

Royal Mail – Strictly Confidential

RMM(04)1st  
RMM04/01 to 17

# ROYAL MAIL MANAGEMENT BOARD

## Minutes of a meeting of the Management Board held on

Tuesday 20 January 2004

Present:

Elmar Toime (Chairman)  
Paul Bateson  
David Burden  
Adam Crozier  
Jonathan Evans  
Mary Fagan  
Vanessa Leeson  
Tony McCarthy  
David Mills (for RMM04/10 to RMM04/17)  
Paul Rich

In attendance:

Andrew Poole (Notes)  
Penny Freston

Others attending

Frank Schinella, Financial Management & Control Director, for RMM04/03 and RMM04/15.  
John Lappin, Finance Director, for RMM04/04.  
Derek Foster, Internal Audit & Risk Director for RMM04/05 and RMM04/06.  
Martin Gafsen, Group Investment Director, for RMM04/08.  
Phil O'Gorman, Vehicle Services Director, for RMM04/08.  
Alan Ellingham, Vehicle Programme Manager, for RMM04/08.  
Ian Bond, Head of Cash Based Rewards, P&OD for RMM04/10.  
Steve Hodgson, Project Director, P&OD for RMM04/11.  
Martin Hird, Talent Director, for RMM04/12.  
Jon Millidge, P&OD Director, Royal Mail Letters, for RMM04/15.  
Michael Moores, Finance Director, International, for RMM04/15

Apologies had been received from Marisa Cassoni.

RMM04/01

## **MINUTES OF PREVIOUS MEETING RMM (03)8th**

The Management Board approved the minutes of the meeting of the Management Board on 25 November 2003 incorporating the proposed changes.

The minutes of a meeting of the Investment Committee held on 21 November were noted.



RMM04/02

**BUSINESS PERFORMANCE REVIEW**

The Management Board reports for the period under review were noted and Adam Crozier updated the Board on the short-term deliverables, in particular:-

- (a) Headcount: work was progressing on Headcount reductions. The priority areas to be addressed were the major change programmes in Operations. Approval for funding of the Management VR exercise would be sought from the Holdings Board;
- (b) Single Daily Delivery: progress on the implementation of Single Daily Delivery had slowed considerably and that this was now a significant area of concern;
- (c) CWU Pay deal: London offices were reported to be campaigning against the deal, although the national ballot was still expected to produce affirmative results;
- (d) Access: a deal had been concluded with Business Post. It was agreed that a briefing paper on this agreement would be helpful and a paper was in the process of being prepared;

**ACTION:**  
Adam Crozier

- (e) Repricing: a paper on re-pricing had been approved by the Holdings Board and the new prices had been published on the Website and with Postcomm. The issue had received little press coverage.
- (f) Transport review: Paul Bateson reported that the cessation of the TPO's and the introduction of the new transport system had resulted in major service failures. Teams in Logistics and RM Letters were working together to resolve this quickly;
- (g) Health and Safety: it was reported that major injuries (Injuries resulting in 3 days or more absence, requiring a RIDDOR report as major) increased to 53 in the period, (36 in the previous month) whilst overall accidents in lost time decreased to 296 during the December period. A number of suspicious powder incidents continued to occur on a regular basis with three incidents of note occurring in the last six weeks. A carefully developed plan for dealing with such incidents was in place and was reviewed monthly;
- (h) Diversity and EOC Quarterly report: a paper had been circulated to the Management Board on the full RM Group Diversity and Inclusion report and in detail on the report on sexual harassment in RM (UK). The Management Board agreed:
  - (i) That the Board would send a clear direction to all Area Management Teams (AMTs) regarding taking ownership and leading the Diversity Training Rollout Plans;

and noted;



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- (ii) that following the last report, Terms of Reference had been drafted for a piece of research exploring questions raised by the analysis of the data and which were of concern to the Diversity Team and to the EOC;
- (iii) the Diversity & Inclusion team were working with Group Communications to prepare an appropriate communications plan. This would ensure that a clear message was sent out throughout the business, about how we interact and in particular the ways in which we speak to each other;
- (iv) the timetable for the implementation of the Diversity Programme had proved too ambitious and would be reconsidered;
- (v) Tony McCarthy reported that he had recently made a presentation to the EOC on culture change at Royal Mail and that the EOC would be attending the March meeting of the Holdings Board;
- (vi) Vanessa Leeson reported that feedback from research had shown that women at all levels in the organisation, but especially in operational units, were offended by inappropriate sexist material that was displayed at many Company sites. A draft action note had been prepared asking for such material to be removed and this was circulated to the Management Board for comment. Vanesa Leeson was asked to report back to the Board on the outcome of this work;

