury compensation claims have fallen significantly in line with the reduction in accidents that result in sick absence. Claims involving members of the public have also reduced. Comparison with a similar retail organisation indicates that the Post Office claim rate is significantly lower in both public and employer's liability and of those claims the 'denial' or 'defence' rate is significantly more successful.
- 2.4 The number of days lost due to accidents is marginally adverse against target however it is anticipated that the year on year reduction target of 5% will be achieved. (Table 2 below refers)

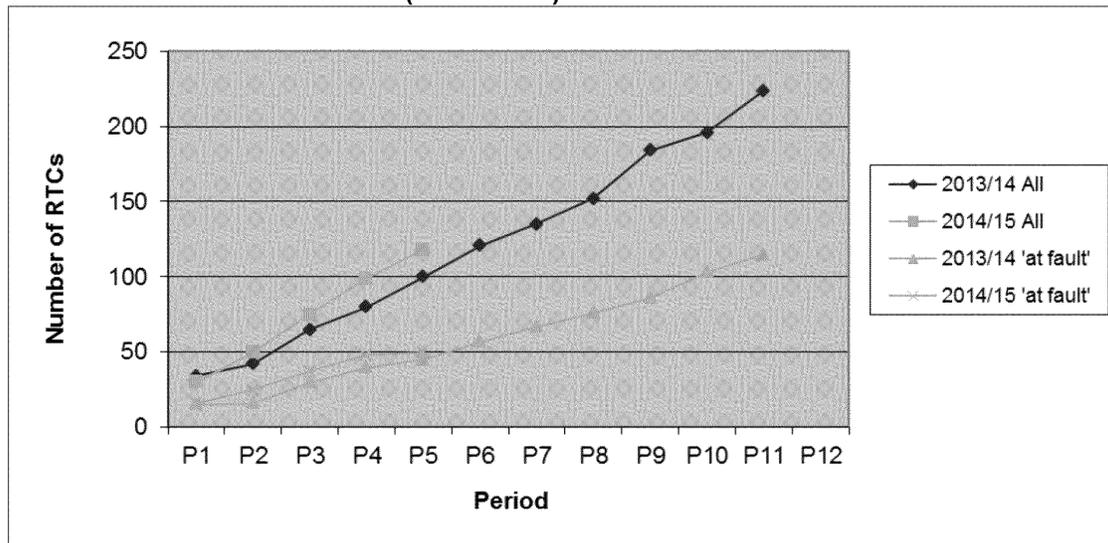
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**Table 2 Days lost resulting from injury accidents (Cumulative)**



2.5 The total number of road traffic collisions (RTCs) for the first 5 months is up 23 on last year. While this is of concern it is believed that there continues to be a more robust approach to the reporting of incidents, irrespective of severity, and what appears to be an increase in minor damage incidents e.g. broken mirrors and minor scrapes. The number of incidents where the Post Office driver is 'at fault' is showing an increase of 17 compared to last year. (Table 3 refers) Road risk reduction opportunities continue to be the subject of analysis at the Road Risk Forum with a view to identifying improvement activities in addition to those already in place. (3.1 below) Reversing incidents are currently a cause for concern and will be the subject of additional attention. Injuries as a result of road traffic collisions are extremely infrequent. Road traffic collisions account for less than 3% of the overall number of injury accidents, however they have the potential for high impact in terms of injury and loss. Currently the majority of incidents involve low speed – less than 25mph.

**Table 3 Road Traffic Collisions (cumulative)**



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- 2.6 Robberies on Post Office Cash and Valuables in Transit (CVIT) crews are down two on last year from 16 to 14 for the past 5 months. Physical injuries during robberies, of which there have been 4, 1 more than last year for the same period, remain relatively minor in severity. The level of use of firearms remains consistent with last year with 2 of the 14 robberies enabled by the presence and/or threat of use of fire arms and on no occasions were the firearms discharged. Support for those affected by robberies is provided by trained trauma supporters and professional support resources available through the occupational health service provision. Risk reduction activities are identified at 3.2. (Appendix 1 – Significant Incidents refers)
- 2.7 The robbery risk assessment was fully discussed at the ExCo Sub Committee for Health and Safety and the conclusion that body armour should not be issued was endorsed. The full risk assessment is attached for noting.



