### In Strictest Confidence

POB(99)9th PO99/106 to 119

#### POST OFFICE BOARD

### Minutes of the meeting held at 148 Old Street on 26 October 1999

Dr Neville Bain

Chairman

John Roberts

Chief Executive

Richard Close

Group Finance Director

Jerry Cope

Group Managing Director Strategy & Business

Development

Mike Kinski John Lloyd Non-Executive Member Non-Executive Member

Miles Templeman Rosemary Thorne Non-Executive Member Non-Executive Member

Jonathan Evans Secretary
Scott Childes Notes

Richard Dykes, Group Managing Director, Mails Services Stuart Sweetman, Group Managing Director, Customer and Banking Services. Kevin Williams, Group Managing Director, Distribution Services

Others attending:

Bob Peaple, Director Personnel & People

Management, for PO99/112

John Modd, Managing Director International Services, and Chris MacKenzie-Grieve, Acquisitions Manager,

for PO99/113

Vanessa Leeson, SCS Programme Director, for

PO99/114

JONATHAN EVANS

On behalf of the Board the Chairman welcomed Jonathan Evans to his first meeting as Secretary.

MINUTES OF

PREVIOUS MEETING

PO99/106

The Board <u>noted</u> a change to minute PO99/97(iii), the Gemini project, which had been circulated to Members. <u>Approved</u> this change and the minutes of its meeting of 14 September 1999.

MATTERS ARISING POB(99)64

PO99/107

Board Effectiveness (P099/89)

(i)

The Chairman and John Roberts would review the proposed list of matters reserved to the Board prepared by the previous Secretary. The final document would then

be circulated to Members.

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Action Secretary (i)

The Secretary, having taken on board comments from the Chairman and Chief Executive, to circulate the revised list of matters reserved to the Board.

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#### CHAIRMAN'S BUSINESS

#### PO99/108

(i) The Chairman had two issues he wanted the Board to address: business performance, which would be covered during the meeting, and Government's failure to address and respond to important issues that affected the operation and management of the organisation. A list of these outstanding issues had been produced and would be raised with senior Government officials at a meeting arranged for the following week. Inadequate processes, an increased workload and the arrival of a new and inexperienced Minister were all believed to be contributory factors in the delays that were occurring.

CHIEF EXECUTIVE'S REPORT (POB(99)65)

PO99/109

### Irrelevant

# Irrelevant

- (v) <u>Customer Complaints.</u> Some short term improvements to deal with problems identified in the handling of some customer complaints at customer service call centres had been identified. Further work, in liaison with the Customer Management Business Unit, would seek to develop longer term improvements.
- (vi) Horizon. Following remedial work around two issues that had previously prevented acceptance (PO99/91), the system had now been accepted with implementation proceeding at a rate of 200 offices per week. Rollout would continue until 8 November at which point it would cease until January thereby allowing a period of analysis and assessment of implementation to date to be undertaken. When implementation re-commenced it would be at a rate of 300 offices per week.

### Irrelevant

## Irrelevant

### FINANCIAL OVERVIEW

#### PO99/111

- Provisional Profit/loss results for September were:
  - Royal Mail £16.1m;
  - POCL £563m (of which £562m was the Horizon write-off);
  - Parcelforce £(4)m
- (ii) The current full year forecasts were:
  - Royal Mail £421m;
  - POCL £22m (excluding Horizon);
  - Parcelforce £(8)m;
- (iii) The half year results would show a loss of £(420)m after tax, including the impact of the Horizon write-off. Royal Mail's result, whilst slightly above budget at £134m, was down against the £218m achieved last year. This was primarily the result of the tariff increase the previous year. Whilst Parcelforce's result was £5m better than the £(17)m loss last year, this did include a £17m benefit from Special Delivery.
- (iv) DTI officials were aware that the half year and full year results would show a loss as a result of Horizon but it was doubtful that Ministers had yet been briefed on this. The results would be likely to provoke renewed press comments on Horizon and the background to the Government's decision. This would require a careful internal and external communications strategy by The Post Office.
- (v) There was some suggestion emanating from DTI that the Horizon write-off should be treated in the accounts in such a way as not to give rise to a Post Office loss. However, the Board unanimously agreed that the only correct treatment of the Horizon write-off was for it to pass in full through the Profit and Loss account.
- (vi) Following September's Board meeting, Royal Mail's full year profit forecast had been reviewed with all risks and opportunities rigorously assessed. As a result a balanced forecast of £421m was now proposed although internally

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(xv) Excluding Horizon, there were no serious issues within Counters.

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(xvii) The poor performance of Parcelforce and Royal Mail's adjusted full year forecast should be reflected within the Group's full year profit figure reported to DTI. Richard Close would determine what this figure should be. It might also be prudent to include a separate line indicating the exceptional cost of the Horizon write-off.