**ACTION**

Vanessa Leeson

- (i) Learning For All: Adam Crozier had taken part in a promotional event with the DTI on the Learning For all Project. The DTI had been very impressed with the programme within Royal Mail and this was now likely to become a model for other organisations. The scale of interest in the scheme within Royal Mail had far exceeded expectations, which was causing some installation backlogs;
- (j) Income generation at PFW: was trending correctly but had not made as much progress as was expected. Forecast revenues were down £9.6 million, while January sales were trading 8% higher than forecast. The actual trading pattern for the first year of the business had been different from expectation.

RMM04/03

**FINANCE DIRECTOR'S REPORT**

Frank Schinella, on behalf of Marisa Cassoni, presented the Period 9 results:

- (a) loss from operations was £40.1 million in December, £36 million adverse to budget and £16.4 million adverse to prior year. The year to date result for December was a profit of £120.0 million. Delays to the implementation of strategic programmes continued to deliver savings in strategic one off spend which was now £71.2 million favourable to budget. Quality of Service failures continued and on cumulative



performance full year targets for 10/15 standards were now mathematically unachievable. The results for period 9 were noted.

RMM04/04

#### P&L ACCOUNTS IN ROYAL MAIL RMM(04)92

John Lappin introduced a presentation updating the Board on work currently under way to develop a means of reporting Profit & Loss at an Area and Operational Unit level within the Group. The Management Board:

- (a) noted progress made on the project to date and that the process had been trialled at 28 Operational sites from three Areas of the business. However full rollout on 1st April would be delayed but the programme would be implemented as soon as practicable;
- (b) agreed that the concept of Profit and Loss accounting as a means of demonstrating shareholder performance at an Area and Operational Unit level was one that should continue to be pursued;
- (c) agreed that work should commence on the deployment of Profit and Loss accounting across all Areas and Operational Units from April 2004 (the solution being subject to evaluation of the trial);
- (d) agreed the project Board should continue to assess the training needs of Managers and staff and put forward cost proposals in the current planning round.

RMM04/05

#### CORPORATE RISK SCORECARD-PROPOSALS FOR OWNERSHIP OF RISKS RMM(04)93

Derek Foster presented proposals for ownership of the refreshed Corporate Risks at Board level and also for Business level owners to which line responsibility can be devolved on behalf of the Board. The Board agreed:

- (a) the proposals for the ownership of Corporate Risks at PLC Board and Business Owner level, and the responsibilities for each of these roles in the management of Corporate Risks subject to the names indicated for ownership of risks being reviewed in light of current personnel changes;
- (b) that VAT was a significant issue for PFW and should therefore be included in the Corporate Risk Scorecard.

**ACTION**  
Derek Foster

RMM04/06

#### MAJOR RISKS TO ROYAL MAIL RMM(04)99

Derek Foster reported that as part of the established corporate governance process that Royal Mail Units had carried out a self-assessment of the organisations risks and related control environment. The paper analysed the issues identified and showed how the risks



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aligned to and impacted on the Royal Mail Corporate Scorecard. The Management Board noted:-

- (a) the Risk and Control Self Assessment 03/04 Half Year report;
- (b) the business remained subject to exposure in a number of major risk areas as a result of control environment vulnerabilities, at the same time as internal and external pressures on the control environment continued to increase;
- (c) the major business risks would be owned at corporate level, progress monitored and remedial action taken where necessary in order to maintain and drive progress;
- (d) agreed that a document clarifying delegated authorities would be approved and issued.

**ACTION**  
**Frank Schinella**

**RMM04/07**

**PROSECUTION POLICY RMM (04)94**

The Management Board received a paper which updated the Board on current levels of legal expenditure and seeking endorsement for a change in priorities and considered which activities might be ceased or reduced without significant risk to the business in order to facilitate further headcount reductions. The Management Board:-

- (a) noted the balance between further headcount reductions in Legal Services and increasing external legal costs was being carefully managed;
- (b) endorsed a prioritisation of the resource used in criminal prosecutions by the Company. The Company's public position of having a strict policy towards offenders would not be altered by this. Jonathan Evans would investigate the possibility of increasing Police and CPS involvement and report back to the Management Board on the outcome of these investigations;

**ACTION**  
**Jonathan Evans**

- (c) noted that Legal Services would undertake a cost benefit study of litigating low value claims;
- (d) noted that Legal Services would in future adopt a more proactively challenging approach to demands from the business for legal advice.