Robbery Risk  
Assessment 2014-15

- 2.8 Robberies and attempted robberies on the Post Office network, for the past 5 months, are down 3 on last year of which 60% were successful. Injuries sustained during robberies are down from 8 to 2. Robberies take place predominantly at sub post offices leaving Crown branches largely unaffected although Wandsworth Crown Branch suffered a robbery on 1<sup>st</sup> October 2014. Supporting activities have been introduced to continue to mitigate the robbery risk and are identified at 3.2. (Appendix 1 – Significant Incidents refers).

### 3. Activities

#### 3.1 Road Risk

Current activities to mitigate road risk are:

- Road risk forum in place to scope and develop road risk reduction initiatives and activities supported by the risk management division of our insurers
- Analysis and deployment of interventions for reversing incidents to mitigate the increased incidence rates, including yard assessments and technical accident reduction interventions on new vehicles e.g. Reversing aids to reduce accidents
- Analysis and evaluation of data including risk profiling to identify drivers who need additional support and to determine further generic accident reduction interventions
- Safe driver of the year award to encourage and reward responsible driving
- Weekly case conferences to ensure consistent approach to accident investigation, follow up activity and sharing of good practice
- Programme of driving and road risk communications to raise awareness of current and emerging risks

#### 3.2 Robbery/Burglary Risk

Current activities to mitigate robbery and burglary risk are:

- Active liaison activities with the police to understand 'at risk' areas and to deploy surveillance teams
- Increased use of 'advertising' on vehicles of new deterrent technologies e.g. DNA taggant – a solution that contains a unique identifier that is released automatically in the event of a robbery, spraying those involved and enabling identification of the individuals involved in the robberies

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- Trialling new point of transfer arrangements to reduce exposure at Post Office counters - the majority of robberies take place at the point of transfer which in Post Office's is the counter where there is ready public access. The new arrangements allow for the cross pavement protection box to be emptied / filled in a secure location.
- Significant reduction in opportunities for duress type robberies linked to the introduction of single person vehicles – single person vehicles eliminate the opportunities for Supply Chain employee duress type incidents which historically have been the most violent and likely to involve injury.

## 3.3 Health and Wellbeing

Healthcare interventions:

- Programme of visits to Crown branches, Supply Chain units and Admin offices to offer health checks using equipment that provides a wide range of indicators on physical wellbeing. The anonymised data will be used to develop future health and wellbeing campaigns.

HEALTH CHECKS – Phase 1	Admin	Crown Offices	Supply Chain	Total Checks
Male	267	792	505	<b>1564</b>
Female	286	1674	157	<b>2117</b>
<b>TOTAL CHECKS</b>	553	2466	662	<b>3681</b>

- The programme of visits is supported by an online 'Wellbeing Zone' health check tool as a 'self- help' option
- Plans in place to re-visit all Post Office Crown Branches and Supply Chain sites within 18 months
- Ongoing campaign of communications to promote a range of different wellbeing issues
- Wellbeing events to promote general health, exercise and dietary initiatives

## 3.4 Safety

The Post Office occupational health and safety management system (OHSMS) is certified by external auditors to the standards required by British Standard OHSAS 18001.

## 3.5 Asbestos Management

Transfer of the ownership of asbestos management following separation has led to a programme of actions to ensure that up-to-date surveys are available, defined responsibilities post-split are clear and that an asbestos management 'action plan' is in place to ensure that these issues can be managed effectively and in line with legislation. Legal Services have been engaged to advise on responsibilities, particularly in relation to the agency network, and to ensure arrangements for on-going management of asbestos are robust and risks mitigated.

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#### **4. Residual Risks**

- 4.1 Driving activities have the potential for high impact/loss and therefore remain as a significant residual risk. However, the actions identified in 3.1 above are aimed at mitigating that risk and improving performance.

#### **5. Recommendation**

The ExCo is asked to:

- 5.1 Note the overall safety performance
- 5.2 Note the outcome of the robbery risk assessment
- 5.3 Note the risk reduction activities.
- 5.4 Note the residual risks

**Neil Hayward  
October 2014**

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## Appendix 1

<b>Significant Incidents (Period 5)</b>				
<b>Crowns and Network</b>				
<b>Location</b>	<b>Loss</b>	<b>Circumstances</b>	<b>Physical Injuries</b>	<b>Any further details</b>
Horsebridge SPSO, North Street, Hailsham, BN27 4DH	£13,017	Thur 14/8/2014 Four men entered the PO, one threw a can of dog food at the screen, outer screen broke and they smashed their way through to the secure area.	None	One previous incident robbery May 2014.
Town Centre SPSO, Talbot Terrace, Chester Le Street, DH3 2PQ.	£537	Tue 19/8/2014 9:14 Male entered the PO and handed a note to the clerk demanding cash and implying he had a gun, the clerk filled his bag with cash, she handed it to him and he left the office.	None	Two people were arrested, a male & female, the male has been charged & is attending court 20th Aug 2014. No previous incidents.
<b>Supply Chain</b>				
<b>Location</b>	<b>Loss</b>	<b>Circumstances</b>	<b>Physical Injuries</b>	<b>Any further details</b>
<b>Nil</b>				

