CEB(01)3rd
CEB01 / 18 to 29

CONSIGNIA EXECUTIVE BOARD

1 May 2001

Present:

John Roberts (Chairman)
Marisa Cassoni
Jerry Cope
Richard Dykes
Malcolm Kitchener
Stuart Sweetman
Alan Williams
Kevin Williams
Jonathan Evans (Secretary)
Nicky Jayson (Notes)

Others attending

Gillian Wilmot, Managing Director, Business and Consumer Markets for CEB01/19, Ian Bull, Head of Regulation, Business and Consumer Markets for CEB01/22, David Smith, Automation Director, Post Office Network for CEB01/23.

CEB01/18

MINUTES OF PREVIOUS MEETINGS CEB(01)1st and CEB(01)2nd

The Executive Board approved the minutes of the meetings of 27 March and 3 April 2001.

CEB01/19

STATUS REPORT CEB(01)08

The Executive Board noted the paper and noted further:

(a) Performance of the rail network: The PR plan was in hand and would be launched between 7 and 26 June.

(b) BCM performance: Gillian Wilmot made a short presentation on current market conditions, the risks currently faced by BCM, and how these were being handled. Excluding one-off effects, e.g. the impact of the census, the task for the unit in 2001/02 was to generate a further £170m revenue from additional volume compared with the previous year. Actions were in hand to deliver much of this, but there remained an uncovered risk of some £50m. If the proposal to hold back £15m of promotional spend was carried out, this would threaten income by a further £45 million. This analysis would be used as an input to the subsequent discussion on budgets for 2001/02.

GRO

CEB01/20		**CORPORATE SCORECARD CEB(01)09**
		The Board discussed the Corporate Scorecard and Marisa Cassoni's accompanying presentation.
Customer Goal	(a)	Only 6 out of 12 Business units had achieved their Customer satisfaction full year target;
	(b)	March Quality of Service results were again below full-year target for all reported products. Only outward and Inward E2E J+3 achieved the full year target;
Employee Goal	(c)	9 out of 15 Business Units had achieved their Employee Commitment full year target, and only 3 out of 6 Business Units had achieved their Leadership full year target. It was recognised that measuring results in terms of numbers of units achieving or failing target gave a distorted view of overall performance, as the larger units, e.g. Service Delivery, were amongst those that had failed;
Shareholder Goal **ACTION: Marisa Cassoni**	(d)	the provisional full-year post-tax profit outturn was £168m, against the target of £260m before exceptional and ringfenced items. The monthly results for March had broadly followed the pattern anticipated the previous month. There were still some potential adjustments to make to the outturn figure before the final result could be declared, but these were in the range of £-3million to £+5million. On top of this there remained the possibility of an impairment of Parcelforce assets, but it was expected that it would be possible to demonstrate to the auditors that the remaining unimpaired assets continued to have value, and that therefore an impairment would not be necessary. However, the possibility of impairment would need to be explained to the Consignia Board, with a range of possible financial outcomes;
ACTION: Marisa Cassoni	(e)	an analysis of expenditure over recent years showed some disturbing trends. It was agreed to focus some further analysis on 3 or 4 cost areas where the year on year trends appeared to be most out of line and in need of remedial action;
ACTION: Marisa Cassoni	(f)	the Board commented again that the scorecard did not provide sufficient information on recovery plans where red traffic lights were shown. In future the Group Finance Director was asked to ensure that Group MDs had provided commentary from their own unit reviews before issuing the scorecard.
CEB01/21		**CONSIGNIA 2001-2002 BUDGET CEB(01)13**
		Marisa Cassoni presented details of the Consignia 2001-

2002 Budget, detailing the Business Units where sign off had been achieved and the associated risks for each cluster of units.

The Executive Board agreed that

(a) the budget process needed to be tightened to ensure that sufficient business controls were in place and that budget variances could be properly managed;

ACTION: Marisa Cassoni

(b) 2001-2002 budgets needed to be signed off as soon as possible. GMDs should ensure that Units had calendarised their budgets by 18 May, and to say quickly if this could not be achieved. Although speed was important, it was crucial that budgets were calculated correctly. All outstanding issues including cuts and opportunities identified in the "star chamber" process needed to be resolved to the same timescale. Marisa Cassoni would provide guidance to GMDs and units to assist with this;

ACTION: Marisa Cassoni

(c) it was recognised that there were two approaches to handling identified opportunities: either to hard code them into unit budgets, or to allocate accountability for delivery to individuals outside unit budgets. For the latter category, an additional page would be inserted into the Corporate Scorecard to enable the tracking of the delivery of these opportunities, to enable any reallocation of resource once opportunities were realised;

ACTION: Marisa Cassoni

(d) the annex to the 2000/01 scorecard, showing progress against the key corporate strategies, would be ceased in this form from period 1 of 2001/02. However a quarterly report would still be made in the scorecard of progress made with the major IT projects currently being monitored in the scorecard;

ACTION: Richard Dykes

(e) the £15m of opportunity in BCM, for deferring advertising spend, would be held back until June, when a view would be taken in the light of overall business finances about delaying this spend any further. Richard Dykes would agree with Gillian Wilmot the best estimate of the impact on profit of this possible deferral, and report back to Marisa Cassoni;

ACTION The Secretary

(f) there were 400 employees on the transitional database at the end of March 2001, and this was increasing further to unacceptable levels in the wake of rationalisation programmes in Transaction Services and Customer Management in particular. The Secretary would update the Executive Board in June on the latest position, including the status of discussions with the Unions about changes to provisions for redundancy.

