WITN10200137

Post Office catch up 7 July 4.45pm

Officials: Richard Callard, Laura Thompson, Tim McInnes

PS: Sarah Foster

The update covered

- **Defined pensions scheme proposed closure**
- **POL 2015-16 Performance and 2016-17 Budget, and revenue opportunities**
- **Green Investment Bank (GIB)**
- **Ownership**
- **Horizon**
- **AOB**

Pensions scheme

POL Board met last week (w/c 27 June) and agreed to recommend to the trustee closure of the defined pensions scheme. Under 'Managing Public Money', it is necessary for things novel, contentious or repercussive to be considered by Treasury. BIS Secretary of State has sent a letter to Chief Secretary to Treasury to seek clearance of the proposal.

Trustees are to meet next week for decision.

Action: Sarah to convey to CST office that POL issues are often contentious and difficult but that in this regard this is a sensible approach by the business.

POL 2015-16 Performance and 2016-17 Budget, and revenue opportunities

The performance figures showed that the business was behind in terms of revenue, but out performed on the margins by achieving savings and efficiencies, although some of these are one-offs, such as the release of accrued income from Bank of Ireland insurance.

Clear distinction between over-performing in Mails, and financial services under-performing. This financial services performance is in part due to the timing of a buy-out.

The Minister was interested in thinking on specific areas where revenue can be improved.

The Board has a strategy away day, and highlighted the need for reaching a better deal with Royal Mail, for instance by considering the issue of exclusivity around sale of other postal providers' products.

Minister highlighted the need to give consideration to these issues with a mind to the post-referendum environment.

The question of deregulation of Royal Mail and the impact of it on the POL-Royal Mail relationship was considered.

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Action: UKGI to give consideration to this and provide thinking.

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Ownership

The Minister requested that team discuss ownership thinking with Tim Parker during the last catch-up. Tim Parker's position is to prioritise having in place the right strategy, developing the sustainability of the business, and to consider ownership once this is in order.

In terms of timing for consideration of ownership options, it will be later in the year. To balance the time considerations with the Secretary of State's position, the Minister will provide a note to the Secretary of State following her meeting with Tim Parker.

Horizon/Sparrow

In the light of group civil litigation, Tim Parker will also bring thoughts to the catch-up on the future of POL continuing actions.

Action: Laura to speak to BIS Legal to consider position.

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AOB

The POL accounts were due to be signed this week. However, at the back end of last week a case of fraud by a former postmaster was reconsidered and due to procedures around escalation not being followed properly, there is a need for further consideration of the accounts prior to signing.

The Minister was concerned that proper inductions are taking place to ensure that issues like this are being prevented wherever possible. Following the Horizon issues, a major recommendation was put in place to improve induction and training programmes.

The Minister suggested that the risk committee should be encouraged to look at this, including a couple of case studies.

There is a submission expected on POL CEO and CFO remuneration, following clearance by SpAds. It has been made clear in correspondence that it is important to agree this early in the financial year, so that executives know what they are aiming for.

Summary of actions

Action: Sarah to convey to CST office that POL issues are often contentious and difficult but that in this regard this is a sensible approach by the business.

Action: Team to give consideration to the impact of potential deregulation of Royal Mail and provide thinking.

Action: Minister to send a note to Secretary of State following meeting with Tim Parker to address ownership.

Action: Laura to speak to BIS Legal to consider position around Horizon.

Action: Team to provide briefing ahead of catch-up with Tim Parker.