

Post Office Limited – Strictly Confidential

POLB 13(15th)
POLB 13/125 - 13/142

POST OFFICE LIMITED
(Company no. 2154540)
(the 'Company')

Minutes of a Board meeting held on 27 November 2013
at 148 Old Street, London EC1V 9HQ

Present:

Alice Perkins	Chairman (for items 13/125-13/139)
Neil McCausland	Non-Executive Director (Chair for items 13/140-13/142)
Tim Franklin	Non-Executive Director
Virginia Holmes	Non-Executive Director
Alasdair Marnoch	Non-Executive Director
Paula Vennells	Chief Executive

Apologies:

Susannah Storey	Non-Executive Director
Chris Day	Chief Financial Office

In Attendance:

Alwen Lyons	Company Secretary
Chris Aujard	General Counsel (item 13/126)
Belinda Crowe	Programme Director for Project Sparrow (item 13/126)
Lesley Sewell	Chief Information Officer (item 13/127)
Colin Stuart	Head of Commercial Finance (item 13/127)
Martin George	Commercial Director (item 13/129)
Sue Barton	Strategy Director (items 13/131-13/133)
Nick Kennett	Director of Financial Services (items 13/130 and 13/140)
Kevin Gilliland	Network & Sales Director (items 13/130- 13/132)
Sarah Hall	Head of Financial Control and Compliance (item 13/135)

POLB 13/125

INTRODUCTION

- (a) A quorum being present, the Chairman opened the meeting and welcomed Chris Aujard General Counsel, and Belinda Crowe, Programme Director for Project Sparrow.

POLB 13/126

UPDATE ON HORIZON

- (a) The Board noted the progress report on Project Sparrow. The Board discussed the number of cases submitted to the Working Group for consideration, which were about twice those forecast, and the effect this would have on timescales, resource and possible compensation payments. Chris Aujard explained the different levels of risk to the Business. The Board asked for an analysis of the financial implications of:

ACTION:
Chris Aujard

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- the different risks crystallising; and
- additional resource costs to the Business of the increased number of cases.

ACTION:
Chris Aujard

- (b) The Board asked for a regular update showing cases received, where they are in the process and the overall costs attached to the claims where possible. This would be included in the CEO report.
- (c) The Board discussed the past prosecutions and whether they would be included in the mediation process. The CEO explained that Sir Anthony Hooper, Chairman of the Working Group, had originally thought this would be inappropriate, but was now inclined to look at each case individually. The Board noted this and it was pointed out that cases which had been through the Group would almost certainly have to be handled differently from those which had not.
- (d) The Board discussed the approach to future prosecutions. Alasdair Marnoch, Chairman of the ARC, reported that a paper on future prosecutions had been discussed at the ARC but that no decision had been taken. Chris Aujard explained that the Business had no special prosecuting rights but brought cases in the way that any individual could do. The CEO explained that prosecutions were not brought lightly and the Business was reviewing its approach alongside other deterrents, such as suspending, or giving notice, to a sub-postmaster.

ACTION:
Chris Aujard/
Angela V-D- Bogerd

- (e) The Board was reminded of the detail of the four cases in the significant litigations noting paper and the need to continue to prosecute when appropriate. The Board agreed that it would be appropriate to consider the future approach to prosecutions at a future Board alongside the improved support processes for sub-postmasters which should see a reduction in cases.

ACTON:
Chris Aujard

- (f) The Board asked for a note from the General Counsel explaining who was named in past prosecutions and the liability for the Business and individual Board members. The note should also include information on both PI and D&O insurance cover.
- (g) The Board noted the progress report on Horizon.
- (h) Chris Aujard and Belinda Crowe left the meeting

POLB 13/127

OPERATING MODEL AND STRATEGIC COST REDUCTION

- (a) The Board welcomed Lesley Sewell, Chief Information Officer, and Colin Stuart, Head of Commercial Finance, to the meeting.
- (b) Lesley Sewell explained the work being undertaken including the market testing she had undertaken with ATOS and NS&I. She stressed the importance of finding the right Transformation Partner and the work underway for this selection.

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ACTION:
Lesley Sewell

- (c) The Board supported the approach and asked Lesley Sewell to return to the February Board with a substantive plan with clear milestones for consideration.
- (d) The Board noted the approach outlined in the paper.
- (e) Lesley Sewell and Colin Stuart left the meeting

POLB 13/128

ARC & RISK MANAGEMENT UPDATE

ACTION:
Company Secretary

- (a) Alasdair Marnoch, Chairman of the Audit, Risk & Compliance Committee (ARC) reported that the Committee had recommended additional resource for the Internal Audit team, and their use of external advisors for auditing the IT transformation. The Board ask for the ARC paper on Risks and Internal Audit –IT Audit report to be circulated.
- (b) Alasdair Marnoch explained that Ernst & Young, the External Auditors had been at the meeting and that after their input the ARC had signed off the interim results.
- (c) The Board received a Risk Management update, which had been considered by the ARC. The CEO explained the approach the Business was taking to its top 6 + 3 risks which were highlighted in the Board paper, and added an additional digital risk making 6 + 4 in total. The Board supported the approach but encouraged the Business to push forward with pace to get actions in place to mitigate these risks.
- (d) The Board questioned the risk highlighted as 'risk of regulatory or reputational damage from FS mis-selling' and asked the Business to consider renaming it as the 'risk of delivering poor customer outcomes through FS mis-selling'. The Board asked for an update on what actions were currently in place to mitigate this risk. The CEO explained that The Business was currently undergoing a FCA visit looking at Mortgage selling.