CEB01/22 **CUSTOMER MEASURES CEB(01)12**

The Board considered Richard Dykes' paper, and the accompanying presentation from Ian Bull, on a generic measurement framework to help Business Units manage customer retention and hence profitability more effectively.

The Board noted in discussion that:

(a) further thought needed to be given to the pre- and post-product attributes of service (eg billing) which added to the cumulation of issues which determined overall customer satisfaction;

(b) there were some apparent overlaps in the proposed measures - these should be re-examined to ensure that there were not too many KPIs, and that the costs of measurement were not disproportionate;

(c) in the longer term, the aim should be to maximise customer value rather than customer satisfaction, but what was proposed was recognised as a step towards this;

(d) the measures needed not only to show Consignia's performance, but also to track performance against that of competitors.

The Executive Board agreed:

(e) in principle the need for such a framework, but recognised that more work needed to be completed on the detail of the measures;

(f) that Kevin Williams would lead the continuing development of the measurement framework, supported by Ian Bull. Early actions would include an assessment of what was possible to achieve this year given the provisions made for this work in budgets, and what customer measures would be proposed to be ceased. There was a need for the team to work closely with other business units to ensure that efforts were not being replicated several times over;

(g) any changes to the measurement framework would be finalised in time for incorporation into the Business Planning process for next year's unit plans.

CEB01/23 **ERROR RECONCILIATION AND ACCOUNTING CEB(01)10 AND HORIZON BEYOND 2005 CEB(01)11**

(a) The Board considered the two papers from Stuart Sweetman, and the accompanying presentation by David Smith, which gave an illustration of the fundamental nature of the change to the operating process that would be delivered by the Error Reconciliation and Accounting Project (ERA). ERA needed to be viewed in conjunction with options for the future of Horizon beyond 2005 which included inter alia an approach to securing external funding for ERA.

The Board noted in discussion that:

(b) The need to fund the £140m of investment represented a major challenge given the state of the finances of the Post Office network and of Consignia;

(c) it had been assumed that all benefits from ERA would be retained and not passed on to clients as price reductions, although client pressure would no doubt be exerted to change this assumption;

(d) success of the ERA project would depend on client cooperation in redesigning their own forms and procedures. Most current clients were keen to be involved, especially now that they were able to see Horizon as a working reality;

(e) the success of the Horizon installation programme had helped increase confidence in ICL as a supplier. However they were not necessarily the best future supplier, but the recommendation was to continue with them as the potential disruption to the PO Network from starting a new procurement process to source a new supplier now would be considerable, and require a rewriting of the strategic plan. However it was recognised that from a negotiating point of view it was highly risky to give ICL a commitment for the future, and more thought should be given to our negotiating stance;

(f) it need not be assumed automatically that ICL's funding of the investment was the only option. It may be preferable for the Business to seek external funds itself. Clearly this strategy would need to be presented to government with examples of other available financial options;

(g) the timing of the ERA programme would need careful consideration, in order to avoid creating an unmanageable peak of transformation programmes in the Network; and to avoid risk to the migration to ACT which was due to take place at the same time;

(h) ERA would cause at least 400 job reductions in Chesterfield, and a plan for managing these - and the associated negative PR - would be needed.

The Executive Board agreed that

(i) while, inevitably, there were a large number of unresolved issues about ERA and Horizon, their general direction was right and the respective strategies should be worked up further in the light of this discussion, and would be taken to the July Consignia Board as a strategic issue.

CEB01/24 **CORPORATE CLIENTS OVERVIEW AND SALES AND CUSTOMER SUPPORT COMPETITOR AND MARKET OVERVIEW CEB(01)14x**

ACTION
The Secretary

The Executive Board noted the report and agreed in future to devote more time to the overviews, and that the MDs of CC & S&CS would be asked periodically to attend the Executive Board to discuss the paper and current market conditions.

CEB01/25 **GROUP TREASURY ACCOUNTABILITY REPORT CEB(01)15x**

The Executive Board noted the report.

CEB01/26 **COMMUNICATIONS**

(a) A new approach to Customer Measures was being considered;

(b) more emphasis would be placed on the Corporate Clients Overview and Sales and Customer Support Competitor and Market Overview, and the MDs of these units would be asked to periodically attend the Executive Board in support of the paper.

CEB01/27 **RECOGNITION**

Nothing on this occasion.

CEB01/28 **REVIEW OF MEETING**

CEB01/29 **DATE OF NEXT MEETING**

5 June 2001