EXECUTIVE COMMITTEE
AGENDA
For the meeting to be held on 19 August 2014 in Room 501

Present:	Chris Day (Chair), Mark Davies, Kevin Gilliland, Neil Hayward, Nick Kennett, Alwen Lyons, Martin George, David Ryan, Gavin Lambert, Neil Wilkinson (deputising for Lesley), Piero D'Agostino (deputising for Chris A),
Apologies:	Lesley Sewell, Paula Vennells, Chris Aujard, Martin Edwards
In attendance:	Jon Cooper, Bond Dickinson (agenda item 3), Simon Eldridge, Tom Moran, Belinda Crowe, Harry Clarke, Aidan Alston, Nick Sambridge, Alison Thompson, Sarah Hall, Fay Healey

Start time: 09.15
End: 16.15

Time	Item	ExCo Sponsor/Presenter
09.15 – 10.00	P4 Performance update and outlook	Chris Day/Nick Sambridge/ Sarah Hall
10.00 – 10.30	Team Talk Live – update and future plans	Mark Davies
10.30 – 10.45	BREAK	
10.45 – 11.30	Health and Safety Training with Jon Cooper, Bond Dickinson	Neil Hayward/Simon Eldridge
11.30 – 12.15	Risk & Compliance committee update and explanation of how we take PWC report and risk appetite forward	Piero D'Agostino
12.15 – 12.45	LUNCH	
12.45 – 13.45	ER/IR Strategy and plans	Neil Hayward/Tom Moran
13.45 – 14.45	P&E Strategy pre Board for Sept	Neil Hayward with Fay Healey
14.45 – 15.00	BREAK	
15.00 – 15.15	Delegating authority for software licence purchases	Piero D'Agostino
15.15 – 15.30	Finsbury Dials update	Kevin Gilliland/Harry Clarke/ Aidan Alston
15.30 – 15.45	Sparrow verbal update	Belinda Crowe/Piero D'Agostino
15.45 – 16.00	Actions Log	Alwen Lyons
16.00 – 16.15	AOB	Alwen Lyons
16:15	CLOSE	All

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Performance Report

July 2014

Produced By : Financial Control

For Queries & Comments Contact : Sarah Hall or Kam Bassra

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Headlines

July 2014

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Headlines

Operating profit before exceptional items in the month was £8.7m which is £1.7m adverse to budget. Profit in the year to date of £15.4m is £8.6m adverse to budget and £19.1m adverse to prior year (including an NSP reduction of £13.8m).

Net income in P4 is adverse to budget by £3.0m in the month. This reflects the continuing shortfall in Mails (mainly labels) of £2.3m although the performance in the month was £0.5m (1.5%) better than last year. Telecoms continued its adverse trend in both revenue and cost of sales and the lack of reliable data continues to be a concern which is in progress to be addressed. This month Government Services also fell behind budget by £1.5m partly due to the budget including £0.8m for new revenue not yet delivered.

Year to date total net income is £7.2m behind budget and almost flat with last year.

Total expenditure (before project costs) in the month was £3.5m favourable to budget but includes £4.0m of VAT recovery upside. This is the first stage of the recoveries reflecting the finalisation of the impact of the Post Office leaving the RM VAT group and the conclusion of negotiations with HMRC. In addition to the ongoing impact of a higher recovery rate, there will be further upside relating to the prior year and early part of this year. The £4.0m was recognised in subpostmasters' costs (£2.0m) and non staff costs (£2.0m).

Total expenditure (before project costs) in the year to date is £2.9m favourable to budget including the VAT upside above so the underlying variance remains adverse. Subpostmasters' costs are favourable by £9.0m including £2.0m VAT recovered, further VAT and NI reductions and the impact of lower sales volumes. Staff costs are adverse by £2.3m reflecting the savings tasks not being achieved in Supply Chain and Commercial. Non staff costs are adverse by £3.8m driven by £2.9m of central savings task budget and the mails segregation penalty accrued £2.0m partly offset by £2.0m VAT recovery. Project one off costs continue to overspend for Sparrow, the Journey to 2020 strategy work, and Business Transformation (spend is subject to review of accounting treatment).

The Commercial Committee supporting by the weekly trading meeting is focusing on actions to drive income. The Business Transformation team is working with other business functions to identify and crystallise cost saving opportunities as soon as possible. An update on these is on page 7. The CFO forecast remains unchanged and is on page 5.

Cashflow
The YTD cashflow was an inflow of £9m which is £16m favourable to the budget of £7m outflow.
The favourable variance is driven by lower than planned expenditure on NT and CT programmes.

Crown Profit
Crown profit is adverse £2.3m driven by lower Mails income and higher property costs due to efficiencies taking effect later in the year.

Non Financials
The queue time metric is adverse, driven largely by Crowns, but is a significant improvement on the prior year.
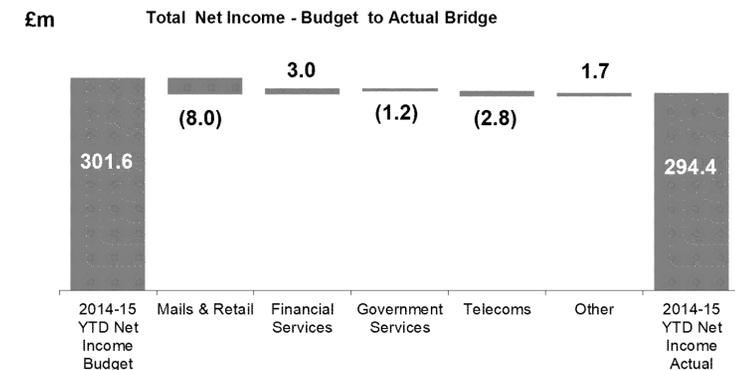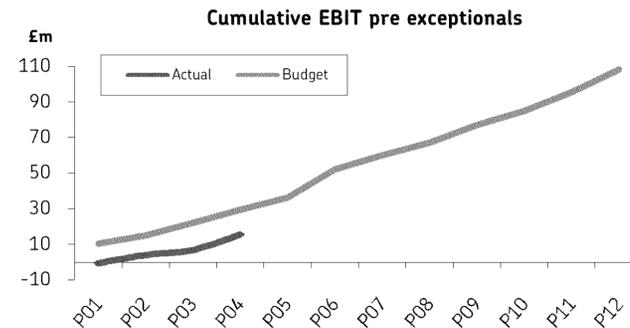
Cumulative EBIT pre exceptionals

£m

Total Net Income - Budget to Actual Bridge

£m

	Year to Date		
Financials	**Act**	**Target**	**Var**
Total Net Income (excl NSP) £m (Bonus 20%)	294.4	301.6	(7.2)
Operating profit £m (Bonus 25%)	15.4	24.0	(8.6)
Free cashflow £m	8.8	(7.0)	15.8
Crown Profit (Loss) £m (Bonus 12.5%)	(9.8)	(7.5)	(2.3)
Non Financials			
Queue time % < 5 minutes – Top 1k branches	75.4%	80.8%	(5.4)%
NT Branches Transformed In Year (Bonus 12.5%)	722	560	162

Profit & Loss Statement

July 2014

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£m	Current Month			Prior Year Period		Year to Date			Prior Year YTD		Full Year			Prior Year
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q1 Forecast	Budget	Variance	Outturn
TOTAL GROSS INCOME	90.4	93.3	(2.9)	91.5	(1.2)	330.4	337.2	(6.8)	332.6	(2.2)	1,031.9	1,031.9	0.0	979.4
Cost of Sales	(9.9)	(9.8)	(0.1)	(9.8)	(0.1)	(36.0)	(35.6)	(0.4)	(38.4)	2.4	(106.8)	(106.8)	0.0	(112.7)
TOTAL NET INCOME	80.5	83.5	(3.0)	81.7	(1.3)	294.4	301.6	(7.2)	294.1	0.2	925.1	925.1	0.0	866.7
Staff Costs	(22.7)	(21.9)	(0.8)	(22.4)	(0.4)	(86.1)	(83.9)	(2.3)	(88.5)	2.4	(238.7)	(238.7)	0.0	(253.9)
Subpostmaster Costs	(40.8)	(45.9)	5.1	(44.4)	3.6	(154.0)	(163.0)	9.0	(155.6)	1.6	(491.0)	(491.0)	0.0	(447.6)
Non-Staff Costs	(25.1)	(24.3)	(0.8)	(24.0)	(1.1)	(98.9)	(95.1)	(3.8)	(85.6)	(13.3)	(273.5)	(273.5)	0.0	(264.8)
Depreciation	(0.0)	(0.1)	0.0	(0.0)	(0.0)	(0.1)	(0.2)	0.1	(0.1)	(0.0)	(0.6)	(0.6)	0.0	(0.4)
Total Expenditure (pre POOC)	(88.6)	(92.1)	3.5	(90.8)	2.2	(339.2)	(342.2)	2.9	(329.9)	(9.3)	(1,003.8)	(1,003.8)	0.0	(966.6)
FRES – Share Of Operating Profits	5.1	5.0	0.1	5.2	(0.0)	15.1	15.0	0.1	14.2	0.9	35.0	35.0	0.0	33.1
EBIT – BAU	(3.0)	(3.6)	0.5	(3.9)	0.9	(29.8)	(25.6)	(4.2)	(21.6)	(8.1)	(43.7)	(43.7)	0.0	(66.9)
One off Project costs (POOC)	(3.6)	(1.4)	(2.2)	(1.0)	(2.6)	(10.2)	(5.8)	(4.4)	(13.1)	2.9	(17.3)	(17.3)	0.0	(26.0)
EBIT – Post Project Costs	(6.6)	(5.0)	(1.6)	(4.9)	(1.7)	(40.0)	(31.4)	(8.6)	(34.7)	(5.3)	(61.0)	(61.0)	0.0	(92.9)
Network Payment	15.4	15.4	0.0	19.2	(3.8)	55.4	55.4	0.0	69.2	(13.8)	160.0	160.0	0.0	200.0
EBIT pre exceptionals items	8.7	10.4	(1.6)	14.3	(5.6)	15.4	24.0	(8.6)	34.5	(19.1)	99.0	99.0	0.0	107.1
Interest	0.8	(0.1)	0.9	0.1	0.7	2.4	(0.5)	2.9	1.1	1.3	(3.0)	(3.0)	0.0	3.1
Impairment	(19.6)	(21.6)	2.0	(12.6)	(7.0)	(45.8)	(78.0)	32.2	(24.0)	(21.8)	(205.2)	(205.2)	0.0	(115.6)
Exceptionals & Redundancy & Severance Costs	(12.3)	(16.9)	4.6	(7.3)	(4.9)	(70.7)	(83.1)	12.4	(29.4)	(41.3)	(216.1)	(216.1)	0.0	(152.2)
Government Grant Utilisation	11.5	14.2	(2.7)	19.0	(7.5)	170.0	170.0	0.0	83.8	86.2	170.0	170.0	0.0	316.8
Profit/(Loss) On Asset Sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	(2.5)	0.0	0.0	0.0	3.4
Colleague Share/ Business Transformation Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(4.8)
Total Profit/(Loss) Before Tax	(10.8)	(14.0)	3.2	13.5	(24.2)	71.3	32.4	38.9	68.5	2.8	(155.3)	(155.3)	0.0	157.6

Period vs. Budget

Operating profit (EBIT) of £8.7m was £1.6m adverse to budget.

BAU was £0.5m favourable:

- Lower net income of £3.0m due primarily to lower Mails, POCA and Telecoms income.

- Higher staff costs of £0.8m in the month. This is mainly due to the savings task not being achieved.

- Higher non staff costs of £0.8m, driven primarily by higher postage (Official Mail) costs of £1.6m, the centrally held savings task £1.5m offset by VAT recovery of £2.0m.

Offset by:

- Lower Subpostmaster costs of £5.1m due primarily to lower sales including product mix of £2.7m. A further £2.0m relates to VAT recovery in the period.

One-off Project Costs variance of £2.2m adverse. £1.4m relates to Business Transformation costs and £0.5m relates to the Travel Insurance tender.

Below EBIT
The exceptionals favourable variance is mainly driven by lower than budgeted subpostmaster compensation. CT spend is slightly over budget.

YTD vs. Budget

Operating profit (EBIT) of £15.4m was £8.6m adverse to budget.

BAU was £4.2m adverse:

- Lower net income of £7.2m due primarily to the continued trend in Mails, specifically labels and Lottery and Telecoms income, but also the adverse Government Services income, mainly POCA, offset by favourable FS income, specifically banking, NS&I and MoneyGram

- Higher staff costs of £2.3m mainly due to the savings task not being achieved (£1.1m from Supply Chain and £0.7m from Commercial) and the Crown pay deal.

- Higher non staff costs of £3.8m, driven primarily by the impact of the centrally held savings task of £2.9m and £2.0m accrued for Mails Segregation Penalty payment, offset by £2.0m of VAT recovery.

Offset by:

- Lower Subpostmaster costs of £9.0m due primarily to lower income and sales mix (£4.4m), VAT recovery (£3.2m) and other small variances including CTP budget opportunity.

One-off Project Costs variance of £4.4m adverse. This is mainly due to unbudgeted costs; £1.5m relates to unbudgeted Business Transformation costs to date (FYF c. £7m), £1.4m relates to unbudgeted project Sparrow (FYF £c. £7m) and £0.8m relates to unbudgeted strategy consultancy costs.

Below EBIT
The exceptionals budget includes £8m ATOS contract set up payment incurred in 2013-14 but budgeted for 2014-15. The impairment favourable variance is mainly driven by lower than planned NT, CT and IT Delivery costs. Although lower than budget, these are twice last year's spend. Government grants have now been fully utilised.

YTD vs. Prior Year

Operating profit (EBIT) of £15.4m was £19.1m adverse to prior year.

Like for like BAU adverse variance of £8.1m was mainly due to:

- Higher non staff costs of £13.3m due to increased IT costs (mainly Horizon and ATOS), marketing spend moving from POOC and VAT on RM costs.

Offset by:

- Higher net income of £0.2m. The variance versus prior year is driven primarily by increased FS income, offset by lower Government Services income, mainly POCA. Telecoms revenue is lower than last year but largely offset by lower cost of sales.

- Lower Staff cost of £2.4m driven primarily by Crown savings.

- Lower Subpostmaster costs of £1.6m driven by improved VAT recovery.

Non like for like adverse variance of £11.0m was due to:

- Lower Network payment of £13.8m, offset by

- Lower project costs of £2.9m.

Below EBIT
Included in grant utilisation this year is £77m of 2013-14 exceptional spend for which there was insufficient grant last year.

CFO High Level Profit Outlook At Period 4

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£'m	Income	JV Income	Staff Costs	Agents Costs	Non-staff	POOC	Costs	NSP	EBIT	Comments
Budget	**925**	**35**	**(239)**	**(491)**	**(274)**	**(17)**	**(1,021)**	**160**	**99**	
Mails and Retail										
Mails	(14.0)			8.8			8.8		(5.2)	Trading on parcels business, assumes new business delivers budget (e.g. e-bay returns)
Lottery and retail	(4.0)			2.5			2.5		(1.5)	Camelot volumes £3.2m; Health lottery fixed fee £0.4m; Retail £0.4m
Mails segregation penalty					(3.0)		(3.0)		(3.0)	Max penalty under MDA of £6m, assume negotiate down as in 13/14
Government Services										
POCA	(0.5)						0.0		(0.5)	
DVLA	2.3			(0.4)			(0.4)		1.9	Volume upsides on tax discs and AEI £1.3m; one-off change control for EVL's £1.0m
IDA	(1.0)			0.5			0.5		(0.5)	Delayed launch. Still reliant on Cabinet Office committing to volumes
Passports	(2.2)			0.9	0.5		1.4		(0.8)	Digital passports delay, partially offset by paper passports volumes and price increase
Telecoms										
Homephone	(1.8)			0.3	0.9		1.2		(0.6)	Lower customer numbers, excess broadband usage; campaign costs, offset by price increase and one-off settlement
Mobile	(1.0)			0.5			0.5		(0.5)	Launch delayed and budget included 'stretch' volumes
Energy	(3.0)			1.5			1.5		(1.5)	Proposition not being launched this year
Financial Services										
Premium Bonds	3.5			(1.4)			(1.4)		2.1	Capped income of £6.6m under new contract
Banking and Payments	3.2			(2.1)			(2.1)		1.5	Trading upsides
Life Insurance	(3.0)						0.0		(3.0)	Sales volumes £0.5m; additional commissions £2.5m
New product launches/trading	(4.0)			2.0			2.0		(2.0)	Investments £1.5m; Loans £1.0m; PSP £1.5m
Uncashed Postal Orders	2.3						0.0		2.3	One-off adjustment to uncashed PO's (24 months to 12 months)
Central										
Income contingency	8.0						0.0		8.0	Contingency reduced from £9m to £1m
Staff Costs										
Commercial staff costs			(1.5)				(1.5)		(1.5)	New Commercial structure does not deliver budgeted savings task
Supply Chain staff costs			(2.0)				(2.0)		(2.0)	£2m savings budgeted. IR delayed implementation of new ways of working
	(15.2)	0.0	(3.5)	13.2	(1.6)	0.0	8.1	0.0	(6.8)	
Trading forecast at P4	**910**	**35**	**(243)**	**(478)**	**(276)**	**(17)**	**(1,013)**	**160**	**92**	

The Net income forecast of £910m includes a number of major planned initiatives in Mails which are still to deliver. These include, but are not limited to:-

- The roll out of sales effectiveness coaching to 4,000 agency branches by November (FY incremental sales of £6.3m). Indicative results from the initial branches show an 8% sales uplift in the branches which have received the coaching to date. Results will continue to be monitored on a weekly basis to assess if this benefit can be sustained and applied nationally, and we are assessing plans to accelerate the roll out subject to continued delivery of the performance metrics.
- e-bay returns launched this week. Estimated in year benefit of £7.5m based on Post Office gaining a 50% share of the e-bay returns market. The launch is being supported by a targeted marketing campaign to e-bay customers, with potential upside opportunity if we can achieve greater than 50% market share.
- The current discount on medium parcels for Drop & Go customers has been extended to mid-September. Analysis to date has shown a significant uplift in Drop & Go sign ups, but further analysis is required to assess the contribution and cross-sell impacts.
- Launch of Online Mails for Drop & Go customers from 15th September. Incremental benefit of £4m.

The Mails team are reviewing opportunities to close the remaining £14m gap back to budget which currently remains a risk to the full year forecast.

Financial Services are tracking £3m ahead of budget YTD. We anticipate the performance to track closer to budget going forwards but the Financial Services team have plans in place to deliver a minimum of £297m net income.

Telecoms represents a heightened and material risk to the FY income forecast. The £910m outlook assumes that the Telecoms pillar falls short of income by £6m (lower Homephone customer acquisitions, delayed launch of Mobile, and removal of the Energy proposition). The current trend indicates that this could be at risk by a further £5m. Activity to mitigate this risk includes focus on retention, and deployment of Telecoms specialists in agency branches.

Whilst the business is still fully focused on delivering the £925m Net Income budget, plans are being worked through to identify and crystallise further cost saving opportunities to deliver the budgeted EBIT if the income gap cannot be closed and these are shown on page 7. The CFO outlook remains unchanged until these savings are fully confirmed and validated, but it is anticipated that they will close the EBIT back towards the budget number of £99m.