ACTION: Chris
Aujard/ Nick Kennett

ACTION:
Virginia Holmes

ACTION:
Alasdair Marnoch/
Company Secretary

- (e) The Board FS Sub Committee would consider this at its inaugural meeting in January.
- (f) The Board asked the ARC to review the risks at their meeting in February and that risks be on the agenda for the March Board Meeting.
- (g) The Board noted the update on Risk Management and the actions being taken as set out in the paper.

POLB 13/129

FIRST IMPRESSIONS FROM THE COMMERCIAL DIRECTOR

- (a) The Board welcomed Martin George, Commercial Director, to the meeting.
- (b) Martin George gave a presentation of his first impressions on joining the Post Office. The Board thanked him and supported his

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approach of focusing on customer and brand and strengthening the marketing team.

(c) Martin George left the meeting

POLB 13/130

(a)

(b)

ACTION:
Nick Kennett

(c)

(d)

(e)

Irrelevant

(f)

(g)

ACTION:
Nick Kennett

(h)

(i)

POLB 13/131

GOVERNMENT FUNDING UPDATE

(a) The Board welcomed Sue Barton, Strategy Director to the meeting

(b) The Board thanked Kevin Gilliland and Sue Barton for their part in securing the funding agreement with the Government and

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congratulated the Business.

ACTION:
Sue Barton

- (c) The Chairman explained that the Business was now entering a different phase in its transformation and that the Board would need to decide how it should contribute. Sue Barton explained that she was already in the process of producing a 5 and 7 year plan setting out the transformation, highlighting the milestones and commitments. The 2014/15 narrative and operating plan and dashboard would then be generated from this plan.

ACTION:
Chairman

- (d) The Board discussed the merits of writing to the Secretary of State (SoS) and decided that it would be more appropriate to meet him in 2014 when the Business and BIS understand the response to the funding announcement, and can discuss the progress made or if necessary the likelihood of needing to use the 'cliff'.

ACTION:
Company Secretary

- (e) The Chairman asked the Company Secretary to collate all the Board papers and minutes along with any correspondence with the SoS referring to the Funding Agreement to ensure they gave a fair reflection of the Board's position.

ACTION:
Company Secretary

- (f) The Chairman asked the Company Secretary to propose future Board agendas ensuring that they cover the Business transformation and risks

POLB 13/132

CROWN AND NETWORK TRANSFORMATION PROGRAMMES

- (a) Kevin Gilliland gave an oral update on the Crown and Network Transformation programmes.
- (b) Kevin Gilliland referred to the paper on 'locals' income which had been circulated to the Board and explained that the mix of products sold in the first locals had been different to that expected from the modelling, with less of an emphasis on premium mails. This had affected the income being generated, and although other products had made up the majority of the shortfall, it was a position which the Business believed it could rectify through modifying the training provided. The new training would be in place from January.
- (c) Kevin Gilliland pointed out that although the mix of income was different, the cost savings to the Business from the introduction of 'locals' remained on track.
- (d) Kevin Gilliland left the meeting

POLB 13/133

ACTION:
Sue Barton

- (a)
- (b)

Irrelevant

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ACTION:
All

(c)

Irrelevant

(d)

POLB 13/134

CHIEF EXECUTIVE'S REPORT

(a) The Board noted the Chief Executive's report and discussed the following specific items:

(b)

Irrelevant

ACTION:
Kevin Gilliland

(c) The CEO reported that the CFO believed the Business was close to a deal with Fujitsu to offset the costs of IP ownership against future spend in the contract. She also explained that she now has weekly meetings with Fujitsu regarding the telephony problems which were reducing.

POLB 13/135

FINANCIAL PERFORMANCE UPDATE

(a) Sarah Hall, Head of Financial Control and Compliance, joined the meeting.

ACTION:
Martin George/
Nick Kennett/
Kevin Gilliland

(b) The Board received a financial performance update for October 2013 and asked the Business to continue to focus on revenue generation for the rest of the year. The Board asked for a detailed paper on revenue generation, including performance against plan, and new initiatives, for discussion at the next Board,

ACTON:
CFO

(c) The Board requested an addition to the CFO report showing the revenue position in the current month compared to the previous month and the effect of the changes on the full year forecast.