## POST OFFICE LTD ExCo

### CYBER SECURITY AND INFORMATION ASSURANCE

#### 1. Purpose

The purpose of this paper is to:

- Update ExCo on Global UK and Industry Cyber Security and Information Assurance (CSIA) initiatives.
- Update ExCo on key Information Security and Assurance Group (ISAG) activities.
- Outline risk reduction activities being implemented at Post Office in Cyber Security.
- Agree onward submission of this paper to the Board.

#### 2. UK and Industry Cyber Security and Information Assurance Initiatives

##### 2.1. General Data Protection Regulation

- The proposed new European Union (EU) data protection regime seeks to support Data Protection legislation by providing a consistent framework across EU countries and to make it easier for non-EU countries to comply with the harmonised regulations. It should be acknowledged that this will introduce to EU countries an expectation of greater controls on the processing, storage, retention and consent to use personal information.
- Further areas of change are likely to be, but not limited to :
  - Easily accessible details of Data Controller, and a suitably qualified and experienced Data Protection Officer (DPO), the latter is a requirement for any organisation processing more than 5000 data subjects within a 1 year period;
  - Privacy by design and by default in business and IT strategy and change;
  - 72 hour rule for notifying any breach to the Information Commissioner's Office (ICO) also referred to as the UK Data Protection Authority (DPA);
  - Sanctions for a breach could be a fine up to 100million Euro or up to 5% of a corporation's worldwide turnover.
- Jean-Claude Juncker, the new EU Commission President has recently stated that he wants General Data Protection Regulation (GDPR) ratified by May 2015, which generally will give our business(es) 18 – 24 months to prepare.

- We are preparing for regulatory change to put the foundations down for the necessary Policy changes to include the likely technical requirements of Data Loss Prevention, Data Management and training.

## 2.2. CERT-UK and CiSP

- Sponsored by our Government clients, we have applied to join the Cyber-security Information Sharing Partnership<sup>1</sup> (CiSP), part of the UK National Computer Emergency Response Team (CERT-UK). CiSP allows members from across sectors and organisations to exchange cyber threat information in real time, on a secure and dynamic environment, whilst operating within a framework that protects the confidentiality of shared information. Membership will greatly benefit Post Office.
- CiSP was formed in March 2014 in support of the National Cyber Security Strategy<sup>2</sup>. This organisation demonstrates the Government's focus on the importance of strengthening the UK's response to cyber incidents and its intention to share anonymised information with its international allies.
- CERT-UK has four main responsibilities that flow from the UK's Cyber Security Strategy:
  - National cyber-security incident management;
  - Support to critical national infrastructure companies to handle cyber security incidents;
  - Promoting cyber-security situational awareness across industry, academia, and the public sector;
  - Providing the single international point of contact for co-ordination and collaboration between national CERTs.
- All relevant information will be shared with our Security, Financial and Regulatory colleagues. They will be advised where any overlap or intelligence has been received that may impact the fraud aspects of their remit.
- It should be noted that there is an increasing focus on reporting breaches; the European Directive on Networks and Information Security (known colloquially as the Cyber-Security Directive) was accepted by the majority of MEP's in the first quarter of 2014. It is part of our strategy to plan for the likely reporting requirements within this Directive.

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<sup>1</sup> CiSP is part of UK National Computer Emergency Response Team (CERT-UK), is a joint industry and Government initiative to increase overall situational awareness of the threat environment and therefore reduce the impact on UK interests.

<sup>2</sup> National Cyber Security Strategy 2011

### 2.3. Cyber Security Profession

- The Cyber Security profession is subject to a great deal of scrutiny across industry both from an acknowledge shortage of skilled people in the profession and from a perspective of a distinct gender bias (less than 10% of the profession are women, and less than 7% are 29 or under)<sup>3</sup> 40% of ISAG are female. Further to this, the Head of ISAG has been asked to participate in a Business, Innovation and Skills roundtable discussion on women in the profession.

