

In Strictest Confidence

POB(99)8th  
PO99/87 to 105

POST OFFICE BOARD

Minutes of the meeting held at 148 Old Street  
on 14 September 1999

Dr Neville Bain	Chairman
John Roberts	Chief Executive
Richard Close	Managing Director Finance
Jerry Cope	Managing Director Strategy & Personnel
Mike Kinski	Non-Executive Member
Miles Templeman	Non-Executive Member
Rosemary Thorne	Non-Executive Member
Richard Adams	Secretary
Scott Childes	Notes

Stuart Sweetman, Managing Director Post Office Counters Limited.  
Kevin Williams, Managing Director Parcelforce Worldwide  
Jonathan Evans, Secretary Designate

Others attending: Mick Linsell, Managing Director Service Delivery for PO99/91 to 94  
Bob Peaple, Director Personnel & Employee Development, for P099/94  
Andrew Wilson, Director POSIS, for PO99/95  
Alan Jackson, Director Purchasing Services for PO99/96  
Roy Chapman, Chairman, POPTL, Michael Duncombe, Chief Executive POPTL, Gerry Degaute, Finance Director, POPTL, Terry Arthur, POPTL Trustee, Bill Flaherty, POPTL Trustee for PO99/99

**APOLOGIES**

**PO99/87**

John Lloyd and Richard Dykes were unable to attend.

**MINUTES OF  
PREVIOUS MEETING**

**PO99/88**

The Board noted a factual change on the minutes of its 20 July meeting; **Irrelevant**  
**Irrelevant** Approved the minutes of its meeting of 20 July 1999.

**Irrelevant**

In Strictest Confidence

CHAIRMAN'S  
BUSINESS

PO99/90

# Irrelevant

- (ii) Service Standards. The procedure for dealing with complaints, particularly those arising from customer service call centres, was being reviewed by the Controller Chairman's Office in liaison with the Head of Customer Services. There was a concern that computer generated responses tended to be dismissive and failed to address customers' concerns. A similar problem occurred in many large organisations although improvements were possible through positive management.
- (iii) Strategic Plan. On 6 September the Chairman, Jerry Cope and David Burn, Strategy Development Director, had met Alan Johnson, The Post Office Minister, together with senior officials from the Treasury and 10 Downing Street, to discuss the Strategic Plan; this was the first occasion that The Post Office had had an opportunity to present a Strategic Plan to Ministers. The meeting had gone well although some of the time was spent discussing Royal Mail's Way Forward Agreement. It was also somewhat surprising, given the significance of the meeting, that no actions had emerged for The Post Office to pursue.
- (iv) Government's response to the Plan was not expected for at least six weeks. Alan Johnson's appointment as The Post Office Minister was believed to be a deliberate move. It remained to be seen whether, as a fairly junior Minister, he had the weight to support The Post Office in discussions with other Departments.
- (v) Arrange for the current customer complaints process to be reviewed, in particular the style and tone of computer generated responses, and of call centre effectiveness.

Action  
John Roberts

CHIEF EXECUTIVE'S  
REPORT (POB(99)55)

PO99/91

# Irrelevant

In Strictest Confidence

# Irrelevant

- (iii) Horizon. When the Board last met in July (PO99/79), POCL's Horizon Programme Director had been confident that system acceptance would occur as planned on 18 August. Unfortunately, three high priority acceptance incidents around training, stability of the system (lockups and screen freezes) and quality of accounting data, remained unresolved and whilst ICL did not accept the categorisation of these incidents, they had nevertheless resulted in acceptance being deferred until 24 September.
- (iv) A decision on national rollout had also been deferred although POCL had agreed to continue with live trials with the number of offices operating the system extended to 900.
- (v) Progress on training had gone well and the incident had now been downgraded to medium priority. However, system stability and accounting was still being analysed and rectification was not expected before December.
- (vi) Under the terms of the revised contract, signed at the end of July, the final acceptance date was 15 November 1999 and it remained uncertain whether the plans that were currently in place would enable this deadline to be met. Counters was clear that the system would only be accepted if it achieved the necessary service standards.  
  
It was noted that
- (vii) The continued rollout of the system to a limited number of offices was at no cost to Counters who would not make any payments to ICL until the system had been accepted. However, the logic behind this approach was questioned as serious doubts over the reliability of the software remained. It was also felt that by continuing unchecked it might also be harder ultimately to refuse to accept the system.
- (viii) In continuing with rollout the momentum that had been established with regard to training and education of staff using the system was maintained and valuable operating experience gained. Stopping for even a short period of time would lose this momentum and also undermine the morale of employees and particularly subpostmasters. The

**In Strictest Confidence**

decision to continue had not been taken lightly but had been in the knowledge that financially the business would not suffer and that it in no way altered the fact that the system would not be accepted if it did not work. Rollout would not go beyond 900 offices. Notwithstanding this, the decision to continue would be reviewed.

- (ix) The appointment of Alan Johnson MP to succeed Ian McCartney as The Post Office Minister had interrupted negotiations with DSS on a revised commercial arrangement. Whilst The Post Office proposals had not been rejected, it was unlikely that Treasury or DSS would be prepared to alter their position. The 'gap' between DSS and POCL was £400m. An independent review of the charging arrangement was possibly the only way forward should it not be possible to reach an acceptable agreement with DSS.

**Irrelevant**

Stuart Sweetman

- (xiii) Review the decision to continue with the limited rollout of Horizon to 900 pilot offices.