Crown Profit & Loss Statement

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£m	Period			Prior Year Period		YTD			Prior Year YTD		Full Year			Prior Year
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q1 Forecast	Budget	Variance	Outturn
Income and Distributions														
Variable income														
- Mails	3.2	3.7	(0.4)	3.5	(0.3)	11.9	12.7	(0.9)	12.9	(1.0)	39.2	39.2	0.0	39.6
- Financial Services	3.6	3.7	(0.1)	3.1	0.5	11.3	11.5	(0.2)	10.2	1.0	32.0	32.0	0.0	28.2
- Government Services	1.7	1.7	(0.0)	1.9	(0.2)	7.7	6.9	0.8	8.1	(0.4)	18.1	18.1	0.0	21.9
- Telecoms	0.1	0.2	(0.1)	0.1	0.0	0.3	0.6	(0.2)	0.3	0.1	1.3	1.3	0.0	0.8
Fixed income	2.0	2.1	(0.0)	2.3	(0.3)	7.4	7.6	(0.2)	8.5	(1.1)	21.9	21.9	0.0	25.2
Gamma/ Other	0.5	0.5	0.0	1.0	(0.5)	1.8	2.1	(0.3)	3.3	(1.5)	9.3	9.3	0.0	12.8
Renewals and Retentions	1.6	1.7	(0.1)	1.6	(0.0)	5.8	5.9	(0.1)	6.9	(1.1)	17.5	17.5	0.0	16.9
Total Income including Gamma/other	**12.8**	**13.4**	**(0.7)**	**13.6**	**(0.8)**	**46.1**	**47.3**	**(1.2)**	**50.2**	**(4.0)**	**139.5**	**139.5**	**0.0**	**145.4**
Branch costs														
- Staff	(8.7)	(9.3)	0.5	(8.7)	(0.1)	(34.6)	(34.4)	(0.2)	(37.4)	2.8	(90.0)	(90.0)	0.0	(106.0)
- Property	(3.6)	(3.0)	(0.5)	(3.3)	(0.2)	(11.5)	(10.9)	(0.5)	(12.2)	0.7	(30.1)	(30.1)	0.0	(34.4)
- Other branch costs	(0.4)	(0.2)	(0.1)	(0.4)	(0.0)	(0.7)	(0.9)	0.2	(1.2)	0.5	(2.4)	(2.4)	0.0	(4.3)
Infrastructure costs	(2.1)	(2.0)	(0.1)	(2.0)	(0.1)	(8.0)	(7.8)	(0.2)	(7.2)	(0.8)	(20.6)	(20.6)	0.0	(21.9)
Allocated central costs	(1.4)	(1.6)	0.2	(1.1)	(0.3)	(5.3)	(4.9)	(0.4)	(5.5)	0.2	(14.2)	(14.2)	0.0	(14.0)
Total Expenditure	**(16.2)**	**(16.1)**	**(0.1)**	**(15.4)**	**(0.8)**	**(60.0)**	**(58.8)**	**(1.2)**	**(63.5)**	**3.5**	**(157.3)**	**(157.3)**	**0.0**	**(180.6)**
JV Share of Profits	1.4	1.4	0.0	1.5	(0.1)	4.1	4.1	0.0	4.1	(0.1)	9.0	9.0	0.0	9.6
Statutory PBIT	**(2.0)**	**(1.3)**	**(0.7)**	**(0.3)**	**(1.7)**	**(9.8)**	**(7.5)**	**(2.3)**	**(9.1)**	**(0.6)**	**(8.9)**	**(8.9)**	**0.0**	**(25.7)**

Summary

Income:

Income is £1.2m less than plan.

Variable sales income is £0.5m less than plan principally due to (i) Mails – Lower parcel volumes and Retail sales, (ii) Financial Services – shortfall from Life Insurance, Home Insurance and variable sales of Savings products. There is a corresponding upside in savings retention income due to the income guarantee with Bank of Ireland, (iii) Government Services – predominantly due to higher Passport check & send transactions. However, there is a variance in 'Other Income' that partially offsets this due to an element of the target being held centraly.

Fixed income is adverse due to lower than planned LIBoR rates for Card Account commissions.

Retention income is adverse due to a lower customer base and Averaged Revenue Per User for Homephone, partially offset by favourable Savings retention income.

Other income is adverse due to the delay or phasing of new products, predominantly Energy. Passport Check & Send (actual income in variable sales) is the other key driver.

Costs:

Costs are £1.2m higher than plan.

Staff costs £0.2m adverse primarily due to the impact of the pay review settlement where associated efficiencies will be achieved in future months. This is partially offset through savings from vacancies, mainly Financial and Mortgage Specialists.

Property costs £0.6m adverse due to the delayed savings for the new Facilities Management contract, now due to commence from October 2014.

Central Costs are £0.4m adverse due to business wide efficiency savings still to be delivered.

Cost Management update
July 2014

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Progress since P3 update
Value and confidence

Following the transfer of delivery and governance into the Business Transformation Programme (BTP) a review of current cost reduction activity and an assessment of new opportunities has concluded that a gap of c. £26.9m is emerging between the in-year delivery of "line of sight" initiatives and the total cost reduction challenge.

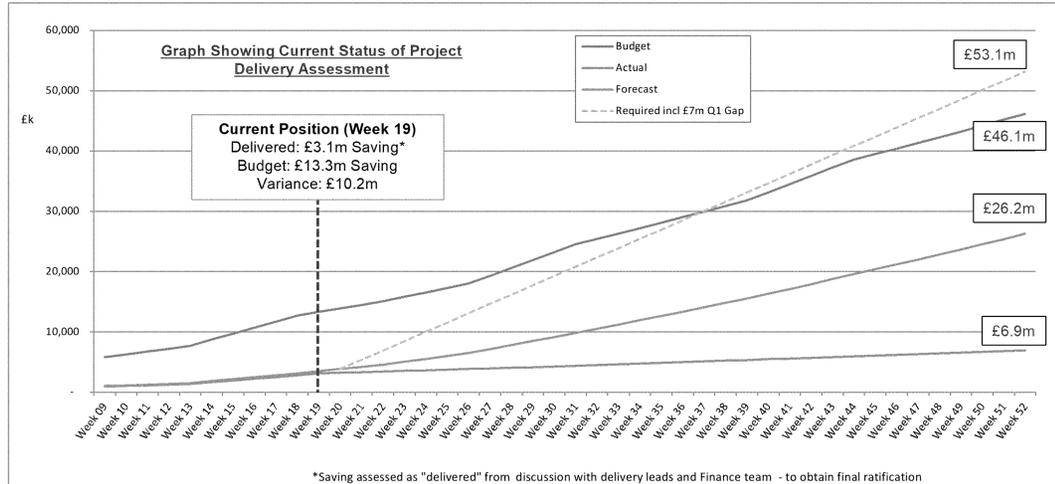|	
Original Cost Management Programme	£34.2m
Additional Cost Challenge to achieve budget	£ 6.0m
Central Stretch to achieve budget	£ 5.9m
Total Budget Cost Challenge	£46.1m
Additional Challenge from Q1 EBITDAS gap	£ 7.0m
Total Current Cost Challenge	£53.1m
Current "Line of Sight" forecast	£26.2m
Gap to £53.1m	£26.9m

Delivery and governance

Governance of FY14/15 cost reduction initiatives has now been brought into the overall Business Transformation programme and work is underway with the various initiative owners to address the shortfalls versus budget and identify new opportunities.

A Cost Reduction Group (CRG) comprising a sub-set of ExCo members has been convened to address the emerging gap in cost reduction activity. Further initiatives of £12.8m have been identified and are being investigated further.

Strategic initiatives for FY15/16 and beyond

The Business Transformation current state assessment is now complete as planned. The Programme has now moved into Stage 2, designing the target operating model (TOM)
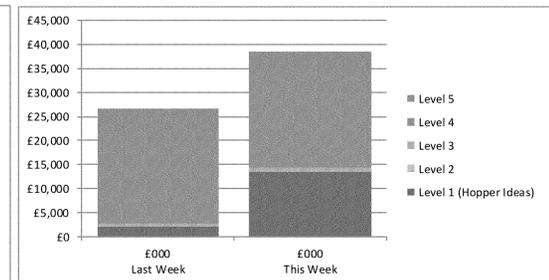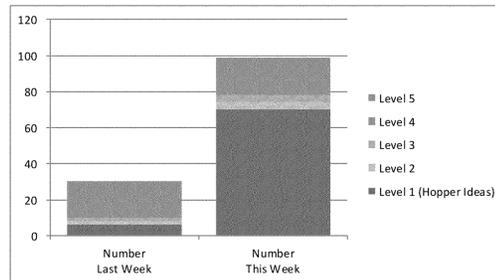
Work is ongoing to;
1) Identify a portfolio of incremental cost saving opportunities to achieve the £53.1m in-year improvement target placing all the cost saving initiatives under the scrutiny of the programme to ensure the expected improvement has the requisite effect on the 2014/15 EBITDAS outturn.
2) Design the target operating model that will ensure the cost efficiency targets for the programme (to 2019/20) are realised;

Graph Showing Current Status of Project Delivery Assessment

Legend: Budget, Actual, Forecast, Required incl £7m Q1 Gap

Current Position (Week 19)
Delivered: £3.1m Saving*
Budget: £13.3m Saving
Variance: £10.2m

£53.1m
£46.1m
£26.2m
£6.9m

*Saving assessed as "delivered" from discussion with delivery leads and Finance team - to obtain final ratification

Summary by Stage of Governance

Risk Levels	Number Last Week	Number This Week	£000 Last Week	£000 This Week
Level 1 (Hopper Ideas)	6	70	£2,175	£13,515
Level 2	2	4	£103	£203
Level 3	2	4	£490	£615
Level 4	8	9	£19,360	£19,760
Level 5	12	12	£4,504	£4,504
Totals	30	99	£26,632	£38,597

Notes:
Increase in value week on week is largely due to the identification of £12.8m (65 line items) of new initiatives following a round of further cost challenge across all functional areas.

Weekly focus is on moving ideas through the levels as quickly as possible in order to turn ideas into delivery of tangible benefit.

Total includes Level 1 - not risk adjusted

Cashflow Analysis
July 2014

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£m — YTD Cashflow

170   9

(40)

(118)

(46)

(46)

160

(71)   (321)

EBITDAS | Client & Network Cash | Working Capital Inc Interest, tax, pensions, other | Capital expenditure | Redundancy, provisions and exceptionals | Cashflow before Subsidy | Network Payment | Govt Funding | Free cash flow

£m — YTD Cashflow Variances

9

60

(7)

(9)

24

25

(85)

YTD Budget | Operating profit | Network Cash | Working Capital Inc Interest, tax, pensions | Client Balances | CapEx and Exceptionals (mainly NT) | YTD Actual

Cashflow

The £330m of government grant was received on 1st April which is the last payment of the 2010 funding agreement with BIS.

P4 cash inflow of £9m is £16m favourable to budget of £7m outflow.

The favourable variance is mainly due to:

- Capital and exceptionals continue to be favourable (capital £32m and exceptionals £28m) due to timing of NT, CT and IT spend.

- Client balances are £24m favourable driven by higher NS&I sales due to premium bond personal limits rising from £30k to £40k.

- Working capital was £26m favourable due primarily to Fujitsu Telecoms costs being paid later than expected .

Offset by:

- Network Cash was £85m (11%) adverse mainly due to branch ATM holdings, cash centres processing amounts on hand, and also cheques due to HMRC settling. This is currently under review to bring back closer to budget.

- Operating profit is £9m adverse to budget.

£m	YTD			Full Year
	Actual	Budget	Variance	Budget
EBIT	(40.0)	(31.4)	(8.6)	(61.0)
Working Capital	(43.7)	(68.1)	24.3	27.0
Client Balances	37.3	13.0	24.3	17.0
Network Cash	(154.8)	(69.6)	(85.2)	(57.6)
Capital Expenditure	(46.0)	(78.0)	32.0	(205.2)
Government funding	330.0	330.0	0.0	330.0
Exceptional Items	(71.3)	(98.9)	27.6	(240.3)
Other (including interest and tax)	(3.0)	(4.1)	1.1	(9.9)
Free cashflow before interest, tax	8.5	(7.0)	15.5	(200.0)

Network Cash

£m		Mar-14	P3		
	Prior Year	Opening	Actual	Budget	var
Retail, Cash Centres	624	522	608	533	(75)
Bureau	95	58	88	89	1
Cheques, debit cards	121	129	167	156	(11)
Network Cash	840	708	863	778	(85)

	Opening	P3
Headroom (£m)	854	1,026

Business Scorecard
July 2014

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Key Performance Indicators	Current Month			YTD			Prior Year	Full Year			2013-14 Outturn
	Act	Target	Var	Act	Target	Var	Year	Forecast	Target	Var	Outturn
Growth											
Total Net Income (excl NSP) £m (Bonus 20%)	80.5	83.5	(3.0)	294.4	301.6	(7.2)	294.1	925.1	925.1	0.0	866.7
Operating profit £m (Bonus 25%)	8.7	10.4	(1.6)	15.4	24.0	(8.6)	34.5	99.0	99.0	0.0	107.1
Earnings before ITDA and Subsidy £m*	(6.6)	(5.0)	(1.6)	(39.9)	(31.2)	(8.7)	(34.6)	(60.4)	(60.4)	0.0	(92.5)
Free cashflow £m	(167.8)	(88.2)	(79.6)	8.8	(7.0)	15.8	279.9	(200.0)	(200.0)	0.0	179.7
Customer											
Customer Satisfaction**	88.2%	89.0%	(0.8)%	87.8%	89.0%	(1.2)%	88.0%	89.0%	89.0%	0.0%	87%
Easy to do business with (Bonus 15%)**	27%	47%	(20)%	28%	47%	(19)%	45.4%	47%	47%	0%	41%
Net Promoter score**	(1)	2	(3)	(1)	2	(3)	0	2	2	0	(4)
Queue time % < 5 minutes – Top 1k branches	75.6%	86.0%	(10.4)%	75.4%	80.8%	(5.4)%	81.8%	81.2%	81.2%	0.0%	82.1%
Branch Compliance – Financial Services – basket of 11 measures	80	<=60	A	88	<=60	A	N/A	<=60	<=60	G	N/A
Branch Compliance – Inland Dangerous Goods **** ^	69.0%	80.0%	(11.0)%	69.0%	80.0%	(11.0)%	TBC	80.0%	80.0%	0.0%	TBC
Branch Compliance – International Dangerous Goods **** ^	93.0%	85.0%	8.0%	93.0%	85.0%	8.0%	TBC	85.0%	85.0%	0.0%	TBC
People											
Engagement Index % (Once a year April) (Bonus 15%)^^	57%	58%	(1)%	57%	58%	(1)%	55%	58%	58%	0%	57%
Subpostmaster Engagement Index % (Once a year)^^	45%	48%	(3)%	45%	48%	(3)%	N/A	48%	48%	0%	45%
Post Office Values the diversity of the workforce (Once a year April)^^	52%	66%	(14)%	52%	66%	(14)%	N/A	66%	66%	0%	52%
(No.) % of BME appointments over total recruits at senior leadership and senior manager	7%	7%	0%	10%	7%	3%	10.5%	7%	7%	0%	11%
(No.) % of Female appointments over total recruits at senior leadership and senior manager	60%	45%	15%	49%	45%	4%	55.3%	45%	45%	0%	46%
Modernisation											
Crown Profit (Loss) £m	(2.0)	(1.3)	(0.7)	(9.8)	(7.5)	(2.3)	(9.1)	(8.9)	(8.9)	0.0	(25.7)
Crown Profit (Loss) Run Rate £m (Bonus 12.5%)^	N/A	N/A	N/A	(15.4)	(14.4)	(1.0)	N/A	0.0	0.0	0.0	N/A
NT Transformations – contract signatures ***	184	121	63	3,823	3,556	267	1,685	4,800	4,800	0	3,246
NT Branches Transformed In Year (Bonus 12.5%)	219	134	85	722	560	162	221	1,650	1,650	0	1,551

Bonus worthy metrics
* ITDA Interest, Tax, Depreciation, Amortisation.
** Monthly = 3 month average.   YTD = 12 month average.
*** YTD and FY = cumulative including prior years.
**** POL are looking to hit 100%, and these target have been set for 2014-15 in recognition that marked improvement is required to reach 100%.
^ Target is the year end exit rate
^^ Measured annually with some additional 'Pulse surveys'

Metrics To Focus On
July 2014

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

Net Income: (Martin/ Kevin) (Bonus)
Net income is £7.2m adverse and is driven primarily by Mails, Telecoms and POCA income. The Mails variance was driven by labe ls, Special Delivery, Dangerous Good and lottery. This is partially offset by Financial Services being favourable.

Operating Profit: (All) (Bonus)
Operating Profit is £8.6m adverse and is driven by the savings task not being achieved, lower income and project costs.

Customer Satisfaction: (Martin) P2 number therefore P2 commentary
This remains adverse to target with the period actual showing a small downward trend, but the YTD continues to improve as th e even lower scores from 12 months ago fall out of the scoring. This is also affected by the Easy To Do Business With score.

Easy To Do Business With: (Martin) (Bonus)
The reasons for the effort score declining by 3p.p. to 27% (our lowest recorded) are that perceptions of hard work have worse ned. Visitors to Crown branches are more likely to think we are hard work. Customer service and queues are driving the decline. Analysis of the drivers show a drop in performance on key customer service measures: Staf f provide a warm welcome and staff are genuinely interested. Fewer people in P4 think that our customer service is more efficient than other organisations and this is in tandem with a drop in the drivers relating to waiting time.

Net Promoter Score: (Martin)
The increase in NPS reported in P3 has not been sustained. The P3 score may have been as a result of the positive comms surro unding Post Office's check and send product during the passport crisis at a time when we saw in spike in check and send sales.

Queue time % < 5 minutes – Top 1k branches: (Kevin)
% queued under 5 mins improved marginally in July up 0.8pp to 75.6%, the improvement overall driven by queue times in agency and WHSmith branches, whilst the average queue time in Crown branches dropped. Queue times have been increasing over the last 12 months. 75.6% queued for less than 5 minutes in July 2014 vs 87.1% in July 2013.

Branch Compliance – FS: (Nick)
This is made up of 11 weighted metrics: Mystery Shopping, Significant upheld complaints, Customer validation calls, Financial promotions, Limits on staff permissions, Staff product knowledge, Life Insurance cancellations, Savings cancellations, Credit card usage, Complaints process knowledge, Suitability of mortgage advice .

Branch Compliance – Mails: (Martin/ Kevin)
The targets shown are the full year exit rates. Inland (exit target 80%) has dropped from 74% to 69%, whilst International (e xit target 85%) has increased from 73% to 93% .

Measured annually with some additional 'Pulse surveys':
   • Engagement Index: (Neil) (Bonus)
     The Engagement Index target is 1% greater than prior year outturn of 57%.
   • Subpostmaster Engagement Index: (Neil)
     The Subpostmaster Engagement Index was last taken in December 2013 at 45%. The 48% target is the aspiration for the current y ear driven by the expected impact of the Branch Support Programme.
   • Post Office values diversity: (Neil)
     Survey from April shows 52% and the target is to get this to 66% driven by the business spotlight on diversity through variou s programmes such as the Diversity Forum, Women in Leadership and the introduction of directorate level diversity objectives.

Appointments: (Neil)
41 appointments YTD (5 April, 7 May, 14 June, 15 July), 20 female appointments   YTD – 48.8% (2 April, 2 May, 7 June, 9 July), 4 BME appointments YTD – 9.8% (3 June, 1 July).

Crown Profit: (Kevin) (Bonus) P4
The Crown loss is primarily driven by the lower Mails income and higher property costs due to efficiencies taking effect late r in the year.

Crown Profit Run Rate: (Kevin) (Bonus)
The Crown profit Run Rate is a key metric for year end and is updated quarterly.

Network Transformation Scorecard – Mains

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July 2014   Reporting prior months data (i.e. one month in arrears)

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Key Performance Indicators	Current Month %			Ave £'s per branch	Actual Sample Size
	Actual	Control Group	Var	Var	
Finance Approved Investment per Mains £000	(42)	(42)	0	0	
Total Income: Post vs Pre Conversion					
Branches live 6-12 months	7%	1%	5%	442	464
Branches live 12-24 months	10%	4%	6%	514	337
Focus Income: Post vs Pre Conversion					
Branches live 6-12 months	8%	(0)%	8%	186	464
Branches live 12-24 months	19%	12%	7%	195	337
Agents Remuneration: Post vs Pre Conversion					
Branches live 6-12 months	3%	(2)%	5%	299	464
Branches live 12-24 months	9%	0%	9%	553	337
Customer Sessions					
Branches live 6-12 months	2%	(2)%	5%		464
Branches live 12-24 months	2%	(2)%	4%		337
Operator Feedback on Retail Sales Performance	8%				150
Operator Satisfaction	81%				104

POL

Agent

Mains

Branches that have been converted to a Mains model for more than 6 months have consistently out-performed the control group in delivering POL income. These agents receive a dedicated package and a renewed focus on sales targeting and performance at the point of conversion. This is having a significant impact on focus income for many branches.

The following products are performing particularly well:

- Travel insurance
- Passport check and send
- Cash withdrawals
- Growth bonds
- Insurance products

In addition, these agents have increased their POL earnings due to the improved sales and enhanced Mains pay rates.

Note: the control group is based on those branches of similar size that have not yet converted.

	Actual	Target	Var	Actual Sample Size
Average Increase in Opening Hours	41%	20%	21%	1,313
Customer Satisfaction	98%	90%	8%	30
Queuing Times	1m 28s	< 5 mins	3m 32s	204

Customer

Customer
Customer Satisfaction, extended opening hours and queue times all remain positive.