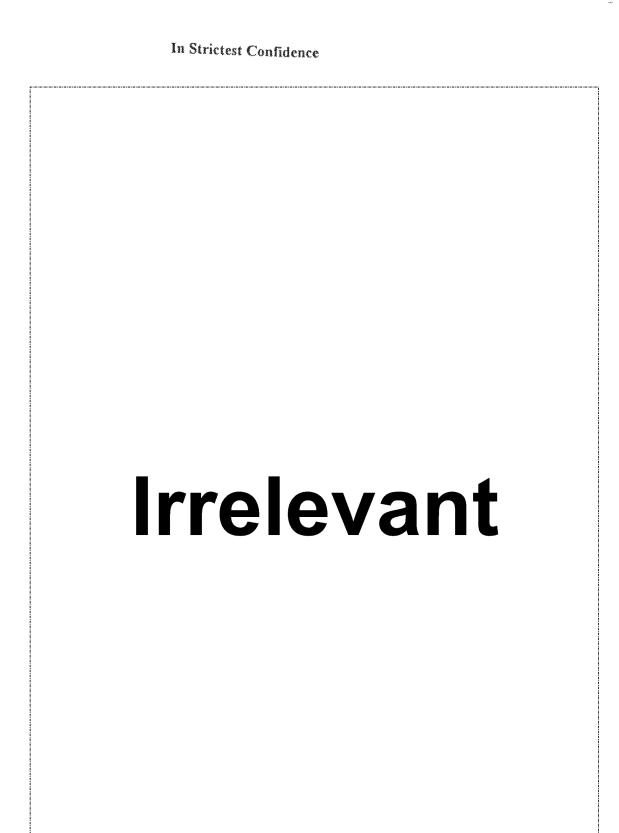
(xviii) (Secretary's note: Richard Close subsequently agreed that the following full year profit figure would be reported to the DTI:

£340m

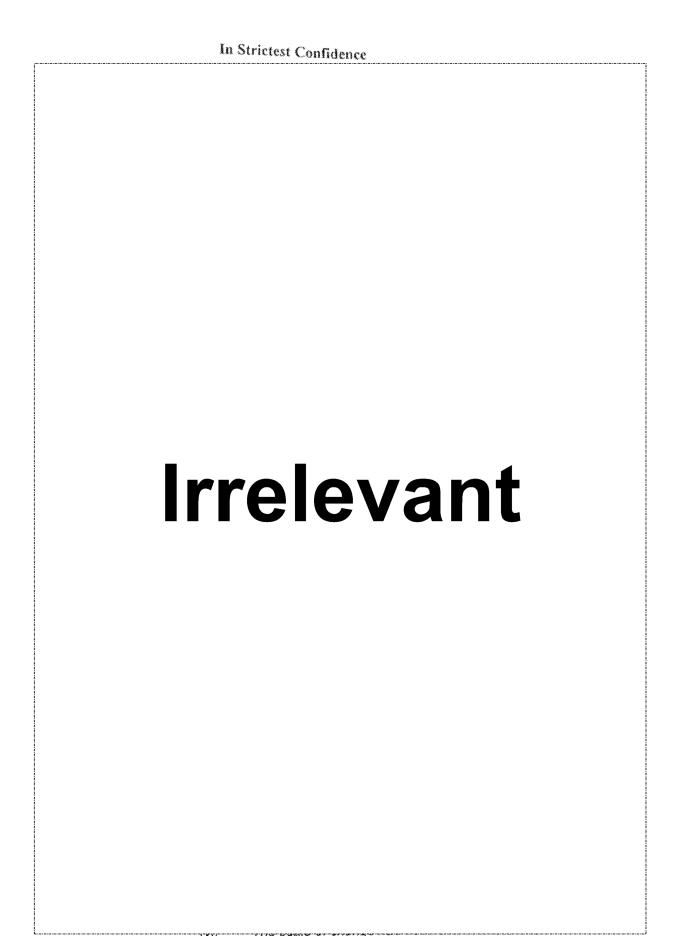
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APPOINTMENT OF A DIRECTOR OF POST OFFICE FINANCE LIMITED AND POST OFFICE INVESTMENTS LIMITED (POB(99)71x) PO99/118

- (i) The Board <u>noted</u> that David Cromwell would resign from the Boards of Post Office Finance Limited and Post Office Investments Limited with effect from 26 October 1999.
- (ii) Agreed the appointment of Roger Raymond Durrant as a Director of Post Office Finance Limited and Post Office Investments Limited with effect from 26 October 1999.

DATE OF NEXT MEETING

#### PO99/119

The next meeting was scheduled for 30 November 1999, at 148 Old Street.

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