**FINANCIAL  
OVERVIEW**

**PO99/92**

**Irrelevant**

In Strictest Confidence

**Irrelevant**

In Strictest Confidence

**Irrelevant**

**In Strictest Confidence**

- (xvi) The auditors had now accepted that whether or not the ICL agreement was concluded before the half year, it could be accounted for within The Post Office half year accounts.

**Irrelevant**

- (xviii) Agreed that the following full year profit figure be released to DTI:
- £368m

**AUDIT COMMITTEE  
REPORT**

PO99/93

- (i) The Audit Committee had highlighted three key areas of concern:
- the level of spend on external consultancy;
  - the impact on implementation of Royal Mail's productivity scheme given the rejection of the Way Forward agreement; and
  - the apparent inadequacies in the working relationship between the businesses and IT providers in major projects.

It was noted that

**Irrelevant**

- (iii) The SCS programme would result in a restructuring of IT Services and this would go some way to improving the relationship with the Businesses.
- (iv) Review and report back to the Board on the extent to which external consultants are used and the appropriateness and value for money of this work.
- (v) Provide the Board with a descriptive paper on apparent inadequacies in the working relationship between the Businesses and IT and how this was being addressed.

Action  
John Roberts

Jerry Cope

In Strictest Confidence

**Irrelevant**



In Strictest Confidence

**Irrelevant**

In Strictest Confidence

# Irrelevant

POST OFFICE  
SECURITY  
(POB(99)56)

PO99/95

- (i) Security was taken very seriously across The Post Office where unfortunately, a number of employees faced serious injury and occasionally death in the course of their duties.
- (ii) 75m letter items were handled each day, £250bn handled each year and 18,000 outlets managed. The Post Office operated its own prosecuting authority with no reliance upon the Crown Prosecution Service or Police. 700 people were employed within The Post Office's security community.
- (iii) Although losses through burglary and robbery had lessened in Cashco, The Post Office's cash distributor, it had increased in both Royal Mail and Counters. In overall terms losses had decreased in the year to £8.2m compared with £10.1m in 1997/98. One criminal gang (three people) had recently been arrested in the Manchester/Liverpool area, believed to have been responsible for a large proportion of the losses. Certainly since their arrest the level of losses had reduced. Robbery was much more prevalent than burglary and this had a greater impact on employees as the majority would come

**In Strictest Confidence**

face to face with their attacker. Insurance only covered losses over £1m.

- (iv) Under the SCS programme it had been decided to retain Security within Business Units, de-centralising security and investigation resources wherever possible. Additionally, a more rigorous performance management regime was being introduced which would facilitate the monitoring of success against a number of high level KPIs.
- (v) Since the last Board report (PO98/15) substantial progress had been made with regard to information security. In fact The Post Office was now used as benchmark for other organisations.
- (vi) The protection of employees from violent attack was paramount and to help reduce the level of risk, investment in Counters to 'harden' the network was continuing with 780 of the 4,000 offices most at risk having had their security equipment significantly upgraded. Some displacement of attacks into other areas had occurred.
- (vii) With increased commercial opportunities, it was important to ensure that Post Office assets were properly protected and that opportunities for fraud were minimised.

It was noted that

- (viii) Whilst some staff saving could be made through the outsourcing of specialised services, such as finger printing and forensic work, the day to day operation could not easily be placed outside the business. The Police service had no desire to take on what was largely time consuming investigative work. Staff numbers would have to be reduced across Royal Mail and the network.
- (ix) Thanked Andrew Wilson for his informative presentation and report.
- (x) Endorsed the approach being taken to manage the Corporation's key security issues and the associated risks.

**Irrelevant**

In Strictest Confidence

**Irrelevant**

~~In Strictest Confidence~~

# Irrelevant

PROJECTS  
APPROVED BY  
MaPEC & REQUIRING  
ENDORSEMENT BY  
THE BOARD - GEMINI  
(POB(99)58)

PO99/97

- (i) The opening of the two fully automated hubs had been delayed due to the late delivery of an upgrade to the Parcel Management System. The operational functionality of the International hub had been set for 11 October 1999, one month later than scheduled. The National hub was to be used in a semi-automatic mode from the Spring 2000.
- (ii) Additional net costs of £9.1m on construction and the provision of alternative IT solutions had been approved by MaPEC in the context that the project's overall NPV had improved by £17m.

It was noted that

- (iii) Post Office Information Technology Services (POITS) had significantly underestimated the complexity of the facility and whilst individual elements of the system had been approved or were on an approved list, the IT system was an entity had not been evaluated as an overall discrete entity. In hindsight this piecemeal approach was probably mistaken.
- (iv) External quality assurance had now been brought in to ensure completion by the due date.
- (v) Re-endorsed the Gemini project at an increased sum of £122.2m.

# Irrelevant

~~In Strictest Confidence~~

**In Strictest Confidence**

**Irrelevant**

In Strictest Confidence

**Irrelevant**

In Strictest Confidence

# Irrelevant

APPOINTMENT OF  
NEW SECRETARY  
(POB(99)63x)

PO99/102

- (i) The Board noted with regret that Richard Adams was to retire shortly and that this was his last Board meeting.
- (ii) On behalf of colleagues the Chairman warmly thanked him for his help and support during his time as Secretary and wished him well in the future.
- (iii) Appointed Jonathan Evans Secretary of The Post Office with effect from 25 October 1999.
- (iv) Revoked with effect from 24 October 1999 the authority for authentication of the seal of The Post Office granted to



**In Strictest Confidence**

Richard Adams in minute PO97/101.

**Irrelevant**

**DATE OF NEXT  
MEETING**

**PO99/105**

The next meeting was scheduled for 26 October 1999, at  
148 Old Street.