Network Transformation Scorecard – Locals

July 2014   Reporting prior months data (i.e. one month in arrears)

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	Key Performance Indicators	Current Month %			Ave £'s per branch	Actual Sample Size
		Actual	Control Group	Var	Var	
	LOCALS					
POL	Finance Approved Investment per Local £000	(11)	(11)	0	0	
	Total Net Impact: Post vs Pre Conversion					
	Branches live 6-12 months					
	Income	(6)%	(5)%	(1)%	(21)	123
	Actual Fixed pay savings				795	
	Actual Net impact				774	
	Branches live 12-24 months					
	Income	(5)%	(2)%	(3)%	(72)	172
	Actual Fixed pay savings				922	
	Actual Net impact				850	

		Actual	Control Group	Var		Actual Sample Size
Agent	**Customer Sessions**					
	Branches live 6-12 months	10%	(2)%	12%		123
	Branches live 12-24 months	10%	(0)%	10%		172
	Operator Feedback on Retail Sales Performance	15%				50
	Operator Satisfaction	80%				54

		Actual	Target	Var	Actual Sample Size
Customer	Average Increase in Opening Hours	108%	80%	28%	859
	Customer Satisfaction	96%	90%	6%	30
	Queuing Times	54s	< 5 mins	4m 6s	165

Locals

This month's performance has seen a slight reduction when compared with the previous month. A one off impact of increased passport applications in control branches has contributed to this . However early analysis of August performance indicate that this is a temporary drop.

On site branches converted in the last 12 months have seen a decline at point of conversion but have improved each month and are tracking towards recovering their pre conversion position at around the 12 month point. However offsite branches have a sharper drop at point of conversion so take longer to recover.

The positive for the agents is that customer sessions/footfall is greater and this should support their retail growth.

Note: the control group is based on those branches of similar size that have not yet converted less 5% to reflect lost products.

POL
- Products such as bill payments, etop ups, cash withdrawals and Moneygram have delivered growth for these branches – with associated footfall. This has been offset in income terms by poorer performance on more complicated products.
- Further analysis has shown that Onsite branches are performing better against products such as ATMs and Lottery when compared with Offsite branches. On average Lottery income has reduced by c. £60k p.a for branches converted between 6 & 12 months whilst ATM income has reduced by c. £30k p. a for branches converted over 6 months. Corrective action on how we minimise future risk is now being looked at.
- Fixed pay has been reduced to zero for all converted branches, in line with the strategic plan.

Agent
- Customer sessions indicate that retailers are benefiting from greater footfall that should support their retail growth.
- The footfall is delivering quicker but lower value Post Office sales which in turn should allow the retailer to utilise their staff in different ways or reduce their staff costs.

Customer
- Customer Satisfaction, extended opening hours and queue times all remain positive.

Transformation Overview
July 2014

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- RAG, cost and benefits based on full programme life
- RAG in brackets indicates programmes view

Programme	Time	Cost	Benefit	Quality	Comment / Areas for Discussion
Network Transformation	A	A £956M	G £TBC	G	Guided Leavers pilot of 50 branches starts 22nd July. This is an important step to test stakeholder reaction to the process as it may be deployed more widely. Office of Government Commerce 'as is' assessment complete, informing 100 day plan to improve programme capability. Business case on track for completion by the end of July including model profitability as a KPI. Programme currently investigating risk to cost budget due to lack of contingency funding for risks materialising.
Crown Transformation	G	G £125M	R P&L Break even	A	P&L run rate £1M adverse at end of Q1 (due to income and business wide cost savings behind plan). Therefore an over achievement in last 3 quarters is needed to achieve target. Focused income call to action required at CTP Steering Group, Trading Board and the Commercial Committee to address income shortfall. Customer satisfaction (queue times and transformed branches) both behind at Q1, driven by a small number of branches where there has been a material reduction in customer satisfaction, action plan in place to address causes. 19 of the 70 Franchise branches are at risk with the programme investigating options for alternative ways to franchise or find further savings to cover the shortfall.
Branch Support	A	G £8M	A £3M P/A	G	Horice (improved management information at branch level) implementation delayed to August, programme establishing the impact on benefits. Decision to continue with programme, rather than pause or integrate into Business Transformation taken to allow early savings to be realised and improve efficiency of existing operation. This will create a more stable platform for any TOM changes to be made. Close alignment with Business Transformation programme on IT and training initiatives. If Microsoft Dynamics doesn't meet the programme's case management requirements, there will be a significant risk to time and benefits.
Separation	A	A £44M	N/A (G)	G	As the MSA expires at the end of September 2014, work has begun to revise and extend the agreement, with both organisations engaged in this process. Principles agreed with Business Transformation programme to ensure implementations of new services under Separation aligns with emerging Target Operating Model. The licensing risk and financial exposure has reduced as agreement reached with Microsoft. Detailed plans in place to separate the remaining IT services, though these are complex and come with risks.
IT Transformation	A	A (G) £53M	A (G) £25M P/A	A	Discussions commenced to ensure alignment with Business Transformation, specific focus being given to the Front Office tower. Review of business case complete, benefits and 2014-15 cost profile remain on track, though there is a risk to the programme costs beyond 2014/15. A more comprehensive update will be provided to the Finance Committee.
IT Enablers	A	A (G) £56M	N/A (G)	A	There is a risk that the Branch Of The Future requirements that are being developed by the Commercial area are not met by the EUC tender, any additional requirements would need to be included via Change Request if they are outside the scope of the tender. Risk that Belfast Refresh may need to be delayed to enable business critical change to be undertaken which will result in additional IT costs, and service disruption. There is a risk that there is insufficient time to transition to the new Point of Service solution before the Transitional Support Services ends, therefore should the risk materialise the Transitional Support Services may need to be extended and this would have an adverse impact on the IT Transformation costs/benefits. On 18th July all bidders were sent ISPS documents due back in August which includes a requirement for all bidders to propose how they can mitigate this risk. The 2014-15/16 cost profile for the portfolio is being reviewed, to ensure alignment with IT Transformation and to address challenges from Business Transformation.
Business Transformation	A (G)	A £TBC	A £200M P/A	A	An assessment of 2014/15 change plan has been completed with recommendations made to ExCo. Anticipated programme cost for 2014/15 will far exceed planned £800K opex, this will create a opex shortfall if spend cannot be classed at exceptional. Significant activity across the business is needed to deliver Operational Efficiency savings of £53M during 2014/15
Network Development					Programme's priority is establishing a team and creating a business case for early activities.

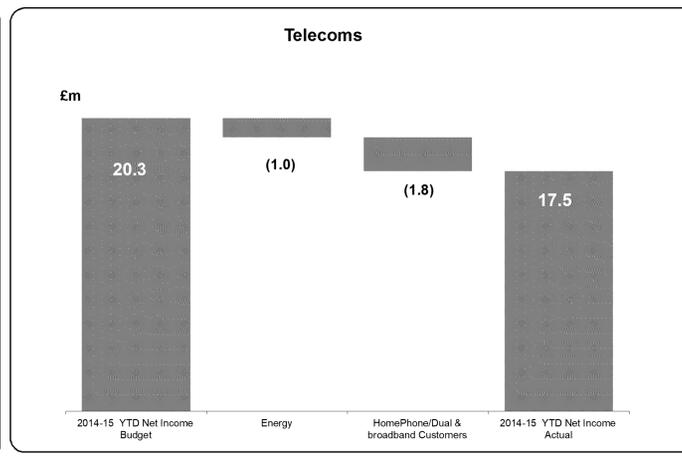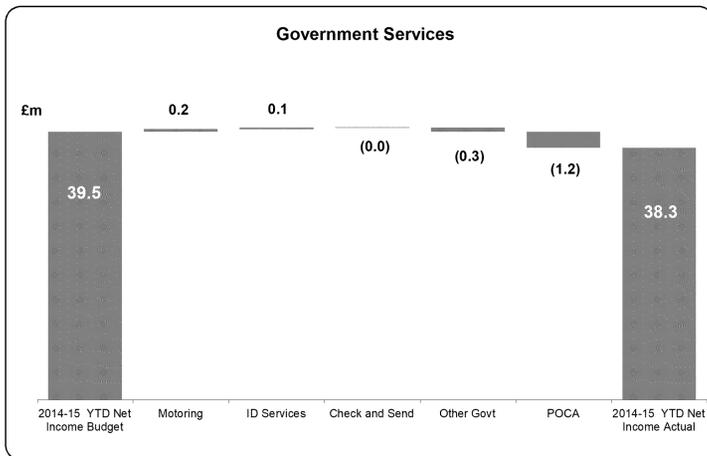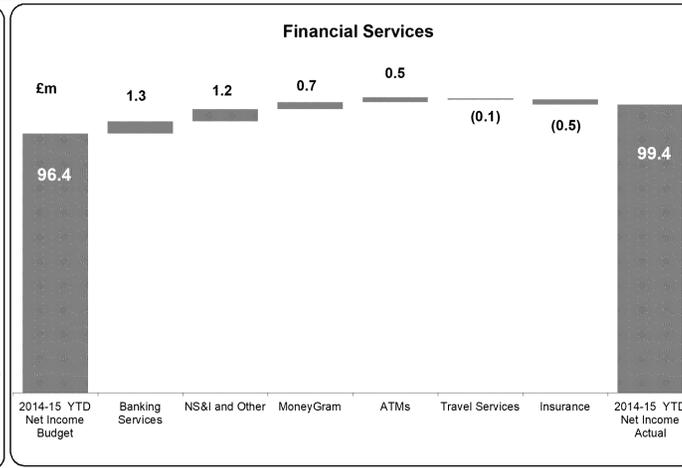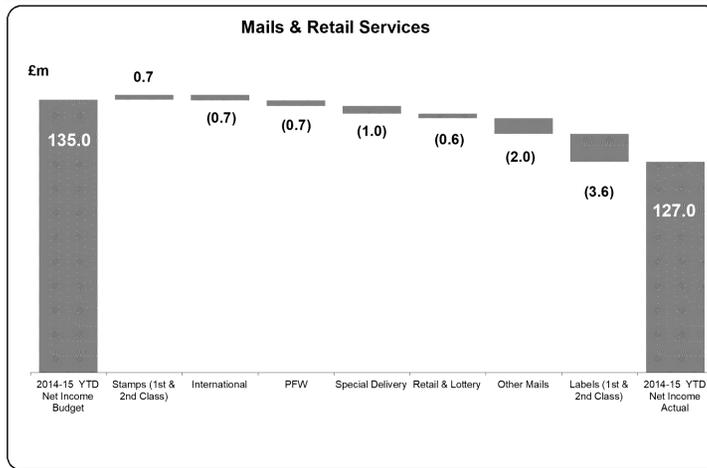Strictly Confidential

Appendices

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Income Report

Net Income By Pillar vs Budget
July 2014

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Net Income (£m)	Period			Prior Year Period		YTD			Prior Year		Full Year			Prior Year	
	Actual	Budget	Variance	Actual	Variance	Actual	Budget	Variance	Actual	Variance	Q1 Forecast	Budget	Variance	Outturn	Variance
Mails & Retail	35.1	37.2	(2.1)	33.9	1.2	127.0	135.0	(8.0)	126.5	0.5	424.1	424.1	0.0	386.0	38.1
Financial Services	27.5	27.2	0.3	28.1	(0.7)	99.4	96.4	3.0	95.4	4.0	295.2	295.2	0.0	278.6	16.6
Government Services	9.3	10.8	(1.5)	10.7	(1.4)	38.3	39.5	(1.2)	41.4	(3.1)	116.6	116.6	0.0	116.1	0.5
Telecoms	4.8	5.7	(0.9)	5.0	(0.2)	17.5	20.3	(2.8)	18.0	(0.4)	61.9	61.9	0.0	46.0	15.9
Other	3.8	2.6	1.1	4.0	(0.2)	12.1	10.4	1.7	12.8	(0.7)	27.3	27.3	(0.0)	40.1	(12.8)
TOTAL NET INCOME	80.5	83.5	(3.0)	81.7	(1.3)	294.4	301.6	(7.2)	294.1	0.2	925.0	925.1	(0.0)	866.7	58.3
FRES - Share Of Operating Profits	5.1	5.0	0.1	5.2	(0.0)	15.1	15.0	0.1	14.2	0.9	35.0	35.0	0.0	33.1	1.9

Mails & Retail Services

£m

0.7 (0.7) (0.7) (1.0) (0.6) (2.0) (3.6)

135.0 → 127.0

2014-15 YTD Net Income Budget · Stamps (1st & 2nd Class) · International · PFW · Special Delivery · Retail & Lottery · Other Mails · Labels (1st & 2nd Class) · 2014-15 YTD Net Income Actual

Financial Services

£m

1.3 1.2 0.7 0.5 (0.1) (0.5)

96.4 → 99.4

2014-15 YTD Net Income Budget · Banking Services · NS&I and Other · MoneyGram · ATMs · Travel Services · Insurance · 2014-15 YTD Net Income Actual

Government Services

£m

0.2 0.1 (0.0) (0.3) (1.2)

39.5 → 38.3

2014-15 YTD Net Income Budget · Motoring · ID Services · Check and Send · Other Govt · POCA · 2014-15 YTD Net Income Actual

Telecoms

£m

(1.0) (1.8)

20.3 → 17.5

2014-15 YTD Net Income Budget · Energy · HomePhone/Dual & broadband Customers · 2014-15 YTD Net Income Actual

Pillar Performance vs YTD Budget

Mails & Retail Services – (£8.0m) Adv
Labels – (£3.6m) adv driven primarily by lower parcel volumes.
Other Mails – (£2.0m) adv driven by Home Shopping Returns, Philatelic and Dangerous Goods.
Special Delivery – (£1.0m) adv due to lower volumes.
PFW – (£0.7m) adv due primarily to lower PF 24 & 48 and International volumes.
Lottery – (£1.2m) adv – due to lower Camelot Euromillions volumes.
International – (£0.7m) adv – due to lower volumes.
Offset by:
Stamps –£0.7m fav – due to lower than anticipated volume declines.

Financial Services – £3.0m Fav
Banking Services – £1.3m fav due to higher than budgeted volumes.
NS&I – £1.2m fav due to income from the new contract and impact of the new limit.
MoneyGram – £0.7m fav due to higher MoneyGram sales.
ATMs – £0.5m fav.
Payment Services and Bill Payment – on budget.
Offset by:
Travel Services – (£0.1m) adv
Insurance – (£0.5m) adv due to lower sales.

Government Services – (£1.2m) Adv
POCA – (£1.2m) adv reflecting the lower LIBOR rate.
Gov. Services Other – (£0.3m) adv driven by lower than planned volumes of Rod & Game licences.
Offset by:
Motoring – £0.2m fav due to higher than planned volumes.
Passport Check & Send – Flat with target.

Telecoms – (£2.8m) Adv
Homephone – (£1.8m) adv mainly driven by lower customer numbers and higher cost of sales relating to customer broadband usage and higher BT wholesale costs.
Energy – (£1.0m) adv relates to the budget anticipating sales from PO Energy.

Other – £1.7m Fav income contingency (FY £9.4m).

FRES Profit Share – £0.1m Fav

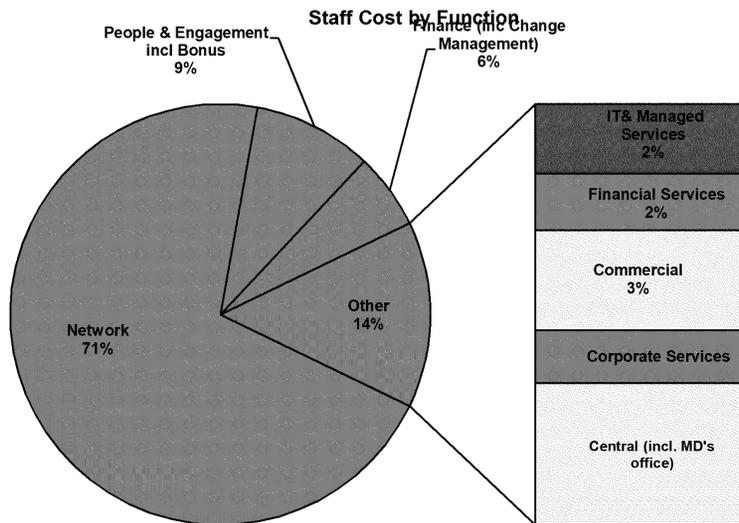Strictly Confidential

Cost Report

Staff Cost By Function

July 2014

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£m	YTD			Prior Year		Full Year			YTD Headcount				Total NT & CTP Heads Memorandum
Staff Cost by Function	Actual	Budget	Variance	Outturn	Variance	Q1 Forecast	Budget	Variance	%	Actual	Budget	Variance	
Central (incl. MD's office)	(4.2)	(4.2)	0.0	(5.8)	1.6	(12.5)	(12.5)	0.0	0%	14	15	1	
Commercial	(2.9)	(2.3)	(0.7)	(2.6)	(0.3)	(6.8)	(6.8)	0.0	2%	126	127	1	
People & Engagement	(2.9)	(2.7)	(0.1)	(2.7)	(0.1)	(8.2)	(8.2)	0.0	3%	192	174	(18)	35
HR – Centrally Held Bonus Payments	(5.0)	(5.1)	0.1	(3.6)	(1.4)	(15.3)	(15.3)	0.0	–	–	–	–	
Finance (inc Change Management)	(5.0)	(4.8)	(0.2)	(5.8)	0.8	(14.3)	(14.3)	0.0	4%	312	311	(1)	9
IT& Managed Services	(2.0)	(2.3)	0.3	(2.8)	0.7	(7.2)	(7.2)	0.0	1%	98	110	12	3
Financial Services	(1.7)	(1.7)	0.1	(1.7)	0.0	(6.3)	(6.3)	0.0	2%	112	96	(16)	
Network	(60.9)	(59.1)	(1.8)	(61.7)	0.8	(162.9)	(162.9)	0.0	87%	6,506	6,588	82	
Supply Chain	(19.6)	(18.5)	(1.1)	(19.3)	(0.3)	(53.5)	(53.5)	0.0	21%	1,554	1,565	11	
Crowns	(33.5)	(34.4)	0.9	(36.2)	2.7	(96.0)	(96.0)	0.0	51%	3,767	3,708	(59)	
Other Network	(7.3)	(6.8)	(0.5)	(6.2)	(1.1)	(20.3)	(20.3)	0.0	7%	534	602	68	
Programme costs	0.0	0.6	(0.6)	(0.1)	0.1	6.9	6.9	0.0	–	–	–	–	
CTP and NTP Heads (Costs in exceptionals)									9%	651	713	62	602
Corporate Services	(1.6)	(1.7)	0.2	(1.8)	0.2	(5.2)	(5.2)	0.0	1%	77	88	11	2
Total Staff Costs	**(86.1)**	**(83.9)**	**(2.3)**	**(88.5)**	**2.4**	**(238.7)**	**(238.7)**	**0.0**	**100%**	**7,437**	**7,509**	**72**	**651**

PY Actual | 7,956
PY Variance | 519

Staff Cost by Function

People & Engagement incl Bonus 9%

Finance (inc Change Management) 6%

Network 71%

Other 14%

IT& Managed Services 2%

Financial Services 2%

Commercial 3%

Corporate Services

Central (incl. MD's office)

YTD Staff Costs are £2.3m adverse.
Higher staff costs of £2.3m mainly due to the savings task not being achieved (£1.1m from Supply Chain and £0.7m from Commercial) and the Crown pay deal.

Vs. Prior Year
The staff costs are £2.4m favourable to prior year driven by lower Crown costs, IT Outsourcing and lower bonus payments this year.

Headcount of 7,437 is 72 favourable to budget.
Finance, IT & Managed services should be viewed as one area due to new structure.
Financial Services includes 39 heads management structure for FS and MS.

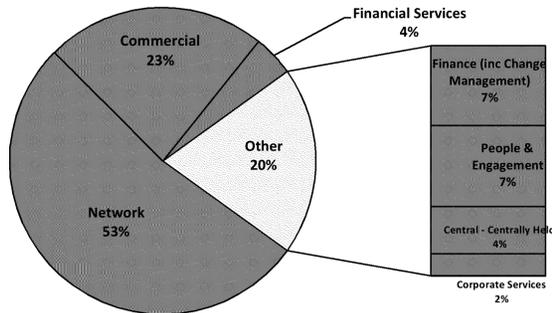Vs. prior year headcount has decreased by 519 primarily due to the Crown efficiency savings.

