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**Notes from the Eleventh Risk and Assurance Committee  
Wednesday 19 February 2014**

**ShEx's major risks in relation to Post Office Limited (POL)**

**Attendees:**

Fiona-Jane Macgregor (FJM) **Chair**  
Mark Russell (MR)  
Guy Mason (GM)  
Tim Martin (TM)

**Presenting team ("the team")**

Richard Callard (RC)  
Katrina Lidbetter (KL)  
Tim McInnes (TMc)

**Observer**

Orla MacRae (OM )  
Nigel Leese (NL)

Rajesh Kedia (RK) – Portfolio unit

**R&AC team**

Dominic Hastings (DH)      **Risk Champion**  
Julie Price                      **Secretariat**

**Summary:** *The committee had been convened to consider risks surrounding the governance of POL and its current risk register.*

1. Papers were provided at the meeting and therefore RC talked the committee through the papers and answered questions as they arose.

**Background:**

2. RC set out that advice from the recent ShEx Annual review of POL was to consider the continued suitability of the current CEO. There has been a general consensus that there is an issue with the leadership of POL however there has only been anecdotal evidence.
3. As the new Executive Director in ShEx for POL RC would now like to investigate this further and is carrying out initial discussions with the Chair and other POL NEDs. The committee suggested that RC continues to have regular catch up meetings with the NEDs as a matter of course.

**Action: RC to set up regular catch up meetings with NEDs.**

4. RC also highlighted that there has also been issues between the Minister and the POL CEO.

**Summary of the main discussion:**

5. The leadership role is in question due to the lack of delivery of the current POL transformation plan. However this is their first CEO role and POL's objective of being commercially sustainable is currently being achieved. That said, the network transformation is slower than expected but this is not necessarily a fault of the CEO, further investigation will confirm.

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6. In the last 18 months there has been a high turnover within POL's senior management team. There is also a culture of POL being a poor relation to Royal Mail. However the current executive team is good and they are currently looking to recruit a network person to deliver the network transformation.
7. There is concern that a further change of leadership could be untimely at this stage. A change could prove to be a higher risk, particularly as there is currently little hard evidence of poor performance. In addition the recruitment process would be an adverse distraction and the current remuneration package is fairly small in comparison, so would it attract the right calibre of applicant.
8. The Board has been in place for 16 months now and their view on the CEO performance is mixed. The Chair (who is also in her first Chair role) is still making a view. It has been suggested that an independent board review takes place. The committee agreed that this would be a good idea and confirmed that it should be an independent review.

**Action: POL team to consider instigating an independent board review asap.**

9. The committee also highlighted that part of the role of the Chair is to decide whether the CEO is achieving their objectives. They suggested that RC should push the Chair to make a decision as to whether they feel the CEO is capable of the job in hand. RC is meeting the Chair in the next week.
10. The committee asked if the CEO has clear objectives and whether any feedback had been given on their performance to date. The team stated the objective as ensuring the company moves to a sustainable footing, completes the modernisation of the network and prepares POL for possible mutualisation, which comes with a £640m funding package. The committee felt that this would be a good starting point for the POL Remuneration committee (RemCo) to build some key objectives specifically targeted at measuring the performance of the CEO.

**Action: POL team to investigate further with the RemCo the CEO's objectives and also find out whether any feedback has been given on performance to date.**

11. The committee also suggested that a mentor for the CEO would be worth considering and is something that ShEx could, and should, organise.

**Action: POL team to consider the option of a mentor for the CEO.**

12. The discussion then moved on to the POL risk register.
13. KL highlighted risk 5 on the register - Government Digital Service ongoing resistance to support the role POL can play in providing HMG with digital services. There is a potential conflict of two Government policies to digitise and to do so as soon as possible. KL is working with GDS and also Home Office (a key partner in this debate who have recently put more resource into this and have provided a single point of contact) to work through the complications, also a paper is going to PEX(ER) on this shortly.
14. The committee asked what project sparrow was – Risk 11. TMc explained that this is with regard to a financial system that is used by Sub Post Masters. Some of whom have received criminal convictions for misuse, however the Sub Post Masters are suggesting that the actual system was at fault. All the POL investigations so far have shown that the system is working correctly. However, the risk is that if this system were to show up as defective then potentially the criminal convictions could be overturned and compensation from POL sought.

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15. RC then highlighted a potential conflict of interest within the Royal Mail team and the POL team in ShEx in relation to risk 10 – Mails contract with RM. Committee members highlighted other teams in ShEx where similar areas have also been in conflict and suggested that written documentation between the two teams involved would provide assurance to the POL management team that ShEx are aware of these potential conflicts.

**Action: TM to provide RC with a copy of a similar written agreement.**

**Actions:**

The meeting concluded with agreeing the following actions:

1. **RC to set up regular catch up meetings with NEDs.**
2. **POL team to consider consider instigating an independent board review.**
3. **POL team to investigate further with the RemCo the CEOs objectives and also find out whether any feedback has been given on performance to date.**
4. **POL team to consider the option of a mentor for the CEO.**
5. **TM to provide RC with a copy of a similar written agreement to avoid conflicts of interest.**