## 3. Activities/Current Situation

### 3.1. ExCo and SLT Business Impact Assessment

- It is recognised that threats to the confidentiality, integrity and availability of our information presents one of the business's top risks. In view of this, Business Impact Assessment (BIA) activities are currently underway throughout the Post Office. As a team, we are engaging with all business areas at ExCo and SLT level to understand what they consider to be main objectives, information worries and key information assets.
- There were 65 supporting BIA's to complete and at this stage we have ten outstanding. The outstanding work will be completed by mid Oct and a detailed overall findings document will be presented to Risk & Compliance Committee (R&CC) and will provide the principle information feed for the Governance Risk and Compliance (GRC) tool.
- This exercise will allow us to better understand the risks to critical information throughout the business, and therefore to provide more meaningful reports to R&CC.

### 3.2. Management of Information Security Incident Activities

- Information Security Incident Management and Digital Forensics are strategic components of the Post Offices' CSIA capability. Cyber-attacks are constantly evolving, becoming more frequent, more diverse and far more damaging and disruptive. Preventative controls and activities based on Risk Assessments and BIAs can lower the number of incidents, whilst understanding that not all incidents can be prevented. Responding to vulnerabilities which were exploited, recovering services to their previous known good state, developing preventative controls and maintaining compliance with our legal, regulatory and contractual obligations are one of the essential components of our CSIA capability.
- We have completed a review of our Incident Management procedure which included the key process and accountabilities, defining scenarios to test the end to end design and reporting on recommendations to all stakeholders. The review identified a number of risks and issues. Of note, the process focused mainly on availability of IT systems and provision of service to customers, to the detriment of confidentiality and integrity. A new procedure has been deployed to assist in the triage of

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<sup>3</sup> Cyber Security Skills – Business Perspectives and Government's Next Steps– March 2014

any CSIA event in a more consistent way, show how to deal with it and who should be involved. We are working to embed across Atos helpdesks, feeding outputs across our business as regular incident and breach activity.

- There are currently six active incidents that we are aware of; five involve the incorrect handling of personal data; one, reported previously, relates to the incorrect direct mailing of 92.5k customers as part of a Marketing campaign. A further three incidents are awaiting closure at the next Information Security Committee meeting.

### **3.3. Data Protection Complaints and Data Subject Access Requests**

- Since August, we have responded to two ICO requests and a Data Subject Access Request (DSARs). We received a response from the ICO on 3<sup>rd</sup> October 2014 that the complaint for one of the cases has not been upheld. Detailed briefing notes have been sent to Risk and Compliance Committee.
- During the submission process we have engaged with all the relevant stakeholders and where appropriate sought specialist Legal Counsel:
  - On 1 July 2014, Post Office received a detailed request for information in relation to the Southport incident. A response was delivered on 18 August and to date, the ICO has made no further comment.
  - On 2 September 2014, the ICO made a request in relation to a complaint they had received from Mr Alan Hyam, Sub Postmaster of Thorngumbald branch. A response was delivered on 1 October 2014. We were notified on 3<sup>rd</sup> October 2014 that the complaint against Post Office was not upheld.
  - On 13 August 2014 a Data Subject Access Request (DSAR) was received from a Mr Thompson. Allegedly, on 20 June 2014, Mr Hugh Thompson attempted to post a parcel in both the Poplar Crown branch and Canary Wharf Network branch and received an unsatisfactory service; he is citing Old Persons Abuse at both Branches. Awaiting further information.
- The requirement to provide detailed responses to the ICO within relatively tight timelines highlighted a need to second an external specialist. There is a potential this situation may be a future necessity and therefore we are working with HR to formulate a process.

### **3.4. Supplier/Joint Venture - Incidents and Events**

- The Information Security Management Forum (ISMF) process was created to manage the relationship between Post Office and its major suppliers. The meetings are formally recorded and involve discussions on the state of their Information Governance Risk and Compliance in relation to our business requirements. Since the last CSIA paper; eleven such meetings have been held with suppliers at the top of our fifteen heatmap index. Atos have taken over

management of the Fujitsu Forum and are on course to manage another five main suppliers once the Operational Working Agreements have been delivered, although we attend these meeting since ultimately; it is risks to our information .