Non Staff Cost by Function & Type
July 2014

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£m	YTD			Prior Year		Full Year		
Non- Staff Cost by Function	Actual	Budget	Variance	Outturn	Variance	Q1 Forecast	Budget	Variance
Central – Centrally Held	2.4	1.3	1.1	(4.9)	7.3	7.6	7.6	0.0
Commercial	(13.8)	(9.6)	(4.3)	(5.1)	(8.7)	(30.7)	(30.7)	0.0
Finance (inc Change Management)	(4.1)	(3.2)	(0.9)	(5.5)	1.4	(10.1)	(10.1)	0.0
IT& Managed Services	(44.2)	(42.8)	(1.4)	(30.1)	(14.0)	(125.9)	(125.9)	0.0
Financial Services	(2.6)	(2.3)	(0.3)	(2.4)	(0.2)	(6.8)	(6.8)	0.0
People & Engagement	(4.2)	(4.1)	(0.0)	(2.8)	(1.3)	(10.6)	(10.6)	0.0
Network	(31.3)	(33.1)	1.8	(33.4)	2.1	(92.9)	(92.9)	0.0
Supply Chain	(9.7)	(11.2)	1.5	(9.6)	(0.1)	(32.5)	(32.5)	0.0
Crowns	(0.9)	(1.1)	0.2	(3.2)	2.3	(2.4)	(3.2)	0.8
Other Network	(20.7)	(20.6)	(0.0)	(20.5)	(0.1)	(59.7)	(58.9)	(0.8)
Programme costs	0.0	(0.2)	0.2	0.0	0.0	1.6	1.6	(0.0)
Corporate Services	(1.1)	(1.4)	0.3	(1.3)	0.2	(4.1)	(4.1)	0.0
Total Non Staff Costs Including Interbusiness	**(98.9)**	**(95.1)**	**(3.8)**	**(85.6)**	**(13.3)**	**(273.5)**	**(273.5)**	**(0.0)**

£m	YTD			Prior Year		Full Year		
Non- Staff Cost by Type	Actual	Budget	Variance	Outturn	Variance	Q1 Forecast	Budget	Variance
Computers & Telephones	(30.3)	(30.4)	0.2	(25.0)	(5.3)	(87.4)	(87.4)	0
Other Operating Costs	(20.8)	(14.6)	(6.2)	(38.2)	17.5	(45.0)	(45.0)	0
Consultancy, Marketing & Legal Fees	(14.0)	(15.8)	1.8	(9.6)	(4.4)	(47.8)	(47.8)	0
* Skills Group external contractors	(2.7)	(4.4)	1.7	(4.4)	1.8	(12.9)	(12.9)	0
Remainder	(11.3)	(11.3)	0.0	(5.2)	(6.1)	(34.9)	(34.9)	0
Finance	(4.3)	(7.2)	2.9	(6.4)	2.1	(16.0)	(16.0)	0
Property Facilities	(19.2)	(19.2)	(0.0)	(2.4)	(16.8)	(54.0)	(54.0)	0
Property Maintenance	(3.1)	(2.6)	(0.4)	(2.2)	(0.9)	(7.2)	(7.2)	0
Vehicles	(2.1)	(2.6)	0.5	(0.7)	(1.4)	(7.7)	(7.7)	0
Compensation	(2.2)	(0.6)	(1.6)	(0.3)	(1.9)	(1.6)	(1.6)	0
Collection, Delivery & Conveyance Charges	(0.1)	(0.1)	0.0	(0.1)	(0.0)	(0.4)	(0.4)	0
Staff & Agent Related Costs & Consumables	(2.8)	(1.9)	(0.9)	(0.7)	(2.1)	(6.3)	(6.3)	0
* Skills Group off-charges to projects	3.3	4.1	(0.8)	5.2	(1.8)	0.0	(5.45)	5.5
Remainder	(6.1)	(6.0)	(0.1)	(5.9)	(0.2)	(6.3)	(0.8)	(5.5)
Total Non Staff Costs	**(98.9)**	**(95.1)**	**(3.8)**	**(85.6)**	**(13.3)**	**(273.5)**	**(273.4)**	**0.0**

Non Staff by Function

Financial Services 4%
Finance (inc Change Management) 7%
People & Engagement 7%
Central - Centrally Held 4%
Corporate Services 2%
Commercial 23%
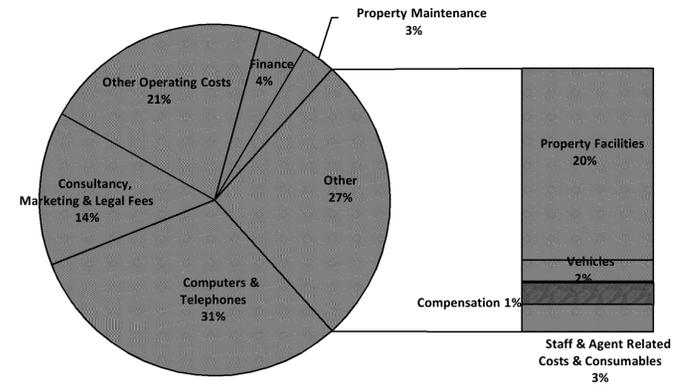Other 20%
Network 53%

Variance
YTD non people costs were £3.8m adverse to budget and £13.3m adverse to prior year.

Vs. Budget
Higher non staff costs of £3.8m driven primarily by the impact of the central savings task of £2.9m in Other Operating Costs and £2.0m accrued for Mails Segregation penalty payment in Compensation, offset by £2.0m of VAT recovery in Finance.

Vs. Prior Year
Higher non staff costs of £13.3m due primarily to increased Property costs post separation (VAT on RM costs) and IT costs (mainly Horizon and ATOS). The marketing fees have also been moved from POOC to non staff this year with a FY impact of £9m.

Non Staff by Type

Property Maintenance 3%
Other Operating Costs 21%
Finance 4%
Consultancy, Marketing & Legal Fees 14%
Computers & Telephones 31%
Other 27%
Property Facilities 20%
Vehicles 2%
Compensation 1%
Staff & Agent Related Costs & Consumables 3%

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

Transformation Report

Project Costs (OpEx)
July 2014

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> The overall expenditure is £4.4m higher than budget, due primarily to Sparrow costs and unbudgeted commercial strategy.

OpEx – £4.4m Over Spend YTD

Headlines: Budgeted projects behind planned activities and some may not start this year mainly in FS, and will have a impact on Income, the overspend is mainly driven by unbudgeted projects such as Sparrow, Commercial Strategy plus the non identification of savings to offset the over planned projects.

Digital & Muliti Channel: £0.4m favourable projects tracking behind plan.

Mails: £0.7m favourable, projects tracking behind plan.

Telecoms: £0.4m adverse due to POs set up up with delivery date in June for the EE Network Contract signature, project slightly delayed with payments planned but not invoiced.

Commercial Strategy: development £0.8m adverse due to this being an unbudgeted acctivity.

Financial Services: £0.6m favourable due to various projects being behind planned activities.

IT: £0.6m adverse, £0.5m of which relates to the accounting treatment of invoices received for Salesforce Licenses and shall be corrected in Period 5. £0.1m relates to unplanned spend against projects which had flowed through from the previous year.

Sparrow: (Horizon Litigation) £1.4m adverse.

Centrally Held: £1.5m adverse, this is the overlay required to achieve the overall Target of £17.3m excluding unbudgeted projects which is yet to be allocated out to programmes, work in progress.

OpEx	£m	Current Month			YTD			Full Year		
Function	Programme	Actual	Budget	Var	Actual	Budget	Var	Outlook	FY Budget	POLIC Approved
Commercial	Digital & Multi Channel	(0.1)	(0.1)	0.0	(0.2)	(0.6)	0.4	(1.1)	(1.1)	(0.5)
	Mails	(0.1)	(0.2)	0.1	(0.2)	(0.9)	0.7	(3.5)	(3.5)	(1.3)
	Telecoms	(0.3)	(0.2)	(0.0)	(1.0)	(0.6)	(0.4)	(3.1)	(3.4)	(3.1)
	Government Services	(0.2)	(0.3)	0.0	(0.9)	(0.9)	0.0	(2.1)	(2.1)	(0.2)
	Customer Engagement	(0.1)	0.0	(0.1)	(0.0)	0.0	(0.0)	(0.1)	0.0	(0.4)
	Brand Marketing	(0.0)	0.0	(0.0)	0.1	0.0	0.1	0.0	0.0	0.0
	Commercial Strategy	(0.1)	0.0	(0.1)	(0.8)	0.0	(0.8)	(1.8)	0.0	(0.1)
Financial Services	Financial Services	(1.6)	(1.0)	(0.6)	(3.5)	(4.0)	0.6	(8.0)	(8.0)	(1.9)
Corporate Services	Compliance	(0.0)	0.0	(0.0)	(0.1)	0.0	(0.1)	0.0	0.0	0.0
Finance	Finance	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.0)	0.0	0.0
	Business Transformation	(1.5)	(0.1)	(1.4)	(1.7)	(0.3)	(1.5)	(5.4)	(0.6)	(1.2)
Network	Network Other	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	0.0	0.0	0.0
	Property	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)	0.0	(0.2)
	Supply Chain	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	0.0	0.0	(0.1)
IT & Managed Services	IT	(0.5)	0.0	(0.5)	(0.6)	0.0	(0.6)	(0.1)	0.0	0.0
People & Engagement	HR	(0.0)	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
	Sparrow	0.0	0.0	0.0	(1.4)	0.0	(1.4)	(5.0)	0.0	0.0
	Communications	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	0.0	0.0	0.0
	Flow Through Projects	0.9	0.0	0.9	0.2	0.0	0.2	0.0	0.0	0.0
Centrally Held	Centrally Held	0.0	0.4	(0.4)	0.0	1.5	(1.5)	1.4	1.4	0.0
Grand Total		(3.6)	(1.4)	(2.2)	(10.2)	(5.8)	(4.4)	(29.0)	(17.3)	(8.9)

Project Costs (CapEx and Exceptionals)
July 2014

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> Capital Expenditure and Exceptionals are £32m underspent, driven by IT and Network projects.

CapEx	£m	Current Month			YTD			Full Year			
Function	Programme	Actual	Budget Rebased	Var	Actual	Budget Rebased	Var	Outlook	FY Budget ReBased	Board Approved Budget	POLIC Approved
Commercial	Digital & Multi Channel	0.1	(0.8)	0.9	(0.4)	(3.2)	2.8	(9.5)	(9.5)	(9.5)	(0.3)
	Mails	(0.3)	(0.4)	0.1	(0.7)	(1.0)	0.3	(2.0)	(1.3)	(1.0)	(1.4)
	Telecoms	0.0	(0.2)	0.3	(0.2)	(0.5)	0.3	(1.9)	(1.8)	(2.0)	(1.4)
	Government Services	(0.6)	(0.3)	(0.3)	(0.7)	(1.0)	0.3	(3.7)	(2.4)	(2.4)	(0.3)
	Customer Engagement	(0.3)	0.0	(0.3)	(0.5)	0.0	(0.5)	(0.2)	0.0	0.0	(0.9)
Financial Services	Financial Services	(1.9)	(3.1)	1.1	(2.6)	(5.1)	2.5	(27.8)	(27.8)	(27.8)	(2.8)
Corporate Services	Security	0.2	0.0	0.2	0.2	0.0	0.2	(0.0)	0.0	0.0	0.0
	Compliance	0.0	(0.0)	0.0	0.0	(0.2)	0.2	(0.9)	(0.9)	(0.9)	0.0
Finance	Finance	(0.0)	(0.1)	0.1	(0.2)	(0.2)	0.0	(1.2)	(1.2)	(1.2)	0.0
Network	Crown Transformation	(9.0)	(3.6)	(5.4)	(13.1)	(16.7)	3.7	(24.0)	(30.4)	(30.4)	0.0
	Network Other	(0.6)	(0.1)	(0.5)	(0.6)	(0.4)	(0.2)	(1.2)	(1.2)	(1.2)	0.0
	Network Transformation	(2.9)	(3.5)	0.6	(11.7)	(15.0)	3.3	(32.2)	(35.0)	(46.9)	0.0
	Property	(0.0)	(0.9)	0.8	(0.3)	(2.4)	2.1	(11.8)	(11.2)	(11.2)	(5.0)
	Supply Chain	(0.4)	(1.6)	1.1	(0.6)	(4.0)	3.4	(12.6)	(12.6)	(12.7)	(0.1)
IT & Managed Services	Independence & Separation	(2.9)	(3.0)	0.1	(6.6)	(11.4)	4.8	(20.1)	(19.9)	(18.9)	(11.8)
	IT Transformation	(0.0)	0.0	(0.0)	(0.1)	0.0	(0.1)	(0.1)	0.0	0.0	0.0
	IT	(0.9)	(4.5)	3.6	(7.5)	(18.0)	10.5	(50.1)	(53.7)	(54.5)	(17.3)
People & Engagement	HR	(0.1)	0.0	(0.1)	(0.1)	(0.3)	0.2	(0.3)	(0.3)	(2.8)	(0.0)
Old Projects	Old Projects	(0.0)	0.0	(0.0)	(0.1)	0.0	(0.1)	(0.1)	0.0	0.0	0.0
Centrally Held	Centrally Held	0.0	0.3	(0.3)	0.0	1.3	(1.3)	0.0	4.0	18.2	0.0
Capex Total		(19.6)	(21.6)	2.1	(45.8)	(78.0)	32.3	(199.4)	(205.2)	(205.2)	(41.5)

Exceptional	£m	Current Month			Year To Date			Full Year			
Function	Programme	Actual	Budget Rebased	Var	Actual	Budget Rebased	Var	Outlook	FY Budget ReBased	Board Approved Budget	POLIC Approved
Network	Crown Transformation	(2.8)	(1.9)	(0.9)	(10.2)	(10.9)	0.7	(26.4)	(29.6)	(34.6)	0.0
	Network Transformation	(6.7)	(13.3)	6.6	(53.6)	(57.6)	4.0	(168.9)	(163.6)	(149.2)	0.0
	Supply Chain	0.0	0.0	0.0	0.0	0.0	0.0	(3.0)	(3.0)	(2.9)	0.0
IT & Managed Services	Independence & Separation	(0.8)	(0.4)	(0.4)	(2.1)	(2.0)	(0.2)	(6.0)	(4.0)	(2.4)	(1.3)
	IT Transformation	(1.4)	(0.8)	(0.6)	(4.2)	(11.4)	7.2	(9.4)	(15.4)	(1.9)	(7.2)
	Transition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(12.5)	0.0
	IT (CDP)	0.0	(0.2)	0.2	0.0	(0.9)	0.9	(2.6)	(2.6)	(2.6)	(2.2)
	Sparrow	(0.5)	(0.8)	0.3	(0.5)	(3.3)	2.8	(2.5)	(5.0)	0.0	0.0
Old Projects	Old Projects	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Centrally Held	Centrally Held	0.0	0.5	(0.5)	0.0	2.9	(2.9)	4.6	7.0	(10.0)	0.0
Exceptional Total		(12.3)	(16.9)	4.6	(70.7)	(83.1)	12.4	(214.1)	(216.1)	(216.1)	(10.7)

CapEx £32.3m underspend YTD

Commercial: The £3.2m favourable variance year to date is mainly driven by Digital & Multi Channel £2.8m. Mails, Telecoms and Government are each £0.3m favourable due to changes in activity profile and timings since the plan was presented.

Customer Engagement: is £0.5m adverse due to capital investment activity around the Customer Management Programme having been planned under Digital.

Financial Services: £2.5m favourable, various projects behind planned activities.

Crown Transfomation: £3.7m favourable this is mainly due to property related costs being taken into the previous year. The forecast has been adjusted to reflect this.

Network Transformation: £3.3m favourable mainly as a result of re-categorising planned spend to Exceptional.

Property: £2.1m favourable, various projects behind planned activities.

Supply Chain: £3.4m favourable, various projects have slipped and have been re-forcast from p5.

Independence & Separation: £4.8m favourable, mainly due to a combination of projects being behind schedule.

IT: £10.5m favourable due to numerous large capital projects being behind plan.

Centrally Held: £1.3m adverse, £4m savings overlay to be allocated out to programmes in due course to achieve full year target.

Exceptional – £12.4m underspend
Network Transformation: £4.0m favourable mainly driven by the timing of the accounting of compensation payments for sign ups. Forecast suggests a significant increase in spend.

IT Transformation: £7.2m favourable, £7.9m of this is the ATOS setup cost payments which were accounted for in 2013-14 but budgeted in 2014-15.

HR: £2.8m favourable project Sparrow (Horizon Litigation) costs in Opex, yet to identify what can be moved to Exceptional.

Centrally Held: £2.9m adverse, £7m savings overlay to be allocated out to programmes in due course to achieve full year target.

Supplementary Information

Cashflow Statement & Balance Sheet Summary

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July 2014

Balance Sheet

£m	Mar-14	P3 Actual	P3 Budget	P3 Variance
Fixed Assets	71	81	81	0
Debtors	155	162	146	16
Cash	708	791	747	44
Client Balances	(279)	(320)	(255)	(65)
Trade Creditors	(303)	(447)	(423)	(24)
Pension (deficit)/surplus	148	149	145	4
Provisions	(78)	(88)	(65)	(23)
Investments, Funding	(19)	158	62	96
Loan	0	0	0	0
Net Assets	**403**	**485**	**438**	**48**

Reserves	Mar-14	Actual	Budget	Variance
Capital and Reserves	(403)	(485)	(438)	(47)
	(403)	**(485)**	**(438)**	**(47)**

Cash Management Table

£m	Prior Year P3	Mar-13 Opening	P3 Actual	P3 Budget	P3 var
Retail, Cash Centres	624	522	608	533	(75)
Bureau	95	58	88	89	1
Cheques, debit cards	121	129	167	156	(11)
Network Cash	**840**	**708**	**863**	**778**	**(85)**

	Opening	P3
Headroom (£m)	**854**	**1,026**

Cashflow Statement

£m	YTD Actual	YTD Budget	YTD Variance	Full Year Forecast	Full Year Budget*	Full Year Variance	Board Approved Budget	Variance
Operating Profit	15.4	24.0	(8.6)	99.0	99.0	0.0	99.0	0.0
Depreciation	0.1	0.2	(0.0)	0.6	0.6	0.0	0.6	0.0
Working Capital	(43.7)	(68.1)	24.3	27.0	27.0	0.0	18.7	8.3
Client Balances	37.3	13.0	24.3	17.0	17.0	0.0	(9.0)	26.0
Network Cash	(154.8)	(69.6)	(85.2)	(57.6)	(57.6)	0.0	(10.0)	(47.6)
Dividends	(15.1)	(15.0)	(0.1)	0.0	0.0	0.0	(4.5)	4.5
Capital Expenditure	(46.0)	(78.0)	32.0	(205.2)	(205.2)	0.0	(205.2)	0.0
Government funding	170.0	170.0	0.0	170.0	170.0	0.0	170.0	0.0
NSP in advance	104.6	104.6	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Items	(71.3)	(98.9)	27.6	(240.3)	(240.3)	0.0	(216.1)	(24.2)
Pensions	2.2	1.3	0.9	3.0	3.0	0.0	3.0	0.0
Proceeds from asset sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business transformation				(10.5)	(10.5)	0.0	(10.5)	0.0
Free cashflow before interest, tax	(1.3)	(16.5)	15.2	(197.0)	(197.0)	0.0	(164.0)	(33.0)
Interest	(0.1)	(0.5)	0.4	(3.0)	(3.0)	0.0	(3.0)	0.0
Tax	9.9	10.0	(0.1)	0.0	0.0	0.0	0.0	0.0
Free Cashflow	8.5	(7.0)	15.5	(200.0)	(200.0)	0.0	(167.0)	(33.0)

* Budget has been updated to reflect year end outturn and a reconciliation is shown in the final two columns and explained below.

Cashflow budget

The 2014-15 budget was approved by the Board at £167m outflow, prior to the 2013-14 year end and noting the year end outturn may result in changes being required. The budget of £200m shown in this pack reflects the year end outturn impacts, namely:

- higher provision balances at March 2014 than anticipated (£24m),

- lower network cash outturn at March 2014 than expected and not assumed to repeat at March 2015 due to Easter timing (£48m),

- refinement to client creditor budget reflecting timing of Easter 2015 £26m, and

- other minor rebalancing £13m.