**RMM04/08**

**VEHICLE REPLACEMENT POLICY RMM(04)96**

Phil O'Gorman and Alan Ellingham were welcomed to the meeting for this item. The purpose of the paper was to agree a recommendation to the Holdings Board for Vehicle Services to purchase approximately 20% of the 2004/05 vehicle replacement requirements. The Management Board noted the paper and approved:-



**ACTION**  
**Paul Bateson**

- (a) £10 million of additional Capex authority for Vehicle Replacements equating to approximately 20% of the full Vehicle Replacement Programme. A short paper would be prepared seeking approval from the Holdings Board for the additional £10 million of capital expenditure;
- (b) the replacement of 1000 vehicles using normal existing contracts under Option 1 of the Parcellforce Replacements Strategy.

**RMM04/09**

### **PEOPLE STRATEGY**

Tony McCarthy introduced a presentation on People Plan strategy. The presentation was noted and it was further agreed that a full day workshop would be arranged to consider the Plan in more detail.

**ACTION**  
**Jonathan Evans**

**RMM04/10**

### **NEW CONTRACT PAPER RMM(04)95**

Ian Bond attended the meeting for this item and presented a paper setting out the background and objectives to a proposal for the introduction of new contracts for Senior Managers. The Management Board agreed:-

- (a) the new senior contract package be rolled out, commencing for each business unit once its organisation structure has been reviewed and senior appointments made. The Board noted the estimated scope and costs. Whilst the headcount review is ongoing the only communication of the package will be with the individuals affected;
- (b) the new contract will in future be a general requirement for all new senior recruitments, promotions and voluntary job changes. If exceptional circumstances arose that merited a departure from this approach, these would be discussed between the Board Member and the Group P&OD Director at the time. Senior Managers already in position would have the option of taking the new package or remaining on their existing pay and conditions;
- (c) LTIP would be offered (pro-rata for the first year) from the date of appointment (or the date of accepting the contract where there has been no appointment process and jobs are flowthrough from the old structure), except that any contractual promises to the contrary will be honoured.

**RMM04/11**

### **P&OS UPDATE**

Steve Hodgson attended for this item and presented an update on progress to date with the P&OS transformation project. Implementation Milestones were noted and also the intention to revisit outsourcing once the current changes had been introduced. The Board



congratulated the P&OS team on the tremendous progress, which was being made in improving the efficiency and effectiveness of the HR operation.

RMM04/12

## **SUCCESSION PLANNING**

Martin Hird introduced a presentation on the Succession Planning process. The Management Board noted:

- (a) the development activities of the Top 500 and that this activity would become a line management responsibility;
- (b) the implementation of a forced distribution of grades;
- (c) that a new Employee Change Request form had been introduced for the Top 500 in order to regain control of changes to salary, bonus and relocation costs. In future no alterations to the remuneration arrangements of the people in the Top 500 would be possible without the endorsement of the Group P&OD director.

RMM04/13

## **COMPANY SECRETARY'S REPORT RMM(04)97**

The Management Board noted the Company Secretary's report.

Jonathan Evans would provide a detailed timetable for the introduction of the Utilities Directive.

**ACTION**  
**Jonathan Evans**

RMM04/14

## **REGULATION REPORT RMM(04)98**

The Management Board noted the Regulation report.

RMM04/15

## **HEADCOUNT REVIEW**

John Millidge and Michael Moores provided a presentation on progress to date with the Headcount Review. The Management Board noted:-

- (a) that progress was very slow on SDD/MCR and that these were now priorities. Adam Crozier mentioned that as Headcount reduction was a top priority activity it would be for the Members of the Management Board to take personal responsibility to deliver the required Headcount reductions. Every Delivery Office should have a plan for the introduction of SDD and that those offices with the biggest savings should be targeted. The Bunker Team and P&OD were progressing this action;
- (b) VR offer letters would be sent in the names of Business Unit Heads and any confusion in numbers would be resolved in the next week;
- (c) the Managerial/Admin review was on target.

RMM04/16

## **ANY OTHER BUSINESS**



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- (a) Intrusion Testing: David Burden reported that a weakness in security had been identified in the e-mail system and had introduced a programme of modifications designed to resolve the issue;
- (b) Bank of Ireland: David Mills reported that the Bank of Ireland were going to nominate Michael Soden as the POL Board member. This appointment would require DTI consent.

RMM04/17

DATE OF NEXT MEETING

Tuesday 24 February 2004.

**GRO**