INTRODUCTION/CONTEXT

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

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

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

Over a period of time, NFSP intends to re-define its organisational design and constitution, moving away from Trade Union status to a new organisation similar to a trade association. It is anticipated that the aims of the new organisation will be to (i) create a function that reflects and supports the wider range of Post Office operators that will exist post Network Transformation, (ii) develop its role to take account of the changes & challenges in the industry and (iii) introduce skills into its organisation. These goals reflect its objective to help operators improve how they run their business and aims to increase operators’ profitability potentially through sales growth and driving efficiency, building on its role as the voice of the UK’s post office operators.

To support this new organisation, from 2015, Post Office will provide funding of £1.5 million per annum on the terms set out below. As part of this overall funding, any operator who contracts with Post Office by or after October 1st 2015 (either through taking on a new branch or converting an existing branch to a new model, or has previously signed a Main or Local contract and Community branches which receive investment will, at no charge to the operator, automatically be able to gain access to the benefits to be provided by the new organisation and have the opportunity to participate in the (evolving) governance structures of the NFSP. From April 1st 2016, all operators will be able to gain access to the benefits to be provided at no charge.

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In addition, Post Office will provide specific grant funding of no less than £1m per year on the terms set out below for a range of activities that the new organisation will undertake to enhance the benefits they provide to Post Office operators.

It is the intention for this funding framework to exist for a term of 15 years subject to achievement of the objectives outlined within this document.

This document is a description of the framework in which such funding will be provided.

SUMMARY OF PROPOSED TERMS:

1. **Term** - 15 years.

2. **NFSP status** - NFSP will reconstitute itself as a trade association or similar organisation and the new organisation would be acknowledged by Post Office as the sole body for operators that Post Office would engage with under the terms of each operator’s contract.

3. Organisational **support payment** – Post Office would provide funding for the day to day operation of the new organisation of up to £1.5m per annum from 2015/16. Funding is subject to review (see below) and to the terms of the Framework Agreement generally. The actual amount required would be based upon the difference between the revenues derived from the NFSP’s current membership model and associated membership fees and the maximum payment of £1.5m per year. Any funding shall be subject to the new organisation agreeing with Post Office the base level benefits offered by the organisation which will be included in the Framework Agreement. In return, NFSP will use reasonable endeavours to maintain existing subscription types and subscription rates for all subpostmasters on traditional contracts.

4. **Grant funding** – Post Office will provide additional funding of no less than £1m per annum as a budget for grants to the NFSP. Post Office and the NFSP jointly commit to develop a plan to deliver additional activities for the benefit of operators. The agreed budget will be jointly administered and ring-fenced until suitable grants can be agreed. The process and criteria for agreeing suitable grants will be included in the Framework Agreement.

5. **Benefits to operators** – all operators who sign up, or have signed up, to a new Post Office model contract, either as an existing operator, new operator or as an existing subpostmaster converting to a new contract and Community branches which receive investment, would automatically be able to gain access to the benefits provided by the new organisation and have the opportunity to participate in the (evolving) governance structures free of charge.

6. **Review** – Post Office and NFSP will undertake regular joint evaluations in order to assess whether it can be reasonably demonstrated that:

   a. all operating model types are appropriately represented by the new organisation
   
   b. NFSP is on course to transition or has transitioned to its new organisation structure by no later than [date].

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c. the NFSP has not engaged in activities which are actively detrimental to the Post Office.

Post Office and NFSP will establish a reasonable set of actions to be undertaken as a result of the evaluations.

In the event of Post Office and NFSP not being able to reach an agreed outcome to the evaluations or the agreed set of actions are not undertaken, either party has the option to commence a dispute resolution process, design to be determined within the framework agreement, including an appropriate escalation procedure and then, if necessary, the appointment of an external neutral expert appointed jointly by NFSP, Post Office [and BIS] to undertake a further evaluation.

In relation to Clause 6c above, Post Office acknowledges that the NFSP in its role as the representative of sub-postmasters must have the freedom to undertake activities that protect and represent their members’ views. In undertaking these activities the NFSP agrees that it will not introduce commercial risk to the Post Office.

Where Post Office and the NFSP have a dispute in relation to the above, they will follow the dispute resolution process as agreed in the Framework Agreement. This will follow an escalation process between the two parties and if at the end of this process, a mutually acceptable resolution has not been identified, the parties will then use an independent mediator (sourced from CEDR) to close down this action.

Should the NFSP disclose Post Office information that is confidential or commercially sensitive (as defined within the confidentiality agreement) or encouragement of sub postmasters to take action which conflicts with their contractual obligations, except where all other avenues of resolution have been exhausted, this will be deemed a material breach of this Agreement. Material Breach will immediately trigger the dispute resolution process and should the situation not be remedied within an agreed timescale (x days), then the Post Office will have the right to serve notice on this agreement.

7. **NFSP support for Network Transformation.** Post Office and the NFSP have worked closely on developing the revised approach to Network Transformation. The NFSP therefore undertakes to support the rollout of the programme on both the agreed financial arrangements for Network Transformation and plan for Network Transformation through to complete conversion of the non-community network by 2018. NFSP and Post Office will work closely together to ensure that the objectives and requirements of Network Transformation are effectively communicated and embraced by current subpostmasters and future operators.

8. **Organisational support payment - operational funding** – this will include the following core elements:

- Funding the day to day operation of the new organisation
- NFSP membership of PO User Council/engagement structures

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9. **Grant funding - benefits provided by NFSP** – NFSP is required to provide clear and measurable benefits to operators in return for the funding. A list of possible benefits is set out below:

- NFSP provide skills training in certain areas as the recognised experts in these areas - focussed on operational aspects.
- Provide input into operational/product/business development including business case development.
- Support for the sales drive of PO Business Insurance
- Support for other Post Office sales programmes (to operators and customers) including on-line
- Payment for agreed NFSP campaigns.
- Joint publication administered etc. by NFSP.
- Business development seed fund linked to commercial achievement
- Business development resource secondment
- Support for service retention in service issue branches
- Support for Mystery shopping
- Support for Branch Standards
- Support for Commercial transfers
- Support to prospective/new operators
- Support for Recruitment activity
- Sales support to Local Authorities
- Development of Network Expansion
- Support/admin of Agents Engagement Survey
- Support for local Corporate Social Responsibility activity
- Support for Stakeholder Forum/Mutualisation journey
- Provision of retail stationery distribution
- Assist in identifying and resolving service delivery issues

10. The parties acknowledge that this Memorandum of Understanding sets out the principles that will form the basis of a Framework Agreement to be developed jointly by the parties (in consultation with BIS) with the intention that a legally binding Framework Agreement will be negotiated, published and in place by [date] 2014.

11. These proposals and the wider discussions on this subject between Post Office and the NFSP are private and confidential and are not to be circulated or shared with anyone (other than the shareholder of Post Office) without the other party’s express written consent.

12. This Memorandum of Understanding will cease to have any further effect if the NFSP merges with a trade union or any other organisation or does not ratify and adopt it at the relevant Special Conference.

Post Office Limited

National Federation of Subpostmasters

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