Income By Product Groups & Pillar

July 2014

Strictly Confidential

Adverse; Mails is £8.0m, Telecoms is £2.8m and Government Services is £1.2m adverse

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Net Income £m	Current Month			Prior Year		YTD			Prior Year		Full Year			Prior Year
	Actuals	Budget	Variance	Period Actual	Month (Yr On Yr)	Actual	Budget	Variance	Outturn	YTD (Yr On Yr)	Q1 Forecast	Budget	Variance	2013/14 Outturn
Parcelforce	1.9	2.1	(0.2)	2.0	(0.1)	7.1	7.8	(0.7)	7.5	(0.5)	23.8	23.8	0.0	22.8
Special Delivery	4.7	4.9	(0.3)	4.9	(0.2)	16.9	17.9	(1.0)	17.7	(0.8)	51.8	51.8	0.0	51.4
International Priority & Standard	2.7	2.9	(0.2)	2.9	(0.2)	10.2	11.0	(0.7)	10.8	(0.6)	34.6	34.6	0.0	34.1
Stamps (1st & 2nd Class plus other stamps)	2.2	2.0	0.2	2.3	(0.1)	7.9	7.2	0.7	8.4	(0.5)	26.2	26.2	0.0	30.6
Labels (1st & 2nd Class)	8.1	9.0	(1.0)	8.2	(0.1)	29.5	33.1	(3.6)	31.0	(1.4)	103.3	103.3	0.0	92.4
RM Mail Fixed	5.5	5.5	0.02	5.4	0.11	19.8	19.7	0.1	19.4	0.4	56.9	56.9	0.0	56.7
Retail & Lottery	4.7	4.4	0.2	3.9	0.8	15.9	16.4	(0.6)	15.4	0.5	48.0	48.0	0.0	43.7
Mails Other	5.4	6.3	(0.8)	4.4	1.1	19.9	21.9	(2.1)	16.5	3.4	79.5	79.5	0.0	54.2
Total Mail Services	**35.1**	**37.2**	**(2.1)**	**33.9**	**1.2**	**127.0**	**135.0**	**(8.0)**	**126.5**	**0.5**	**424.1**	**424.1**	**0.0**	**386.0**
Energy	0	0.3	(0.3)	0	0	0	1.0	(1.0)	0	0	3.0	3.0	0.0	0.0
HomePhone /Dual & Broadband Customers	4.8	5.5	(0.6)	5.0	(0.2)	17.5	19.3	(1.8)	18.0	(0.4)	58.9	58.9	0.0	46.0
Total Telecoms Services	**4.8**	**5.7**	**(0.9)**	**5.0**	**(0.2)**	**17.5**	**20.3**	**(2.8)**	**18.0**	**(0.4)**	**61.9**	**61.9**	**0.0**	**46.0**
Motoring Services	1.4	1.9	(0.5)	1.3	0.1	5.3	5.1	0.2	5.7	(0.4)	15.3	15.3	0.0	19.9
Card Account	4.7	5.5	(0.8)	5.5	(0.8)	18.6	19.8	(1.2)	20.9	(2.2)	60.2	60.2	0.0	59.2
Check and Send	1.9	2.1	(0.2)	2.4	(0.5)	9.6	9.6	(0.0)	10.1	(0.5)	25.8	25.8	0.0	23.0
AEI (DVLA & UKBA)	0.8	0.7	0.0	0.7	0.1	2.9	2.8	0.1	2.7	0.2	9.5	9.5	0.0	8.3
Other Government Services	0.5	0.6	(0.0)	0.8	(0.3)	1.8	2.1	(0.3)	2.1	(0.3)	5.7	5.7	0.0	5.8
Total Government Services	**9.3**	**10.8**	**(1.5)**	**10.7**	**(1.4)**	**38.3**	**39.5**	**(1.2)**	**41.4**	**(3.1)**	**116.6**	**116.6**	**0.0**	**116.1**
Bill Payment Services Direct	0.8	0.8	(0.0)	1.0	(0.2)	3.1	3.1	(0.0)	3.6	(0.6)	9.8	9.8	0.0	10.9
Bill Payment Services Reseller	2.6	2.5	0.2	2.6	0.0	9.2	9.1	0.1	9.2	(0.0)	24.5	24.5	0.0	26.9
Postal Orders	2.2	2.1	0.1	2.3	(0.1)	7.8	7.4	0.4	8.5	(0.7)	20.7	20.7	0.0	20.8
Payment Services	0.2	0.6	(0.4)	0.3	(0.0)	1.0	1.6	(0.6)	0.6	0.4	8.9	8.9	0.0	7.4
Personal Banking Clients	2.8	2.6	0.2	2.3	0.5	10.1	8.9	1.2	9.1	0.9	26.8	26.8	0.0	28.4
DWP Exceptions	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.03
Business Banking	2.4	2.5	(0.0)	2.9	(0.5)	9.0	9.0	0.1	9.7	(0.7)	26.8	26.8	0.0	28.1
ATM	3.4	3.0	0.4	3.2	0.2	11.5	11.0	0.5	10.9	0.6	32.7	32.7	0.0	31.4
PFS-Savings	4.2	4.2	0.0	3.9	0.3	16.8	16.8	0.0	16.1	0.7	52.6	52.6	0.0	50.0
PFS-Insurance	0.6	1.4	(0.8)	0.7	(0.1)	3.8	4.9	(1.1)	2.8	1.0	17.0	17.0	0.0	9.0
PFS-Lending	1.1	0.7	0.4	0.7	0.4	3.2	2.7	0.6	1.8	1.4	11.1	11.1	0.0	6.0
Bureau (excl profit share) (incl Travel Money Card)	3.0	3.2	(0.2)	3.6	(0.6)	9.6	9.9	(0.3)	10.1	(0.4)	25.1	25.1	0.0	24.3
Travel Insurance	1.5	1.4	0.1	2.5	(1.0)	4.4	4.2	0.2	5.2	(0.8)	9.1	9.1	0.0	9.6
MoneyGram	2.1	1.9	0.2	1.5	0.6	7.4	6.7	0.7	5.5	2.0	20.1	20.1	0.0	16.3
NS&I	0.5	0.4	0.2	0.4	0.1	2.4	1.2	1.2	1.5	1.0	3.1	3.1	0.0	6.7
Other	0	0	0	0.2	(0.2)	0	0	0	0.8	(0.8)	6.9	6.9	0.0	2.5
Total Financial Services	**27.5**	**27.2**	**0.3**	**28.1**	**(0.7)**	**99.4**	**96.4**	**3.0**	**95.4**	**4.0**	**295.2**	**295.2**	**0.0**	**278.6**
Other Income	0.9	(0.3)	1.2	1.1	(0.2)	1.6	(0.2)	1.8	2.9	(1.3)	(4.7)	(4.7)	(0.0)	9.2
Supply Chain	2.9	2.9	(0.0)	2.9	(0.0)	10.5	10.6	(0.0)	9.9	0.7	32.0	32.0	0.0	30.9
Net Income	**80.5**	**83.5**	**(3.0)**	**81.7**	**(1.3)**	**294.4**	**301.6**	**(7.2)**	**294.1**	**0.2**	**925.0**	**925.1**	**(0.0)**	**866.7**

Health & Safety - Key Issues for the POL Leadership Team

Jon Cooper – Bond Dickinson LLP

Bond Dickinson

Introduction

The objective of this session is not to go into the nuts and bolts of health and safety legislation but to give an insight as to key health and safety issues for the Leadership Team within POL and to allow you to reflect on whether the risk to the Business, and individuals is being properly managed and assessed.

Successful health and safety management requires the support, encouragement and promotion of health and safety by the Leadership Team so that it becomes engrained in the organisation as a whole.

Health & Safety – why comply?

- Legal Compliance – failure to meet statutory and regulatory obligations can lead to criminal proceedings

- It is consistent with POL's culture and business ethos; the health and safety of its employees, agents and customers is paramount

- Reputational reasons – social attitudes towards health and safety failings have changed.

Consequences of non-compliance

1. Cost to the Business

    a. Costs associated ill-health and injuries leading to time off work

    b. The management time, resource and cost inevitably involved in an investigation by enforcement authorities following a serious incident.

    c. Fines and costs – the guidelines issued by the Judicial Studies Board for sentencing of corporate defendants for breaches of health and safety legislation have been reinforced by two cases in the Court of Appeal in January of this year *(R –v- Sellafield* and *R –v- Network Rail)*. Large organisations prosecuted for health and safety offences and/or corporate manslaughter can expect fines of many hundreds of thousands if not millions of pounds.

    d. Personal liability – s.37 HSWA

        Where an offence by a body corporate is proved to have been committed with the consent or connivance of, or to have been attributable to any neglect on the part of any director, manager, secretary or other similar officer of the body corporate....that person shall also be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

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The consequences of personal conviction include fines, disqualification from directorships and imprisonment.

e. Reputational damage corporate/brand and personal

How is compliance best achieved and driven by the Leadership Team?

- An acceptance that health and safety is the responsibility of all within your organisation and not just the Health & Safety Team.

- Ensure that health and safety is given appropriate priority within the organisation and all relevant processes.

- Ensure that there are robust systems of risk assessment and risk management leading to appropriate policies that are adequately policed and enforced (a key role for HR).

- Ensure that due diligence in terms of potential partners/contractors extends to health and safety capabilities.

- Ensure that the Leadership Team follows the principles set out in *"Leading health and safety at work"* [1] the current benchmark for best practise. The principles can be distilled down to:-

    o Plan
    o Do
    o Check
    o Act

How do you measure up against checklist in this document?

And if you are still not convinced…

The Jury may:-

a. Consider the extent to which the evidence shows that there were attitudes, policies, systems or accepted practises with the organisation that were likely to encourage any failure (to follow health and safety legislation) or to have produced tolerance of it; and

b. Have regard to any health and safety guidance that relates to the alleged breach

    Section 8(3) Corporate Manslaughter & Homicide Act 2007 – corporate culture encapsulated in statute!

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[1] See Appendix A

Risk Factors for POL – view of an informed outsider

- Multi-site operation

- The nature/extent of your undertaking

- Contractors – procurement and management

IΦ

HSE

Leading health and safety at work

Actions for directors, board members, business owners and organisations of all sizes
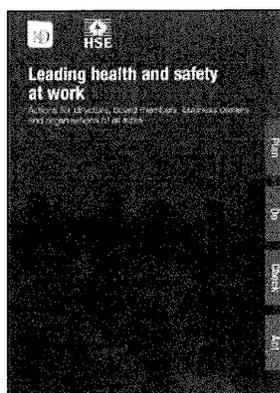
This is a web-friendly version of leaflet INDG417(rev1), published 06/13

Introduction

This guidance sets out an agenda for the effective leadership of health and safety. It is designed for use by all directors, governors, trustees, officers and their equivalents in the private, public and third sectors. It applies to organisations of all sizes.*

Protecting the health and safety of employees or members of the public who may be affected by your activities is an essential part of risk management and must be led by the board.

Failure to include health and safety as a key business risk in board decisions can have catastrophic results. Many high-profile safety cases over the years have been rooted in failures of leadership.

Health and safety law places duties on organisations and employers, and directors can be personally liable when these duties are breached: members of the board have both collective and individual responsibility for health and safety.

By following this guidance, you will help your organisation find the best ways to lead and promote health and safety, and therefore meet its legal obligations.

The starting points are the following essential principles. These principles are intended to underpin the actions in this guidance and so lead to good health and safety performance.

Essential principles

- Strong and active leadership from the top:
    - visible, active commitment from the board;
    - establishing effective 'downward' communication systems and management structures;
    - integration of good health and safety management with business decisions.
- Worker involvement:
    - engaging the workforce in the promotion and achievement of safe and healthy conditions;
    - effective 'upward' communication;
    - providing high-quality training.
- Assessment and review:
    - identifying and managing health and safety risks;
    - accessing (and following) competent advice;
    - monitoring, reporting and reviewing performance.

Plan

Do

Check

Act

* The Health and Safety Executive (HSE) has further advice on leadership for small businesses and major hazard industries – see 'Key resources' section.

**Health and Safety
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In this guidance

The following pages set out:

- a four-point agenda for embedding the essential health and safety principles;
- a summary of legal liabilities;
- a checklist of key questions for leaders;
- a list of resources and references for implementing this guidance in detail.

The agenda consists of:

- core actions for boards and individual board members that relate directly to the legal duties of an organisation. These actions are intended to set a standard;
- guidelines that set out ways to give the core actions practical effect. These guidelines provide ideas on how you might achieve the core actions;
- case studies selected to be relevant to most sectors.

A website, www.hse.gov.uk/leadership, provides links to all the resources mentioned. It includes online and downloadable versions of this guidance and further advice for small enterprises.

Benefits of good health and safety

Addressing health and safety should not be seen as a regulatory burden: it offers significant opportunities. Benefits can include:

- reduced costs and reduced risks – employee absence and turnover rates are lower, accidents are fewer, the threat of legal action is lessened;
- improved standing among suppliers and partners;
- a better reputation for corporate responsibility among investors, customers and communities;
- increased productivity – employees are healthier, happier and better motivated.

Costs of poor health and safety at work

HSE statistics reveal the human and financial cost of failing to address health and safety. Each year:

- Millions of working days are lost due to work-related illness and injury.
- Thousands of people die from occupational diseases.
- Around a million workers self-report suffering from a work-related illness.
- Several hundred thousand workers are injured at work.
- A worker is fatally injured almost every working day.

Organisations can incur further costs – such as uninsured losses and loss of reputation.

For the latest statistics see: www.hse.gov.uk/statistics/index.htm

Legal responsibilities of employers

Health and safety law states that employers must:

- assess risks to employees, customers, partners and any other people who could be affected by their activities;
- arrange for the effective planning, organisation, control, monitoring and review of preventive and protective measures;

**Health and Safety
Executive**

- have a written health and safety policy if they have five or more employees;
- ensure they have access to competent health and safety advice;
- consult employees about their risks at work and current preventive and protective measures.

Failure to comply with these requirements can have serious consequences – for both organisations and individuals. Sanctions include fines, imprisonment and disqualification.

Under the Corporate Manslaughter and Corporate Homicide Act 2007, an offence will be committed where failings by an organisation's senior management are a substantial element in any gross breach of the duty of care owed to the organisation's employees or members of the public, which results in death.

The maximum penalty is an unlimited fine and the court can additionally make a publicity order requiring the organisation to publish details of its conviction and fine. (See also the back page of this guidance for the legal status of this advice.)

"Health and safety is integral to success. Board members who do not show leadership in this area are failing in their duty as directors and their moral duty, and are damaging their organisation."

"Health and safety is a fundamental part of business. Boards need someone with passion and energy to ensure it stays at the core of the organisation."

"An organisation will never be able to achieve the highest standards of health and safety management without the active involvement of directors. External stakeholders viewing the organisation will observe the lack of direction."

"Board level involvement is an essential part of the 21st Century trading ethic. Attitudes to health and safety are determined by the bosses, not the organisation's size."

Quotes from health and safety leaders in the public and private sectors.

Plan

The board should set the direction for effective health and safety management. Board members need to establish a health and safety policy that is much more than a document – it should be an integral part of your organisation's culture, of its values and performance standards.

All board members should take the lead in ensuring the communication of health and safety duties and benefits throughout the organisation. Executive directors must develop policies to avoid health and safety problems and must respond quickly where difficulties arise or new risks are introduced; non-executives must make sure that health and safety is properly addressed.

Core actions

To agree a policy, boards will need to ensure they are aware of the significant risks faced by their organisation.

The policy should set out the board's own role and that of individual board members in leading the health and safety of its organisation. It should require the board to:

- 'own' and understand the key issues involved;
- decide how best to communicate, promote and champion health and safety.

The health and safety policy is a 'living' document and it should evolve over time, eg in the light of major organisational changes such as restructuring or a significant acquisition.

How it can be done

- Health and safety should appear regularly on the agenda for board meetings.
- The chief executive can give the clearest visibility of leadership, but some boards find it useful to name one of their number as the health and safety 'champion'.
- The presence on the board of a health and safety director can be a strong signal that the issue is being taken seriously and that its strategic importance is understood.
- Setting targets helps define what the board is seeking to achieve.
- A non-executive director can act as a scrutineer – ensuring the processes to support boards facing significant health and safety risks are robust.

Corporate governance

For many organisations, health and safety is a corporate governance issue. The board should integrate health and safety into the main governance structures, including board sub-committees, such as risk, remuneration and audit.

The Turnbull guidance on the Combined Code on Corporate Governance requires listed companies to have robust systems of internal control, covering not just 'narrow' financial risks but also risks relating to the environment, business reputation and health and safety.

Case study – *North Staffordshire Combined Healthcare NHS Trust*

The board found itself facing service improvement targets. Using new corporate and clinical guidance, it set about taking a 'whole systems' approach to managing corporate risk, giving one of its directors responsibility for the leadership of health and safety for the first time. Health and safety was also made a key item on the board agenda.

This has resulted in a much better integrated health and safety management system that increases the opportunity to identify and manage all corporate risks, and a much more open culture, improving reporting and monitoring. The board actively promotes a culture that gives staff the confidence to report incidents. This has resulted in:

- 16% reduction in incidence rates over two years;
- 10% reduction in insurance premiums.

Do

Delivery depends on an effective management system to ensure, so far as reasonably practicable, the health and safety of employees, customers and members of the public.

Organisations should aim to protect people by introducing management systems and practices that ensure risks are dealt with sensibly, responsibly and proportionately.

Core actions

To take responsibility and 'ownership' of health and safety, members of the board must ensure that:

- health and safety arrangements are adequately resourced;
- they obtain competent health and safety advice;
- risk assessments are carried out;
- employees or their representatives are involved in decisions that affect their health and safety.

The board should consider the health and safety implications of introducing new processes, new working practices or new personnel, dedicating adequate resources to the task and seeking advice where necessary.

Boardroom decisions must be made in the context of the organisation's health and safety policy; it is important to 'design-in' health and safety when implementing change.

How it can be done

- Leadership is more effective if visible board members can reinforce health and safety policy by being seen on the 'shop floor', following all safety measures themselves and addressing any breaches immediately.
- Consider health and safety when deciding senior management appointments.
- Having procurement standards for goods, equipment and services can help prevent the introduction of expensive health and safety hazards.
- The health and safety arrangements of partners, key suppliers and contractors should be assessed; their performance could adversely affect yours.
- Setting up a separate risk management or health and safety committee as a subset of the board, chaired by a senior executive, can make sure the key issues are addressed and guard against time and effort being wasted on trivial risks and unnecessary bureaucracy.
- Providing health and safety training to some or all of the board can promote understanding and knowledge of the key issues in your organisation.
- Supporting worker involvement in health and safety can improve participation and help prove your commitment.

Check

Case study – *Mid and West Wales Fire and Rescue Service*

Mid and West Wales Fire and Rescue Service recognised that it was critical to demonstrate to staff that health and safety was fundamental to the success of its overall service delivery – and that commitment to health and safety came from the top of the organisation.

The director of service policy and planning was made health and safety director, and implemented a revised framework for health and safety. The director made site visits to engage the workforce and placed renewed emphasis on the need to improve incident reporting, investigation and monitoring procedures. The service has reported:

- £100 000 reduction in insurance liability premiums in one year through improved corporate strategic risk management;
- 50% reduction in sickness absence resulting from work-related injury over two years;
- 50% reduction in injury rates over three years.

Monitoring and reporting are vital parts of a health and safety culture. Management systems must allow the board to receive both specific (eg incident-led) and routine reports on the performance of health and safety policy.

Much day-to-day health and safety information need be reported only at the time of a formal review. But only a strong system of monitoring can ensure that the formal review can proceed as planned – and that relevant events in the interim are brought to the board's attention.

Core actions

The board should ensure that:

- appropriate weight is given to reporting both preventive information (such as progress of training and maintenance programmes) and incident data (such as accident and sickness absence rates);
- periodic audits of the effectiveness of management structures and risk controls for health and safety are carried out;
- the impact of changes such as the introduction of new procedures, work processes or products, or any major health and safety failure, is reported as soon as possible to the board;
- there are procedures to implement new and changed legal requirements and to consider other external developments and events.

How it can be done

- Effective monitoring of sickness absence and workplace health can alert the board to underlying problems that could seriously damage performance or result in accidents and long-term illness.
- The collection of workplace health and safety data can allow the board to benchmark the organisation's performance against others in its sector.
- Appraisals of senior managers can include an assessment of their contribution to health and safety performance.
- Boards can receive regular reports on the health and safety performance and actions of contractors.
- Some organisations have found they win greater support for health and safety by involving workers in monitoring.