- The following significant Cyber Security threats have been reported:
  - JPM Cyber Security Attack - On 28 August 2014, news began circulating of a sophisticated cyber-attack on JPMorgan and allegedly four other US banks. The initial assessment was that given the advanced attack methodology, the threat actor would likely be State Sponsored. It was reported that the attack did not result in a Denial of Service rather a theft of data. We immediately sought a damage assessment from JPMorgan who provide the banking engine for the Post Office Card Account (POca). On 5 September 2014, they advised "*the detailed investigation into the reported cyber-attacks is on-going. We currently have no indication that POca data is impacted and priority investigation is continuing. We will provide further updates and will notify you immediately if we identify any impact to POca.*" No further updates have been received however as of the date of this report, we continue to monitor the situation.
  - 'Shellshock' – On 24<sup>th</sup> September 2014 a vulnerability was identified, related to the 'Bourne-Again Shell' (BASH). Exploitation of this vulnerability may allow a remote attacker to execute a number of attack options on an affected system. A preventative fix is available to deploy and we continue to work with the supply chain to ensure IT systems are adequately protected.

### 3.5. Risk Acceptance Notices

- All Risk Acceptance Notices are reported to Risk Governance and are processed through the Risk and Compliance Committee.

### 3.6. Marketing

- Marketing continues to be an area which needs a higher level of consideration particularly in relation to the use, disclosure and handling of a vast amount of personal data. The Common Digital Platform project provides an opportunity to review their current practices and to ensure appropriate policies and procedures are implemented to reduce the risk of non-compliance to the current UK Data Protection legislation. We have already raised some issues with Marketing and will present a proposal to with Chief Marketing Officer by the end of October 2014 to support the Marketing Strategy going forward in anticipation of proposed Regulations and Directives and to include the following:
  - We are currently working on a new project that will address some of the concerns raised in relation to marketing consents, new ways of collecting personal data to provide opportunities for more targeted marketing (such as geo-location and browser history data), updating Post Office's Cookies and Privacy policies and ensuring the customer journey onto partner and supplier domains is consistent.

- The Brands database will continue to be a high-level risk to the Business and due to the substantial number of personal records held, will always figure on the Corporate Risk Register.

### **3.7. HR and Vetting**

- As part of a project to review the online recruitment process, it has been identified that one element of vetting namely previous "written" verification of employment history does not fully comply with the HMRC RMG BPSS guidelines. This is in potential breach of a number of the Post Office's client agreements, including DWP and the DVLA. ISAG have discussed this with HR to establish the current policy and to ascertain if the gap can be closed or mitigated.
- It is important to note our HR policy was agreed with our shareholder and the regulator back in 2004 when Post Office was part of Royal Mail Group and has been the practice since then, passing over to Post Office under separation.
- HR has investigated the HMRC BPSS (Basic Check) documentation following the risk that was highlighted by the Data Protection Officer within ISAG. The projected cost of undertaking the "physical" employment verification using an external supplier for all stakeholders could be £400k per year which in the current climate would be significant.
- HR has discussed the situation with colleagues in both our legal and compliance teams on the way forward, in addition to the previous advice given. Advice from legal counsel was also sought and ultimately whilst they believe there is a risk they also stated that "it is not always possible to adhere to the guidance perfectly, the balance to be struck is doing what can be done to satisfy the guidance and code but seeking to be pragmatic."
- HR are now investigating an alternative, which they believe mitigates the highlighted risk, and are discussing further with internal stakeholders. This would mean that potential employees authorise HR to request a DPU (Data Protection Unit) printout from HMRC which provides evidence of National Insurance contribution history (also containing previous employer name and dates and dates of unemployment). This will provide supportive evidence of previous employment to compare with the evidence provided at application/interview.

### **3.8. Training and Awareness**

- The Information Security and Data Protection e-learning annual training module has now been completed by 97% of colleagues. Non-completers were escalated to line managers and function leaders with HR suggested the remaining non-completers are likely to be long-term absent.
- The Information Security and Data Protection Training and Awareness campaign will be reviewed at least annually and spot checks will be undertaken to ensure colleagues are adhering to various aspects of the e-learning to ensure that the training is effective. Where incidents are caused by human error, individuals are required to retake the training module.

- This type of training is 'good practice' across all industries and is a mandatory requirement for our information security certifications (Payment Card Industry and Information Security Standards).

### **3.9. Resourcing and Recruitment in ISAG**

- Out of the six roles vacant, it has taken six months to recruit four roles, two were replacements and two were new roles. Two roles are on hold due to the recruitment freeze. See 2.3 Cyber Security Profession.

## **4. Request**

### **4.1. ExCo is asked to note:**

- The updates provided in this paper.
- The next and subsequent papers will be submitted at two month intervals.
- To approve forward submission of this paper to the Board.

**Julie George/Lesley Sewell  
6th October 2014**