(d) Sarah Hall left the meeting.

POLB 13/136

MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING

(a) The minutes of the Board meetings held on 31 October and 26 November 2013 were approved for signature by the Chairman.

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POLB 13/137

COMMITTEE MEETING MINUTES FOR NOTING

- (a) The Board noted the minutes of the Audit Risk & Compliance Committee meeting held on 12 September 2013; the Remuneration Committee meeting held on 4 July 2013; and the Pensions Committee meetings held on 10 September and 7 October 2013.

POLB 13/138

STATUS REPORT

- (a) The Status Report, showing matters outstanding from previous Board meetings, was noted.

POLB 13/139

ITEMS FOR NOTING

ACTION: CFO

- (a) The Board noted the processes for managing external resources. The Business was asked to include the number of consultants being used alongside the Head Count data in the financial report.
- (b) The Board noted the Significant Litigation report.
- (c) The Board noted the Health & Safety report.
- (d) The Board noted the Report on Sealings and resolved that the affixing of the Common Seal of the Company to the documents set out against items numbered 1086 to 1096 inclusive in the seal register was hereby confirmed.

POLB 13/140

- (a)
- (b)
- (c)
- (d)
- (e)

Irrelevant

POLB 13/141

NEXT MEETING

- (a) It was noted that the next Board meeting would be held on 21 January 2014, to be preceded by a Board dinner on 20 January 2014.

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POLB 13/142

CLOSE

There being no further business, the meeting was then closed.

GRO

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POST OFFICE LIMITED 27 NOVEMBER

2013 BOARD ACTION LOG

REFERENCE	ACTION	BY WHOM
	<u>Network Transformation and Crown Offices</u>	
November 2013 POLB 13/134(b)	Consider contingency plans for Supply Chain if long term strikes undertaken.	Kevin Gilliland
	<u>Finance</u>	
November 2013 POLB 13/127(c)	Prepare plan for consideration on Operating Model and Strategic Cost Reduction.	Lesley Sewell
November 2013 POLB 13/135(b)	Detailed paper on revenue generation, including performance against plan, and new initiatives.	Martin George/ Nick Kennett/ Kevin Gilliland
November 2013 POLB 13/135(c)	Include in CFO report revenue position in the current month compared to the previous month and the effect of the changes on the full year forecast.	Chris Day
	<u>Strategy</u>	
November 2013 POLB 13/130(c)	Provide note to clarify detail of 'voice of the customer' measure.	Nick Kennett
November 2013 POLB 13/130(g)	Circulate external benchmarking of proposed FS incentive scheme, together with a table showing the percentage of salary the incentive would represent for each salary band.	Nick Kennett
November 2013 POLB 13/131(c)	Produce a 5 and 7 year plan setting out the transformation, highlighting the milestones and commitments.	Sue Barton
November 2013 POLB 13/131(d)	Meet with the Secretary of State (SoS) in 2014 to discuss progress made or if necessary the likelihood of needing to use the 'cliff'.	Alice Perkins
November 2013	Collate all Board papers and minutes along with any correspondence with the SoS referring to	Alwen Lyons

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POLB 13/131(e)	the Funding Agreement to ensure they gave a fair reflection of the Board's position.	
November 2013 POLB 13/131(f)	Propose future Board agendas ensuring that they cover the Business Transformation and Risks.	Alwen Lyons
	<u>Information Security</u>	
November 2013 POLB 13/126(a)	Provide analysis of the financial implications of <ul style="list-style-type: none"> • The different risks of crystallising • Additional resource costs to the Business of the increased number of cases. 	Chris Aujard
November 2013 POLB 13/126(b)	Provide regular update, within the CEO's report, showing cases received, where they are in the process and overall costs attached to the claims where possible.	Chris Aujard
November 2013 POLB 13/126(e)	Consider future approach to prosecutions alongside the improved support processes for sub-postmasters.	Chris Aujard/ Angela V-D-Bogerd
November 2013 POLB 13/126(f)	Provide explanatory note of who was named in past prosecutions and the liability for the Business and individual Board members, and include information on both Professional Indemnity and Directors & Officers insurance cover.	Chris Aujard
	<u>Risk</u>	
November 2013 POLB 13/128(a)	Circulate ARC paper on Risks and Internal Audit – IT Audit Report.	Alwen Lyons
November 2013 POLB 13/128(d)		Chris Aujard/ Nick Kennett
November 2013 POLB 13/128(f)	ARC to review the top 6+4 risks at its February meeting. Include in Board agenda for March meeting.	Alasdair Marnoch/ Alwen Lyons
	<u>Mutualisation</u>	
November 2013 POLB 13/133(a)	Public Purpose Statement to be submitted to the January Board.	Sue Barton

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November 2013 POLB 13/133(c)	Input views on 'Why does the Post Office do what we do' – Sue Barton to facilitate by circulating a video link and question.	Sue Barton
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