Act

A formal boardroom review of health and safety performance is essential. It allows the board to establish whether the essential health and safety principles – strong and active leadership, worker involvement, and assessment and review – have been embedded in the organisation. It tells you whether your system is effective in managing risk and protecting people.

Core actions

The board should review health and safety performance at least once a year. The review process should:

- examine whether the health and safety policy reflects the organisation's current priorities, plans and targets;
- examine whether risk management and other health and safety systems have been effectively reporting to the board;
- report health and safety shortcomings, and the effect of all relevant board and management decisions;
- decide actions to address any weaknesses and a system to monitor their implementation;
- consider immediate reviews in the light of major shortcomings or events.

How it can be done

- Performance on health and safety and wellbeing is increasingly being recorded in organisations' annual reports to investors and stakeholders.
- Board members can make extra 'shop floor' visits to gather information for the formal review.
- Good health and safety performance can be celebrated at central and local level.

Case study – *Sainsbury's*

Sainsbury's rethought its approach to health and safety after an external audit highlighted the need for a more unified approach across the company. The key element was a health and safety vision, set out by the group HR director and backed by a plan that included targets over three years.

As part of the plan, all board directors were given training on health and safety responsibilities. Health and safety now regularly features on board agendas. The business benefits include:

- 17% reduction in sickness absence;
- 28% reduction in reportable incidents;
- improved morale and pride in working for the company, as indicated by colleague surveys.

Auditing and reporting

Larger public and private sector organisations need to have formal procedures for auditing and reporting health and safety performance.

The board should ensure that any audit is perceived as a positive management and boardroom tool. It should have unrestricted access to both external and internal auditors, keeping their cost-effectiveness, independence and objectivity under review.

Various codes and guides (many of them sector-specific) are available to help organisations report health and safety performance and risk management as part of good governance. See the 'Key resources' section.

When leadership falls short

When board members do not lead effectively on health and safety management the consequences can be severe. These examples mark issues for all boards to consider.

Competent advice, training and supervision

Following the fatal injury of an employee maintaining machinery at a recycling firm employing approximately 30 people, a company director received a 12-month custodial sentence for manslaughter. The machinery was not properly isolated and started up unexpectedly.

An HSE and police investigation revealed there was no safe system of work for maintenance, instruction, training and supervision were inadequate.

HSE's investigating principal inspector said: 'Evidence showed that the director chose not to follow the advice of his health and safety advisor and instead adopted a complacent attitude, allowing the standards in his business to fall.'

Monitoring

The managing director of a manufacturing company with around 100 workers was sentenced to 12 months' imprisonment for manslaughter following the death of an employee who became caught in unguarded machinery.

The investigation revealed that, had the company adequately maintained guarding around a conveyor, the death would have been avoided. The judge made clear that whether the managing director was aware of the situation was not the issue; he should have known as this was a long-standing problem. An area manager also received a custodial sentence. The company received a substantial fine and had to pay the prosecution's costs.

Risk assessment

A company and its officers were fined a total of £245 000 and ordered to pay costs of £75 500 at Crown Court in relation to the removal of asbestos. The company employed ten, mostly young, temporary workers; they were not trained or equipped to safely remove the asbestos, nor warned of its risk. The directors were also disqualified from holding any company directorship for two years and one year respectively.

Legal liability of individual board members for health and safety failures

If a health and safety offence is committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the organisation, then that person (as well as the organisation) can be prosecuted under section 37 of the Health and Safety at Work etc Act 1974.

Recent case law has confirmed that directors cannot avoid a charge of neglect under section 37 by arranging their organisation's business so as to leave them ignorant of circumstances which would trigger their obligation to address health and safety breaches.

Those found guilty are liable for fines and imprisonment. In addition, the Company Directors Disqualification Act 1986, section 2(1), empowers the court to disqualify an individual convicted of an offence in connection with the management of a company. This includes health and safety offences. This power is exercised at the discretion of the court; it requires no additional investigation or evidence.

Individual directors are also potentially liable for other related offences, such as the common law offence of gross negligence manslaughter.

Under the common law, gross negligence manslaughter is proved when individual officers of a company (directors or business owners) cause death by their own grossly negligent behaviour. This offence is punishable by an unlimited fine and a maximum of life imprisonment.

Note: equivalent legislation exists in Northern Ireland, ie article 34A of the Health and Safety at Work (Northern Ireland) Order 1978 and article 3(1) of the Company Directors Disqualification (Northern Ireland) Order 2002.

Plan, Do, Check, Act
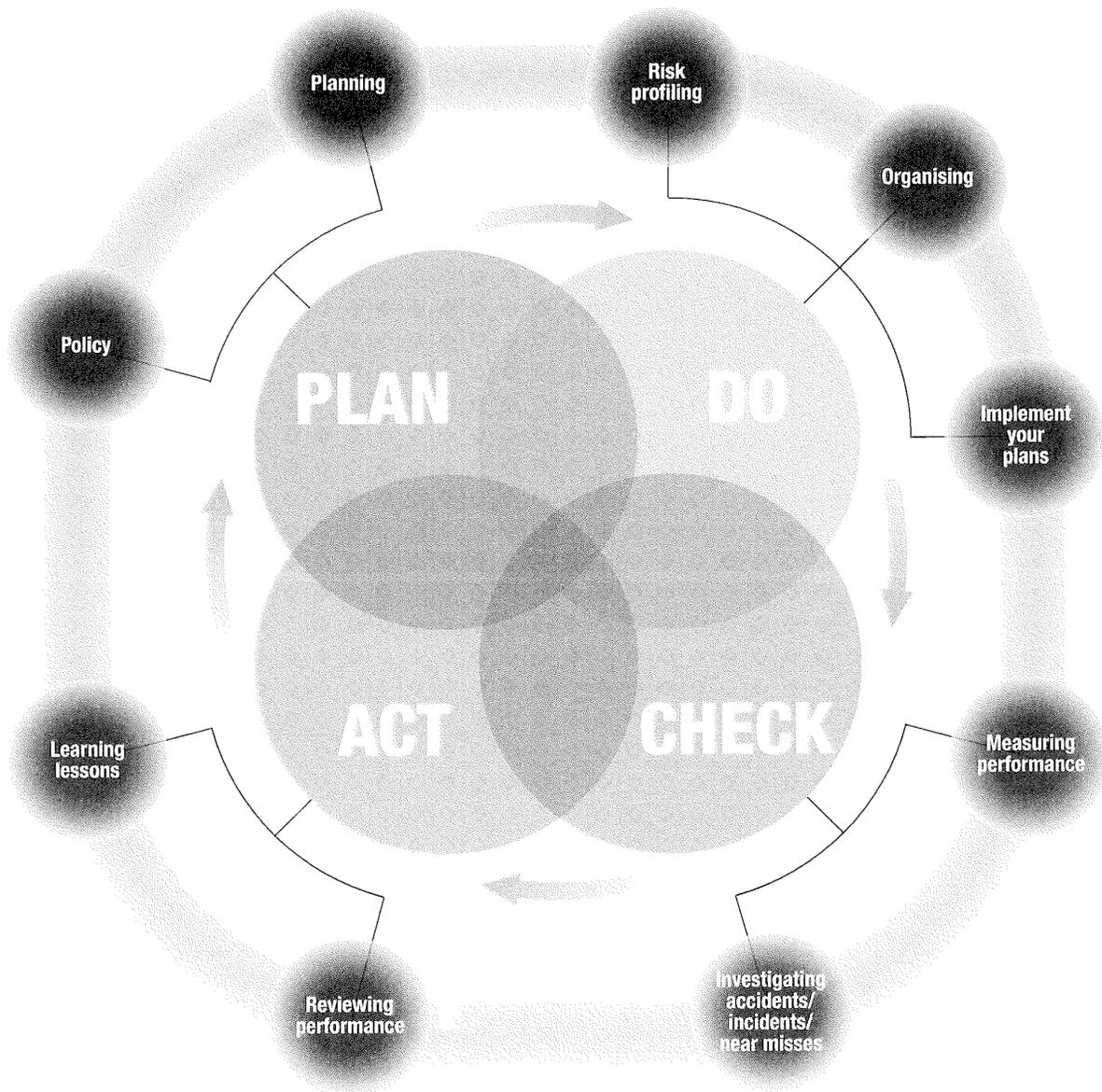
Health and safety checklist

Plan

- How do you demonstrate the board's commitment to health and safety?

www.hse.gov.uk/toolbox/managing/writing.htm

Notes

**Health and Safety
Executive**

Do

- What have you done to ensure your organisation, at all levels including the board, receives competent health and safety advice?

www.hse.gov.uk/toolbox/managing/deciding.htm

- How are you ensuring all staff – including the board – are sufficiently trained and competent in their health and safety responsibilities?

Health and safety training: A brief guide
www.hse.gov.uk/pubns/indg345.htm

- How confident are you that your workforce, particularly safety representatives, are consulted properly on health and safety matters, and that their concerns are reaching the appropriate level including, as necessary, the board?

www.hse.gov.uk/involvement

- What systems are in place to ensure your organisation's risks are assessed, and that sensible control measures are established and maintained?

www.hse.gov.uk/toolbox/managing/managingtherisks.htm

Notes

Check

- How well do you know what is happening on the ground, and what audits or assessments are undertaken to inform you about what your organisation and contractors actually do?

- What information does the board receive regularly about health and safety, eg performance data and reports on injuries and work-related ill health?

www.hse.gov.uk/leadership/auditing.htm

- Do you compare your performance with others in your sector or beyond?

- Where changes in working arrangements have significant implications for health and safety, how are these brought to the attention of the board?

Notes

Act

⬛ What do you do to ensure appropriate board-level review of health and safety?

Successful health and safety management HSG65
www.hse.gov.uk/pubns/books/HSG65.htm

Notes

**Health and Safety
Executive**

Key resources

A dedicated web page has been created to provide boards and board members with further advice and guidance. It includes links to various publications and websites, as well as online versions of this guidance.

The web page can be found at: www.hse.gov.uk/leadership

You can get further information from the following organisations:

Health and Safety Executive (HSE) (www.hse.gov.uk)

- Managing for health and safety website www.hse.gov.uk/managing/
- *Successful health and safety management* HSG65 www.hse.gov.uk/pubns/ books/hsg65.htm
- *Leadership for the major hazard industries: Effective health and safety management* Leaflet INDG277(rev1) HSE Books 2004 www.hse.gov.uk/pubns/indg277.htm

Health and Safety Executive for Northern Ireland (www.hseni.gov.uk)

Institute of Directors (IoD) (www.iod.com)

- dedicated web page at: www.iod.com/hsguide
- *Wellbeing at work: A Director's Guide* IoD 2006 ISBN 978 1 9045 2048 1

Institution of Occupational Safety and Health (IOSH) (www.iosh.co.uk)

- *Questioning performance: The director's essential guide to health, safety and the environment* IOSH ISBN 978 0 901357 37 3
- toolkits
- competent health and safety assistance

Royal Society for the Prevention of Accidents (RoSPA) (www.rospa.com)

- DASH: Director Action on Safety and Health
- GoPoP: Going Public on Performance – measuring and reporting on health and safety performance
- case studies

Trades Union Congress (TUC) (www.tuc.org.uk)

- safety representatives

European Agency for Safety and Health at Work (www.osha.europa.eu)

Further information

For information about health and safety, or to report inconsistencies or inaccuracies in this guidance, visit www.hse.gov.uk. You can view HSE guidance online and order priced publications from the website. HSE priced publications are also available from bookshops.

This guidance, issued jointly by the Institute of Directors and the Health and Safety Executive, is addressed to directors (and their equivalents) of corporate bodies and of organisations in the public and third sectors.

This guidance is issued by the Health and Safety Executive. Following the guidance is not compulsory, unless specifically stated, and you are free to take other action. But if you do follow the guidance you will normally be doing enough to comply with the law. Health and safety inspectors seek to secure compliance with the law and may refer to this guidance.

In considering the liability of an organisation under the Corporate Manslaughter and Corporate Homicide Act 2007, a jury must consider any breaches of health and safety legislation and may have regard to any health and safety guidance. In addition to other health and safety guidance, this guidance could be a relevant consideration for a jury depending on the circumstances of the particular case.

This leaflet is available at www.hse.gov.uk/pubns/indg417.htm.

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Acknowledgements

The Institute of Directors and the Health and Safety Executive would like to thank the following organisations for their help on the steering group that developed this guidance: Confederation of British Industry, Federation of Small Businesses, Institution of Occupational Safety and Health, Local Authorities Coordinators of Regulatory Services, Local Government Association, National Council for Voluntary Organisations, NHS Confederation, The Princess Alice Hospice, Trades Union Congress, University of Warwick.

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POST OFFICE LTD EXECUTIVE COMMITTEE

Risk & Compliance Committee Management Summary
Meeting 21st July 2014

1.   Purpose

The purpose of this paper is to provide ExCo with a summary of the Risk & Compliance Committee held on 21st July 2014.

2.   Meeting Summary

A quorate meeting was held on the 21st July 2014; Simon Evans from PricewaterhouseCoopers attended the meeting as an observer.

The committee examined and accepted the Head of Risk Report.   The committee asked that the report be improved by including proposed completion dates for those parts of the risk framework yet to be planned in detail. The risk communications plan was discussed, confirming that the plan included training as well as awareness.

While discussing the recent Travel Insurance risk event, the committee identified corrective actions requiring a high priority, particularly the Horizon system changes that would prevent a recurrence. Reviewing the emerging risk relating to state aid, the committee decided that the possible impact on the restrictions policy could be significant for Post Office and therefore should be analysed and tracked separately while being reported to the Audit and Risk Committee at the earliest opportunity.

The committee followed up on the risk team assurance activity over Titan project support and the Xanadu programme. The General Counsel reported that as a pre-requisite for implementation of Project Titan, Grant Thornton would be independently confirming that risks and other matters arising were appropriately addressed. It was requested that Grant Thornton present their conclusions directly to the committee. The committee also agreed that the Xanadu assurance report should be reviewed with the Chief Information Officer and the Commercial Director and lessons learned be reported to the committee.

The committee performed an in depth review covering the risk of failing to achieve top line growth in line with the strategy. The discussion examined the controls in place, areas for improvement and actions to be taken. The committee requested that the Chief Marketing and Commercial Officer, the General Counsel and the Financial Services Director follow up on this discussion and further define actions for improvement. It was agreed that the Head of Commercial Finance should review the annual planning cycle, ensuring that all supporting assumptions are documented, including robust "horizon scans" and reviews of market conditions.

The committee reviewed the network transformation risk mapping and it was advised that the programme is undertaking a '100 day' project to improve management of the risks and devise mitigation approaches. The programme was requested to report back to the committee on the outcomes of the project.

The committee discussed the value of establishing contingency budgets or reserves for the management of programme risk at Post Office and whether these should be held centrally or managed by programmes. The Head of Commercial Finance was asked to review the financial planning process, determining whether contingency / reserve should be put in place for programme and portfolio risk management, and report back to the committee.

The committee discussed a summary of the Deloitte report on internal controls over the Horizon System (Project Zebra) and agreed the response from the business to the report's recommendations. The Chief Information Officer confirmed that the report's conclusions would influence future systems procurement processes, including the need to perform risk and control assessments at an early stage.

The Business Continuity Management proposal was accepted and it was agreed that the Head of Risk should develop the business case for approval and submit it to the Finance Committee.

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There were a number of further actions raised at the meeting and these, together with the full details of the discussions and outcomes, can be seen in the minutes of the committee which are provided as an appendix to this paper.

4.   Recommendation

ExCo is asked to note the summary of the meeting of 21st July 2014.

David Mason
19th August 2014

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POST OFFICE LTD EXECUTIVE COMMITTEE

Risk and Compliance Committee (R&CC)		Reference: R&CC JUL 14
Date: 21st July 2014	**Venue: Room 501, 148 Old Street, London**	**Time: 14:00 – 16:00**
Attending:		
Chris Aujard	General Counsel	Chair
Paula Vennells	Chief Executive Officer	Member
Fay Healey	Head of HR	Member (for Neil Hayward)
Colin Stuart	Head of Commercial Finance	Member (for Chris Day)
Martin Edwards	Chief of Staff	Report
David Mason	Head of Risk	Report
Ian Kennedy	General Manager Network Transformation	Report
Martin George	Chief Marketing and Commercial Officer	Report
Jonathan Hill	Head of Risk, Banking Regulation and Strategy	Report
Lesley Sewell	Chief Information Officer	Report
Paul Beaumont	Risk Business Partner, Financial Services	Report
Malcolm Zack	Head of Internal Audit	Report
Simon Evans	PricewaterhouseCoopers	Observer
Mark Bayliss	Manager, Business Risk and Assurance	Secretariat
Apologies:		
Chris Day	Chief Finance Officer	Member
Alwen Lyons	Company Secretary	Member

Introduction
Purpose

Introduce Simon Evans from PwC as an observer.

Agenda Item 1
Head of Risk Report
Purpose

The committee to review the Head of Risk report

Discussion

The progress made and current state of the risk management framework was reported to the committee.

The committee asked that the current state and planned completion date of each element of the framework be included. (Action 1606)

The committee discussed the risk communications plan and the Head of Risk confirmed that the plan included training as well as awareness and that including risk as a component of the SLT training programme was being agreed. The committee agreed that priority is given to areas where the level of experience was low. The risk team was asked to perform a risk assessment of the plan and revise it to take account of areas of known good practice and areas of low skill and knowledge in the organisation. (Action 1607)

The committee noted the current staff shortfall in the risk team and agreed that HR would ensure that the contract replacements would be able to start work as soon as possible. (Action 1608)

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The committee reviewed the risk events section of the report and focused on the recent Travel Insurance event.

The impact, root cause and actions taken so far were discussed and the committee requested that the actions be given a high priority, particularly the Horizon changes which would prevent a recurrence. The committee requested that the Director of Financial Services produce an update on the corrective actions, taking into consideration the impact on project Titan, and circulate it to the committee members.(Action 1609)

The committee also requested that a policy be defined requiring the escalation of any events having a potentially significant reputational impact. (Action 1610)

The committee reviewed and discussed the emerging risks section of the report.

The committee agreed that the restrictions policy element of the state aid emerging risk could have a significant impact on Post Office and should be separately reported. The committee requested that the Communications and Corporate Affairs Director and the Chief Financial Officer provide a proposal covering the communications activity and other management of the risk. (Action1611) The emerging risk should also be escalated to the Audit Risk and Compliance committee at the first opportunity.

The committee requested that the emerging risk report be re-organised to emphasise entries with the highest potential impact and those likely to occur in the near future. (Action 1612)

The committee reviewed the assurance section of the report, focusing on Titan project support and the review of the Xanadu programme.

The General Counsel reported that it had been agreed with the Director of Financial Services that, as a pre-requisite for implementation of Project Titan, Grant Thornton would be independently confirming that risks and other matters arising were appropriately addressed. The committee requested that Grant Thornton present their conclusions to the committee in person. (Action 1613)

The committee agreed that the Xanadu report should be reviewed with the Chief Information Officer and the Commercial Director and revised where needed. (Action 1614)
The lessons learned from the review should then be reported to the committee. (Action 1615)

The committee discussed the risk of unexpected costs due to changes to Post Office business requiring supplier contracts to be terminated early. The General Counsel was asked to ensure that members of the legal team are conscious of the changes that might be required to contracts as a consequence of Business Transformation, wherever practicable. (Action 1616)

Outcomes
The committee received the Head of Risk report and identified a number of actions arising.

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Agenda Item 2
Deep Dive session - Growth
Purpose

The committee to review the management in place over the risk of failing to achieve top line growth in line with the strategy

Discussion

The discussion highlighted the controls in place, areas for improvement and actions to be taken. Areas for improvement identified by the Chief Marketing and Commercial Officer and Head of Risk, Banking Regulation and Strategy, presenting the risk, were:

- "horizon scanning" for future trends,
- risk management of programmes, including initial risk assessments and re-assessments throughout the life of the programme,
- future trends and assumptions to be better analysed and documented in the business planning cycle,
- business plans need to include market reviews,
- identification and review of interdependencies between programmes, and
- alignment of assumptions with business partners.

The committee requested that the Chief Marketing and Commercial Officer, the General Counsel and the Financial Services Director follow up on this discussion and further define actions for improvement including:

- Further integrating the various growth programmes, taking into account the review of the Financial Services strategy, and
- Documenting the interdependencies between the programmes.

(Action 1617)

The committee agreed that the Head of Commercial Finance should review the annual planning cycle, ensuring that all supporting assumptions are documented, including robust "horizon scans" and reviews of market conditions. (Action 1618)

Outcomes

The committee reviewed and discussed the current state and future plans for the management of the strategic growth risk and requested follow up actions.

