

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
John Roberts
Richard Close
Jerry Cope

Chairman
Chief Executive
Group Finance Director
Group Managing Director Strategy & Business
Development

Mike Kinski
John Lloyd
Miles Templeman
Rosemary Thorne
Jonathan Evans
Scott Childes

Non-Executive Member
Non-Executive Member
Non-Executive Member
Non-Executive Member
Secretary
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 Peale, 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 noted a change to minute PO99/97(iii), the
Gemini project, which had been circulated to Members.
Approved this change and the minutes of its meeting
of 14 September 1999.

MATTERS ARISING
POB(99)64
Board Effectiveness
(P099/89)

PO99/107

(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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Irrelevant

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.

Irrelevant

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

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Irrelevant

- (v) Customer Complaints. 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

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Irrelevant

FINANCIAL
OVERVIEW

PO99/111

- (i) 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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the original target of £441m would be sought.

Irrelevant

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

101/18

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Irrelevant

- (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

Irrelevant

Irrelevant

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Irrelevant

10/10

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Irrelevant

(b) (7) - The above information is

104 (2)

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Irrelevant

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Irrelevant

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

PO99/118

- (i) The Board noted 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.