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Agenda Item 3

Network Transformation Risk Mapping

Purpose

The General Manager, Network Transformation to present a mapping of the risks to the programme, their impact and source

Discussion

The committee reviewed the risk mapping which highlighted the following:

- finance, legal and information technology are the areas most exposed to risks from the programme,
- there are more risks arising from interdependencies between programmes than from within the programme, and
- programme risks commonly affect multiple areas of the business.

The programme is undertaking a '100 day' project to further analyse the risks, improve their management and devise mitigation approaches. The committee requested that the programme report back to the committee on the outcomes of the project. (Action 1619) The committee also asked that the Head of Risk identify where risk knowledge and best practice can be shared between business units and programmes. (Action 1620)

The committee discussed the need to allocate contingency budget or reserves for the management of programme risk at Post Office and whether it should be held by programmes or centrally. The committee requested the Head of Commercial Finance to review the financial planning process to ensure that sufficient contingency / reserve is in place for programme and portfolio risk management and report back to the committee.(Action 1621)

Outcomes

The committee reviewed the risks mapping from the Network Transformation programme and requested follow up actions.

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Agenda Item 4
Deloitte Report and Business Continuity Management Proposal
Purpose
To present a summary of the Deloitte report on internal controls over the Horizon System (Project Zebra) The Head of Risk to bring back the Business Continuity Management enduring model proposal for approval
Discussion
The Project Zebra report was reviewed and the committee agreed the response from the business to the recommendations. The Chief Information Officer confirmed that the report's conclusions would influence future systems procurement processes, including the need to perform risk and control assessments at an early stage. The committee requested that: • the last paragraph of the report be re-written to clearly identify issues and actions arising, (Actions 1622) and • actions from the report be tracked as audit actions.(Action 1623) The Business Continuity Management proposal was not further discussed in detail but accepted and it was agreed that the Head of Risk document the costs and submit the proposal for business review and approval.
Outcomes
The committee accepted the report on Project Zebra, requesting further actions, and approved the Business Continuity Management enduring model proposal.
Agenda Item 5
Minutes & Matters Arising
Purpose
The committee to agree the previous minutes and receive the updates on actions to confirm completion
Discussion
The committee did not cover this agenda item.
Outcomes
The members be asked to approve the previous minutes and action updates by email
Agenda Item 6
Any Other Business
Purpose
The committee to consider any other business not captured on the agenda and any necessary actions
Discussion
The committee did not cover this item but approved the proposal to move to a monthly timetable.
Outcomes
The committee agreed to meet monthly.

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Ref	Action	Lead	By	Update
Action Summary and Updates				
1623	Track the actions from the Project Zebra report as audit actions	Malcolm Zack	29th August	
1622	Ensure the last paragraph of the R&CC paper on Project Zebra is re-written to clearly identify issues and actions arising.	Malcolm Zack	15th August	
1621	Review the financial planning process to ensure that sufficient contingency / reserve is in place for programme and portfolio risk management.	Colin Stuart	29th August	
1620	Identify where risk knowledge and best practice can be shared between business units and programmes	David Mason	29th August	
1619	The NT programme to report back to the committee on the outcomes of its '100 day' project to improve and embed risk management.	Ian Kennedy	6th November	
1618	Review the annual planning cycle, ensuring that all supporting assumptions are documented, including a robust "horizon scan" and review of market conditions.	Colin Stuart	29th August	
1617	Follow up on the R&CC deep dive discussion of the growth risk and further define actions for improvement including: • Further integrating the various growth programmes, taking into account the review of the Financial Services strategy taking place, and • Documenting the interdependencies between the programmes.	Nick Kennett Chris Aujard Martin George	29th September	
1616	Ensure that members of the legal team are conscious of the changes that might be required to contracts as a consequence of Business Transformation, wherever practicable.	Chris Aujard	29th September	
1615	The lessons learned from the Xanadu assurance report be reported to the R&CC	David Mason	29th September	
1614	The Xanadu assurance report be reviewed by the Chief Information Officer and the Commercial Director and be revised where needed.	David Mason	29th August	
1613	As a pre-requisite for implementation of Project Titan, Grant Thornton will be independently confirming that the risks and other matters arising were appropriately addressed. The committee requested that Grant Thornton present their conclusions to the committee in person.	Chris Aujard	29th September	
1612	Re-organise the emerging risk section of the Head of Risk Report to highlight entries with a high potential impact and likely to occur in the near future	David Mason	29th September	
1611	Provide the committee with a proposal covering the communications activity and other	Mark Davies	29th September	

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	management of the emerging risk related to the restrictions policy.	Chris Day		
1610	Define a policy requiring the escalation of any events having a potentially significant reputational impact.	David Mason	15th August	
1609	Director of Financial Services produce an update on the mitigating actions related to the recent Travel Insurance risk event, taking into consideration the impact on project Titan, and circulate it to the committee members.	Nick Kennett Chris Aujard	1st August	
1608	Ensure that the contract replacements for risk business partners will be able to start work as soon as possible	David Mason and Fay Healey		(Action Completed)
1607	Perform an assessment of the risk communications and training plan and revise it to take account of areas of known good practice and areas of low skill and knowledge in the organisation.	David Mason	29th September	
1606	The current state and planned completion date of each element of the framework to be included in the Head of Risk report on the framework development progress	David Mason	29th September	
1601 Carried forward	Benchmarks or examples of how other businesses manage the exception to the acceptable use policy to be collated and provided to the committee	Julie George	3rd July 2014	
1600 Carried forward	Produce and circulate the job specification for the MLRO	David Mason	Next meeting	
1589 Carried forward	Assess the options for further FCA approved persons within Post Office and identify training requirements.	David Mason	Next meeting	
1586 Carried forward	Failure of external bank IT systems to be investigated to determine exact nature of failures and if connected to Bank of Ireland systems. To be reported within risk events paper if appropriate	David Mason	Next meeting	
1584 Carried forward	Discuss and agree with Group People Director how any gaps in compulsory training are resolved	David Mason	Next meeting	
1583 Carried forward	Risk & Compliance team perform a survey to identify the compulsory/obligatory corporate training that is required to be completed and identify any gaps in actual training that has been completed	David Mason	Next meeting	

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Industrial Relations Strategy

1. Executive Summary

1.1. This Post Office Industrial Relations (IR) strategy is based on raising capability and confidence. It is designed to accelerate an increase in our levels of direct employee engagement and the achievement of our commercial objectives and strategy.

1.2. The capability and confidence of our leaders and line managers to improve individual and team performance during significant, challenging transformation is a critical success factor for our business. Overcoming the current IR barriers to releasing more discretionary effort – 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 and manage change in a highly unionised environment.

1.3. 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. Purpose

2.1. The Post Office has an ambitious commercial strategy to deliver the commitments outlined in the document 'Securing the Future – Strategy 2020. 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. 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 radical re-shaping of our organisation and the accelerators which involve 'Changing the way we work'.[1]

Figure 1: Alignment with People and Engagement Strategy

People and Engagement Strategy	IR Strategy
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.

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[1] *"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'

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3. Context

3.1. We are independent business with recognised unions which are still organised for, and wedded to, a pre-separation 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.[2] 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 CMA, Middle Manager, grades is 40%.[3]

3.3. There are currently 38 individuals on full-time pay release for union activities within the Post Office.[4] This equates to 1,767 working weeks, 8,835 days, or 61,845 hours per year.[5] The total business cost of these individuals in pay, pension and expenses was £1.2m in 2013/14.[6] This is an unsustainable cost for our business and an unjustifiable use of public money.

3.4. There is also the 'known unknown' additional cost to the business (as yet unspecified) 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 in to this issue.

3.5. 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.

3.6. 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.[7]

3.7. Fifty major collective agreements governing various workforce practices transferred to Post Office under separation from Royal Mail. There are further 200+ which exist through custom and practice at varying local levels.

4. Key Outcomes

4.1. This strategy will contribute towards commercial sustainability for Post Office by delivering:
   o Improved service efficiency and customer satisfaction;
   o Higher and sustainable levels of colleague engagement;
   o Reduced cycle time for implementing change;
   o Reduced cost of union facility time;
   o Capable and confident managers & HRBPs empowered to successfully manage timely change in a highly unionised environment; and
   o A sustainable positive climate of industrial and employee relations.

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[2] *Trade Union Membership 2013*, BIS, May 2014.
[3] Figures taken from Post Office pay roll which administers 'check off' of union dues.
[4] The Post Office IR Framework gives our unions 41 full-time paid Reps. Three posts are currently vacant.
[5] Based on a working year of 232.5 days per year and a 35 hour working week for a Post Office employee.
[6] Based on total employment costs and T&S spend of all full-time Reps.
[7] Based on a projection of the average cost of a Rep (£31,500p.a.) and the total number of Reps (12) which would be required under the BT formula.

4.2. 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.

5. Themes

5.1. Our work will have four main themes which will underpin our ongoing work to account manage our unions. These are set out below.

5.2. A explicitly commercial approach to all negotiations on pay to deliver affordable results and change union and colleague perception of the Post Office's approach and ability to manage unions effectively.

5.3. A new, modern approach to engagement and change. Through a new 'Collective Engagement Framework Agreement' and 'Managing Organisational Change Framework' which will be the new rules for collective engagement. This will represent an extremely challenging negotiation process. Sitting underneath this will be the updating of collective agreements and associated people policies, processes and procedures on a 'many to few' basis. This will set the tone and practical framework for what we need our managers and the unions to support.

5.4. 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 Ltd 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.

5.5. 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 and more decision to be taken at the appropriate, local, level.

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

As is	To be
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

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

6.1. To address the current imbalance of influence over colleagues' behaviours (e.g. industrial action) away from the unions (CWU in particular) towards front line managers, 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.

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 have already integrated IR and ER into a single team.

6.4. We need a lean, focused and expert team to deliver this challenging strategy. It needs to focus on a short list of priorities which will underpin the themes outlined at Section 5.

6.5. 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)**

6.6. 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 Engagement as part of the People Team. Please see **Appendix 1** for details.

6.7. 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.

7. **Risks** *(and mitigations)*
7.1. This approach has a number of clear risks which we will seek to mitigate:
- Seeking to implement the Strategy will delay other business activity – *Possible if the unions chose to withdraw from all co-operation;*
- 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*

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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 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. 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 be reducing union influence can we effectively improve employee engagement.*

8. Next Steps

8.1. There is an urgency to start delivering this strategy. It will support our accelerators for commercial sustainability. We therefore propose to:
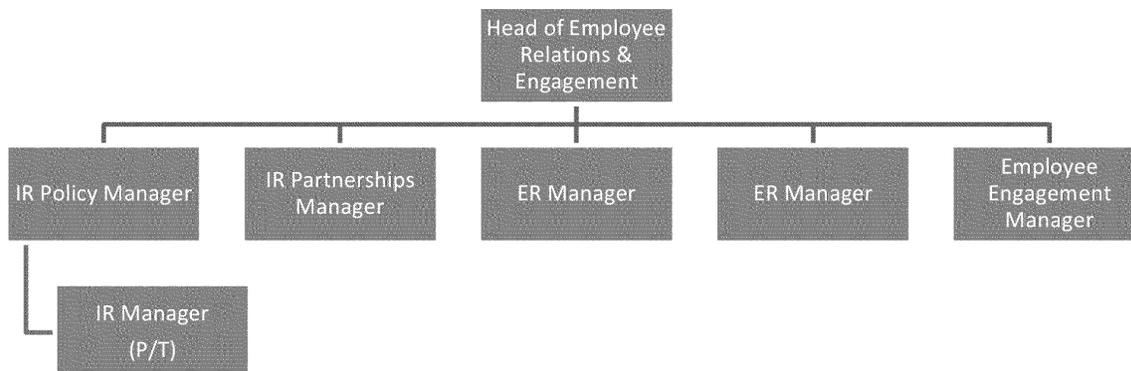- Continue with on-going work noted in this Strategy
- Present this Strategy, supporting Industrial analysis, and high-level delivery plan, to the ExCo for discussion and approval
- Secure business sign-off.

Industrial Relations
August 2014

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APPENDIX 1: Post Office Employee Relations & Engagement Team

Proposed Organisational Chart

```
                        ┌─────────────────┐
                        │ Head of Employee│
                        │   Relations &   │
                        │   Engagement    │
                        └────────┬────────┘
        ┌──────────┬──────────┬──┴───────┬──────────┬──────────┐
┌───────────┐ ┌──────────┐ ┌─────────┐ ┌─────────┐ ┌──────────┐
│ IR Policy │ │   IR     │ │   ER    │ │   ER    │ │ Employee │
│  Manager  │ │Partner-  │ │ Manager │ │ Manager │ │Engagement│
│           │ │ships     │ │         │ │         │ │ Manager  │
│           │ │Manager   │ │         │ │         │ │          │
└─────┬─────┘ └──────────┘ └─────────┘ └─────────┘ └──────────┘
      │
┌─────────────┐
│ IR Manager  │
│   (P/T)     │
└─────────────┘
```

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.

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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 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)[8]
- 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.

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[8] 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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POST OFFICE LTD BOARD

Delegating authority for software licence purchases – August 2014

1. **Purpose**

The purpose of this paper is to:

1.1 Request approval for the Board to delegate authority to approve software licence purchases and associated support contracts containing uncapped liability to a group consisting of the CFO (Chris Day), General Counsel (Chris Aujard) and CIO (Lesley Sewell). Software licence agreements and associated support contracts will be signed by an authorised signatory under the 'Post Office Procurement Delegated Authorities' once the contract has been approved by the CFO, CIO and General Counsel.

2. **Background**

2.1 The Board has delegated authority to enter contractual commitments on its behalf. This process is managed via the contract approval procedures and the Contract Approval Form ("CAF").

2.2 Any contracts which do not limit the liabilities of the Post Office, i.e. contains an unlimited liability, must be approved by the Post Office Limited Board.

2.3 In separating the software licence estate from Royal Mail Group, there is a large number of "off the shelf" software licences that will need to be signed in the name of Post Office Limited. There are 62 known software vendors whose products are in use and new agreements will need to be signed.

2.3 It is standard industry practice for software licence agreements for "off the shelf", proprietary products from large software vendors, such as Microsoft and SAP, to contain uncapped liability clauses. Negotiation options with these suppliers are very limited.

2.4 Requesting Board approval for each licence agreement with an uncapped liability will burden the Board and add limited value as these are market standard positions. This will also add time to the process.

2.5 Delays in seeking Board approval may result in cost increases if negotiated discounts are time boxed by vendors.

3. **Activities/Current Situation**

3.1 Negotiations are currently underway and nearing completion with the large vendors such as Microsoft, Oracle, SAP and Adobe. Each of their contracts contains, or will contain either an uncapped liability clause or the contract will be silent as to any cap on Post Office's liability.

4. **Proposal**

4.1 All concluded contract negotiations with software vendors are:

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- reviewed by internal and external legal counsel
- approved by the Post Office Limited CIO, CFO and General Legal Counsel through the signing of a CAF, which is then countersigned by Company Secretariat
- licence agreement and associated support agreement signed by an authorised signatory under 'Post Office Procurement Delegated Authorities'
- copies of the agreement(s) and CAF will be kept my Company Secretariat
- summary of contracts signed through this route are sent to Board for noting

5. Commercial Impact/Costs

5.1 There is limited commercial impact in delegation of authority. In many instances Post Office are already using these products, through Royal Mail agreements

6. Key Risks/Mitigation

6.1 The key risk associated with delegating authority is that the functional EXCO members approve an uncapped liability position that the Board would view as an unacceptable risk.

7. Long term considerations

7.1 Software Asset Management will be implemented and managed via Atos as part of the transition to the IT Towers. This will allow Post Office to optimise the use of these assets

8. Communications Impact

8.1 There are no communication impacts beyond the IT procurement team who are already aware of this proposal.

9. Conclusion

9.1 Delegated authority to approve software licence agreements containing uncapped liability will not introduce any new material risks to Post Office Limited but will expedite separation of software contracts in a more timely manner.

10. Recommendations

The Board is asked to:

10.1 Delegate authority to approve software licence agreements and associated support agreements containing uncapped liabilities to the CIO, CFO and General Legal Counsel.

Chris Day/Chris Aujard
19th August 2014

148 Office Move
'Ways of Working'

19st August, 2014

Purpose

The purpose of this presentation is to take ExCo through the project SLAID:
- Communications framework
- Ways of working principles (including desk allocation)
- Change plan (practical and cultural)

ExCo are asked to review this presentation and then:

1. Support and advocate the ways of working approach outlined
2. Role model the cultural change required
3. Engage with their teams to lead the change in their area

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Overview of approach

Communicating the move: 4 sections

Know where you work	Shape where you work	Love where you work	The way you work
Keeping people updated on the operational side of the move – including timelines and FAQs.	Involving people to help shape their place of work (i.e. voting to name meeting rooms)	Introducing people to their new neighbourhood (i.e. places to eat near Finsbury Dials)	Modernising the way we work where: 1. Work is seen as an activity and not a place (output rather than input based) 2. People collaborate across teams, utilising technology where possible 3. Cost savings are delivered through more effective use of space (going digital)

Each of these strands to run through-out the office move period, but also to carry on post-move to continue to make Finsbury Dials a modern and great place to work.

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The way you work: **Who does this well...**

- Seven floors dedicated to start-up success
- Open to all (internal and external) with free Wi-Fi, networking and collaborative space

- 2300 employees all hot-desk
- Nobody assigned a desk, rather the entire office has activity areas that allows workers to collaborate, socialise and focus on tasks

- In 2010 moved to new HQ in Slough, where there are 1,500 desks for 2000 people.
- 600 'huggers' (permanent desk) and 1400 'hoppers' (no permanent desk).
- This equates to 1 permanent desk for every 3.3 employees

- Moved 450 staff 20 miles from Harlow to Hatfield
- Agile working introduced where now only 60 people work in the headquarters, where previously only 60 worked away from it

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The space challenge

- -

- Current space requirement in 148 is c.900 (June 2014).
- 120 will leave 148 as part of NT moves to Clapham/Colchester (leaving 780).
- 148 has an average occupancy of 80% – leaving an estimated 624 using the building each day*
- There are 480 desks in Finsbury Dials (+ 70 touchdown spaces / 41 meeting rooms).

- To achieve this will require a significant change to the way we work.

*This number will decrease as a result of business transformation to the point where in the future Finsbury Dials will have a predicted over extra capacity – in which case the flexible lease will give us the option of sub-letting a floor

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New ways of working is broader than Old Street
(office move is the catalyst)

The Agile Future Forum is a partnership of organisations that are looking at how UK organisations can support the growth of UK plc by becoming more agile across the following 4 areas:

Time:
When do people work

Location:
Where do people work

Role:
What do people do at work

Source:
Who does the work

LLOYDS BANKING GROUP

Time
38% of branches open late on Thursday

Pitney Bowes

Location
'Technology is enabling us to reduce number of people who come to office everyday' (from 650 to 60)

John Lewis

Role
John Lewis and Waitrose have combined tasks for new roles in Ipswich store'

Source
Organisations have the opportunity to insource / outsource / co-source

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Ways of Working Principles

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10 Ways of Working Principles

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1. **Neighbourhoods:** Functions will be allocated neighbourhoods with a proportional amount of desk space to which they will be responsible for determining the allocation of desks using the principles outlined in this document. ExCo will have their own neighbourhood which will include space for personal assistants.
2. **Work Location:** Employees who are home based, field based or non-London based will not have a permanent desk
3. **Hot-desking:** The majority of employees will be required to hot-desk (business wide expectation that permanent desks will be the exception with a minimum of 2/3rds hot-desking). Huggers* will have a permanent desks and Hoppers* will be mobile (both will still have Finsbury Dials as contractual location)
4. **Permanent Desks:** Huggers will be determined using transparent criteria based on business or personal requirement. Lead teams to determine which roles are huggers (including SLT) as part of a mapping exercise in September.

*We will be asking people to vote on the best name for permanent and mobile workers but are using the terms hugger (permanent desk) and hopper (mobile worker) for briefing purposes

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10 Ways of Working Principles (contd)

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5. Temporary workers: Where covering a permanent role will be included in proportional neighbourhood space. Project work will need to include a space request as part of a separate business case submission (including existing projects)

6. Storage: Huggers will have permanent storage (slim pedestals) while hoppers will have access to individual personal lockers. There will also be separate team storage where required (i.e. legal requirements for confidentiality) but the emphasis will be on becoming more digital (i.e. office clear out days)

7. Costing: Desks will be cross-charged to functions. Additional requests for space will be factored into business cases which the property team will support as appropriate. Conversely, teams can hand back space as appropriate and realise a cost saving.

8. Desk Booking: Desks will not be pre-bookable

9. Touch-down desks: Touch-down desks (70) will be available on a first come first served basis

10. Clear Desk Policy: There will be a clear desk policy (no towels on sun loungers!)

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Example

- HR team has 148 headcount of 45 which equates to 5.8% of total 148 population of 780 (900 total – 120 moving as part of NT)

- Finsbury Dials has 480 desks. HR team allocated neighbourhood with 5.8% of desks = 28 desks.

- HR team to allocate permanent desks (huggers) based on central criteria.   This is up to lead teams to determine (mapping sesions to take place in September) but the greater the ratio the more neighbourhood hot-desks available for team:

- 1:3 ratio = 15 permanent desks : 45 people (this leaves 13 hot-desks for 30 people requiring a daily hugger occupancy rate of 43%)
- 1:4 ratio = 12 permanent desks : 45 people (leaving 16 hot-desks for 33 people requiring a daily hugger occupancy rate of 48%)
- 1:5 ratio = 9 permanent desks : 45 people (leaving 19 hot-desks for 36 people requiring a daily hugger occupancy rate of 53%)
- 1:11 ratio = 4 permanent desks : 45 people (leaving 24 desks for 41 people requiring a daily hugger occupancy rate of 59%)

- Expectation that permanent desks should not be allocated at a ratio less than 1:3

- ExCo members and personal assistant will be situated in their own neighbourhood so mapping exercise will not include them.

- Teams then supported in how they work as flexible teams

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Example (contd)

- HR team chooses to allocate just two people with permanent desks (1 x Health and Safety point of contact and 1 x Pensions Admin role)

- This leaves <u>43 people to share 26 desks</u>. This requires a daily hugger occupancy rate of 60% as opposed to the existing natural overall occupancy rate of between 60% and 90%

- Each team allocated 3 primary office days (i.e. Reward team on Monday/Wednesday/Friday, Business Partners on Monday/Tuesday/Thursday) to meet 60% occupancy rate

- Employees encouraged to work at home up to 2 days per week, where possible, and utilise technology to communicate

- Team utilises technology wherever possible to hold meetings
- Video conference 1:1s
- Webinar team presentations

- Team members work in touch-down areas and collaborative shared space when no space in neighbourhood
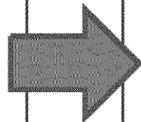
Change Plan

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We need to change our work culture

Current World

- Head office

- Work as a destination (everyone with an allocated permanent desk)

- Face-to-face communication and travel the default

- Silo working

- Hierarchical and bureaucratic

New World

- Customer support centre

- Work as an activity (hot-desking where permanent desks are the exception)

- Technology based communication (i.e. video conferencing) the norm

- Collaborative work environments and relationships

- Open plan and agile

Timeframe

Building an agile workforce will be a an on-going process – but office moves are used as the catalyst.

BBC: Relocated to new Salford HQ over 9 month change journey.
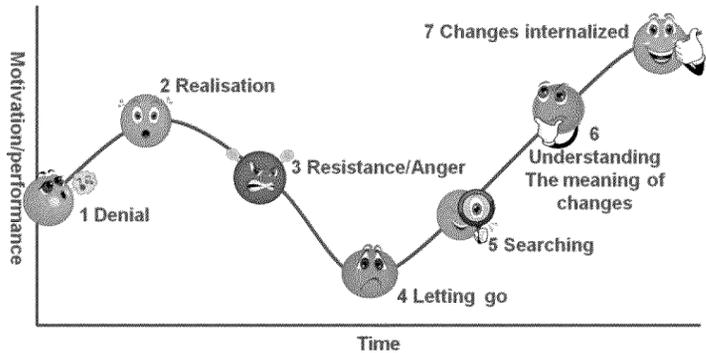
02: Merged 5 different geographics units into one hub in Slough where 2000 people use 1500 desks. 7-8 month change journey

Pitney Bowes: Moved 450 staff 20 miles to new HQ. 6 month change journey.

Our journey will be quicker (5-6 months) but it is less complicated due to distance.

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Change Curve

Change curve showing Motivation/performance over Time with stages:
1 Denial, 2 Realisation, 3 Resistance/Anger, 4 Letting go, 5 Searching, 6 Understanding The meaning of changes, 7 Changes internalized

AUG   SEPT   OCT   NOV   DEC   JAN   FEB/MAR

Phased Move In

The way you work

1. Work is seen as an activity and not a place (output rather than input based)
2. People collaborate across teams, utilising technology where possible
3. Cost savings are delivered through more effective use of space (going digital)

Visible Leadership (ExCo + SLT)

Communicating & Awareness

Understanding & Experiencing

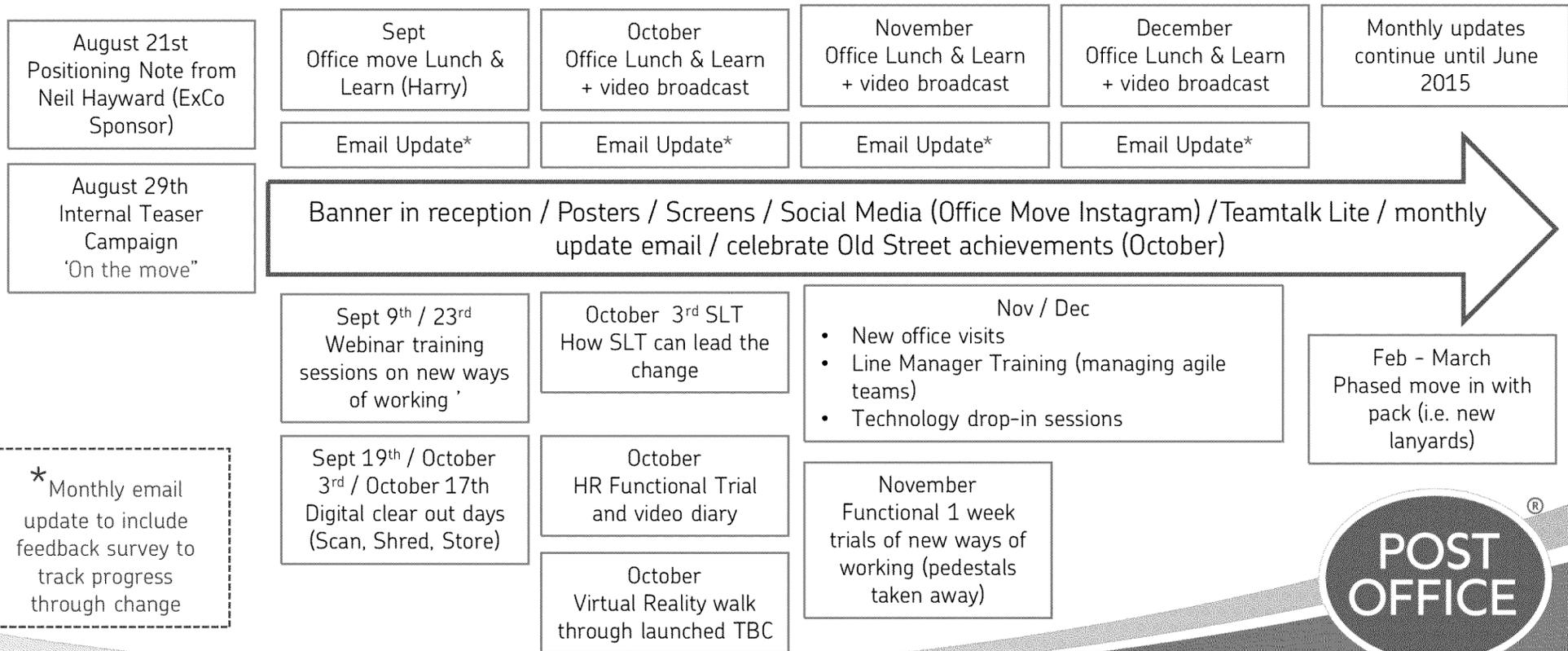Moving

Practical Change Plan

Informing the business of new ways of working and managing what that looks like in different functions..

Cultural Change Plan

Changing the culture of the way we work

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New Ways of Working: Cultural Change

| August 21st Positioning Note from Neil Hayward (ExCo Sponsor) | Sept Office move Lunch & Learn (Harry) | October Office Lunch & Learn + video broadcast | November Office Lunch & Learn + video broadcast | December Office Lunch & Learn + video broadcast | Monthly updates continue until June 2015 |

| | Email Update* | Email Update* | Email Update* | Email Update* | |

| August 29th Internal Teaser Campaign 'On the move" | Banner in reception / Posters / Screens / Social Media (Office Move Instagram) /Teamtalk Lite / monthly update email / celebrate Old Street achievements (October) |

| Sept 9th / 23rd Webinar training sessions on new ways of working ' | October 3rd SLT How SLT can lead the change | Nov / Dec • New office visits • Line Manager Training (managing agile teams) • Technology drop-in sessions | Feb – March Phased move in with pack (i.e. new lanyards) |

*Monthly email update to include feedback survey to track progress through change

| Sept 19th / October 3rd / October 17th Digital clear out days (Scan, Shred, Store) | October HR Functional Trial and video diary | November Functional 1 week trials of new ways of working (pedestals taken away) |

October Virtual Reality walk through launched TBC

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Internal Teaser Campaign: On the move...

- -

Are you a
hugger or a
hopper?

On the move....

#onthemove
(visit the intranet site to find
out more)

See it to
believe it....

On the move on
Instagram

#onthemove
(visit the intranet site to find
out more)

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New Ways of Working: Practical Change

Aug 4th – 29th Relocation reps complete data capture of 148 population (line in the sand for fluid population)	**Mid-late Sept** Lead team sessions to: - Confirm permanent desk allocation against role / confidential storage requirements - Discuss new ways of working (including functional trial)	**End Sept / Early October** Map functional requirements to Finsbury Dials and confirm layout.	**November** Functions go through 1 week trial run of new ways of working. Questionnaire and follow up lessons learned session to take place.	**Jan** Move preparation (move in packs or app / new lanyards / laptop refresh)	**Feb – March** Phased move in to Finsbury Dials

August 21st
Positioning Note from Neil Hayward (ExCo Sponsor)

Sept 19th / October 3rd / October 17th
Digital clear out days (Scan, Shred, Store)

Early October
1:1 discussions where line managers discuss news ways of working (including who gets permanent desks and functional trial) to include discussion with individuals who need permanent desk for personal reasons
Briefing packs provided

Oct/ November / Dec onwards
Online Management training (modular courses such as managing remote teams / peer learning

August 21st – Sept 11th
Initial line manager discussions / Team-talk

August 29th
Briefing note to functional lead teams to prepare for mapping sessions

End October
Seating plans finalised

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New Ways of Working: Utilising Technology

These are examples of how other organisations are utilising technology to work differently:

- **Webinars**: Exchange ideas and information with real time screen sharing and phone conferencing
- **Video Conferencing:** Visual and audio information exchange (one-to-one, one-to-many, group)
- **Digital Post-it:** Share information remotely between screens and laptops
- **Yammer:** Online collaborative tool
- **Virtual Directory:** Self-managed digital address book
- **Digital Posters:** Part of neighbourhoods to display functional and broader messages such as real-time business stats (e.g. life insurance sales, call centre waiting time)
- **Twitter:** Tracking geographical activity hotspots on the screens
- **Near Desk:** Pay-as-you-go external mobile desk space through an Oyster Card system
- **Follow-me printers:** Printers that you scan and recognise you anywhere

We need to go digital. The move will coincide with a technology refresh that will see everyone in Old Street issued a new laptop and Blackberries will be replaced with Windows phones.

The biggest change will be the change in habit.   **We need to go digital**.

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Summary

ExCo are asked to:

1. Support and advocate the ways of working approach outlined in this document

2. Role model the cultural change required
   - Treat work as an activity, not a place (performance manage on outputs not inputs)
   - Utilise technology to collaborate (hold video conferences / Webinars)
   - Maximise how we use space (go digital/paperless)

3. Engage with their teams and lead the change in their area.

4. # Start to do things differently.....

Next Steps:
- Positioning note from Neil Hayward to go out Thursday 21st August
- Lead team session in the diary for September
- We have a dedicated intranet site which you can access by clicking here

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Current Actions and Decisions Log

ExCo Meeting 18 February – Actions and Decisions

18/02/06	Action 1	Transformation Board Communicate to SLT the new Governance structure and their role in holding ExCo to account. Update 13/06/14: RZW is progressing this action. ON HOLD TOR AND DATES TO BE CIRCULATED TO SLT	AL/AT/MD	End June In progress

ExCo meeting 18 March – Actions and Decisions

18/03/08	Action 8	Finance Report – Government Contracts Circulate to ExCo a table showing Government contract coming up for renewal in 2014/2015 and the likely effect on the plan.	MG	April ExCo

ExCo meeting 15 April – Actions and Decisions

15/04/20	Action 2	Network Board papers Mike Granville to provide a paper to look at the effect of the run up to the last election on the Business and the influence of manifestos. Update 13/06/14: Mike Granville and Jane Hill preparing a paper. Update 12/08/14 – Influencing Update paper for ExCo on the approach to the election (influencing manifesto/preparation) will be provided in advance of October ExCo meeting. It will include any lessons from 2010.	MD/Mike Granville	In progress

ExCo meeting 8 May – Actions and Decisions

08/05/14	Action 13	Strategic Risk- Risk Appetite Feedback to Dave Mason any comments on the Risk Appetite paper. Dave to update and set up an ExCo session on risk appetite after the	ExCo/DM	SEPT 11TH

		June Board away day. 12/8 – UPDATE FROM KEVIN G – FLAGGED CONCERN AND WILL TRIAL A NETWORK INITIATIVE TO TEST THE FRAMEWORK.		
08/05/15	Action 14	Strategic Risk – Contingency Risk Paula to discuss the contingency with Chris D to decide how the ExCo take the lack of contingency risk forward.	PV/CD	SEPT 11TH
08/05/16	Action 15	Strategic Risk – Contingency Risk Chris Day to share the finance stress testing of the plan with the ExCo, to ensure contingencies are identified for the big programmes.	CD	SEPT 11TH
08/05/31	Action 4	Data Centre Procurement (pre ARC) Adnan to produce a draft learning sheet to use within the business.	CA	In progress
08/05/34	Action 3	TFL – Audit protocol guidance Put the policy on the intranet and ensure it is well communicated. Updated 13/06/14: MD meeting CA to progress Updated 25/06/14: MEETING ON 25/6 TO PROGRESS FURTHER.	CA/MD	In progress
08/05/14	Action 5	TFL – Audit protocol guidance Internal Audit to recommend best practice for assurance activity for the large programmes.	CA	In progress – will form part of the PwC work.
08/05/37	Action 6	TFL – Audit protocol guidance Decide on the best approach to ensure the intranet is effective with the possible use of a super administrator. Updated 13/06/14: MD to discuss at 1:1 with NH to progress.	MD/NH	In progress

ExCo Meeting 9 June 2014 – Actions and Decisions

09/06/01	Action 1	Risk & Compliance Piece of communication needed to explain risk management and risk protocols particularly as we move into Business Transformation. Updated 25/06/14: MD and CA met to progress further	MD/CA	ONGOING

ExCo Meeting 3 July – Actions and Decisions

03/07/01	Decision 1	Kelly Report BBC lessons learned on programme management to be picked up by David and fed into Business Transformation programme Document circulated to BTr team with the action to embed risk mitigation into programme next steps to address relevant provocation from the report.	DR	Closed
03/07/02	Action 1	Project Nemo Use the opportunity of introducing a new DC scheme to reconsider offering salary sacrifice as part of the scheme. Paper to be produced for September ExCo	NW/NH	Sept 11th
03/07/03	Action 2	Project Nemo Consider whether we align any potential FS pensions product (e.g. advice service) with the new DC pension provision for our employees. Scoping exercise to take place once the legal framework is better understood (eg. Mechanism to offer free advice at retirement etc)	NH/NK	On Going
03/07/04	Action 3	Project Nemo Provide an email to ExCo explaining plan B if the new DC pension scheme is now in place in time for 31 March 2015. Update: 1) Remaining in the RMDCP – One of the main reasons we decided to come out of the RMDCP was because any changes Royal Mail makes we have to make as well. These changes could have a cost element attached to it. In this case RM are changing the default contribution level for new joiners from 1 April 2015, the new default is 5% employee, 8% employer. Based upon assumptions that we will recruit a similar amount of staff for the year 2014/15 as we have in the last 2 years we would see an increase of circa £150k pa in contributions. This figure is not a one off and would be cumulative. RM have said that if we stayed in the scheme we would have to adopt this new default level. Once it is in we would find it very difficult to revert to the current default of 4% employee, 7% employer when we eventually move to the new scheme. 2) Suspending membership – It may be possible to suspend membership of the pension scheme until the new scheme is in	NH/NW	Closed

		place. This option would mean seeking permission from the Pensions Regulator (tPR), permission from RM and the Trustees to hold contributions in the Trustee bank account and not invest them. It is hard to quantify the cost as we would have to ensure that no member is at a loss from their contributions not being invested. Post Office will have to cover any losses. If this was going to be considered it is recommended that it should be a short term solution ie no more than 2 months. Option 1 is the preferred route as there is less risk involved, however the main drawback is the cost involved on an ongoing basis of having a to keep the new default contribution rate. Royal Mail do not have an issue with us remaining in the RMDCP as long as we follow their Rules. As part the Deed of Participation we will have to give RM 3 months' notice for us to cease participation in the RMDCP, it is envisage we will do this towards the end of December. Option 2 has a lot more risk associated with it; there is also a reputational issue in the fact that Post Office is a Government organisation that will have no pension scheme in place. There is also the risk the Trustees and/or the Regulator will not allow this.		
03/07/05	Action 1	Significant Litigation Schedule an ExCo discussion on losses and prosecution policy	CA/AL	End Aug
03/07/06	Action 2	Significant Litigation Future ExCo discussion on employment HR policies, communication and training and how any grievance or bully and harassment cases are managed.	NH/AL	Note to be issued to ExCo
03/07/09	Action 2	Cyber security noting paper Risk & Compliance Committee to consider Cyber Security on its next agenda	CA	21 July
03/07/16	Action 1	Titan/Hawk Provide a verbal update at the next ExCo to ensure understanding of Titan and the negotiation mandate for Hawk.	NK	Next ExCo

ExCo Meeting 8 July 2014 – Actions and Decisions

08/07/01	Action 1	Finance Performance update at Q1 – Mails Model cost of the options for continuing the promotion on medium parcels after the month is over. Report back to commercial committee. Decision at commercial committee.	Commercial committee MG	
08/07/02	Action 2	Finance Performance update at Q1 – Telephony Organise a deep dive for telephony for the Autumn to review the product profitability.	MG/AL	
08/07/05	Action 3	CFO forecast – Mails Come back to ExCo to explain options for Mails segregation.	MG	Aug
08/07/06	Action 4	CFO forecast – POCA Decide what to do about POCA contingency and effect of the centrally held income contingency.	CD	10/7
08/07/07	Action 5	CFO forecast – Commercial Committee Extra ordinary meeting of Commercial committee to discuss life insurance sales model	Commercial committee	
08/07/08	Action 1a	Cost Savings Produce a weekly tracker to show line of sight to the initiatives for each function, showing interdependencies. To share with ExCo Weekly tracker circulated to Exco – first release provided on 25th July. Status update with PV scheduled for 5th August	DR	ongoing
08/07/09	Action 1b	Cost Savings Need to put monthly monitoring and reporting in place for the £53m savings to hit the £99m EBIT target, logging internal initiatives and McKinsey initiatives. Monitoring in place from end July	DR	Closed
08/07/10	Action 2	Cost Savings Ensure that teams include discretionary spend for this year's savings. Review of savings covers whole cost base including discretionary spend.	DR/ALL	Closed
08/07/11	Action 3	Cost Savings Provide a refresh on governance of adding costs into the Business, and sign off process. Subject to review and discussion on next steps on-in-year savings governance at meeting on 5th August.	DR/FH	In Progress

08/07/13	Action 1	Finsbury Dials Produce a plan based on a hub for each function based on 80% occupancy, taking into account the ExCo hub decision.	HC	End of July
08/07/14	Action 2	Finsbury Dials Provide a paper of different ways of working with more dynamic use of Customer/business information.	FH/HC/PM	End of August