

Post Office Ltd - Strictly Confidential

POLB(12)55

**POST OFFICE LIMITED BOARD**  
**Status Report**

<u>No.</u>	<u>REFERENCE</u>	<u>ACTION</u>	<u>BY WHOM</u>	<u>STATUS</u>
		<b>1. Actions Appertaining to Governance</b>		
1a	November 2011 POLB11/54(e)	To update the Board on the review of future Executive Team Structure and Accountabilities.	Paula Vennells	In hand, to be discussed by Paula Vennells, Chairman and NEDs to feed into the individual Senior Executive's end of year PDR and future organisation design.
1d	March 2012 POLB 12/40	Susan Crichton and Chris Day were asked to update and circulate a proposal for Delegated authorities below SHEX level.	Susan Crichton/ Chris Day	Complete. Revised schedule attached as Appendix A.
		<b>2. Actions Appertaining to IT &amp; Procurement</b>		
2a	November 2011 POLB11/62(c)	The Chairman requested that a procurement briefing session be organised.	Lesley Sewell	A session to be scheduled as soon as possible.
2b	March 2012 POLB 12/28	The Chairman understood that Berkeley Partnership had challenged the concept of the towers within the framework. Lesley Sewell to take a further look at the different approach suggested by Berkeley Partnership.	Lesley Sewell	Berkeley provided a useful summary of the option to consider multiple 'application' towers, with the primary benefits being: promotion of more competition in establishing run cost of new services, and enabling phased re-procurement of each individual app tower as they reach their individual end-of-life (vs forced re-procurement under a single run provider).

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				<p>The report agreed that there is no 'right answer' and support our stated procurement approach of engaging in competitive dialogue with suppliers to discuss the most beneficial tower construct. Single or multiple app towers will be identified as part of this competitive dialogue as best fits the needs of the Post Office, particularly with consideration to the existing Horizon 'app' tower and on-going evolution of that platform to meet business transformation needs in parallel to the re-procurement activities.</p> <p>A copy of Berkeley's note on this subject is tabled as a noting paper for the April Board.</p>
2c	March 2012 POLB 12/28	Les Owen asked if the Service Integrator (SI) model had been successfully deployed in other organisations. Lesley Sewell to find a business who are already successfully using the SI and similar structure to benchmark, including the retail/services sector.	Lesley Sewell	<p>Deloitte are still to provide this material for detailed examples.</p> <p>By way of additional support to the SI model: the programme also recently held a successful Market Engagement Day. Much of the feedback received supports the planned model in terms of use of an SI layer (see attached for the summary of feedback received from the suppliers who attended the day).</p> <p>We will also seek proven models via Gartner as well as Deloittes</p>
2d	March 2012 POLB 12/28	The Chairman asked Lesley Sewell and Chris Day to provide a breakdown and explanation of the optimised expected cost scenarios for the Board.	Lesley Sewell/ Chris Day	This is being developed for submission at the end of April.

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	March 2012 POLB12/42	Horizon Update – Lesley Sewell to return to the Board with the outcome of the tactical and strategic reviews and the options available for the future.	Lesley Sewell	An agreed approach has been developed with both Fujitsu undertaking a tactical review targeting the specific recent issues and an independent organisation being engaged to establish a strategic risk and resilience review across Horizon and the broader Post Office infrastructure. The Fujitsu tactical review will report back mid-April; the strategic review will provide initial output mid-May.
		<b>3. Actions Appertaining to Financial Services</b>		
3a	September 2011 POLB11/48(d)	Current Account: The target for introduction is 2013 but a full proposition needed to be presented to the Board.	Nick Kennett	In hand; target date should read 2012/13 and will come to a Board in 2012 (July).
3c	January 2012 POLB12/10(c)	Eagle Contract Termination: If the evergreen right was not negotiable then Nick Kennett was asked to ensure the resolution period was long enough for POL to find an alternative provider.	Nick Kennett	Ongoing as part of Eagle negotiations.
3d	February 2012 POLB12/24(a)	Eagle: Target date of early March for signing the contract and Nick Kennett will bring the final agreement to the March Board	Nick Kennett	Not yet signed. Expected to be substantially complete for review at April Board.

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		<b>4. Actions Appertaining to Network Transformation</b>		
4b	December 2011 POLB11/69(k)	The Board to be provided with 2-3 bullet points to explain the facts in the event of adverse publicity or contact by MPs, local dignitaries or Subpostmasters.	Alana Renner	The Board will be alerted to and briefed ahead of (wherever possible) any major adverse publicity regarding the Post Office. The Board will also receive a brief ahead of any major news releases to ensure they have key messages to handle any high level enquiries. Ongoing.
4d	March 2012 POLB 12/29	Neil McCausland asked for reconciliation between the numbers in the Crowns paper presented by Kevin Gilliland and the Crown P&L.	Kevin Gilliland/ Chris Day.	
		<b>5. Actions Appertaining to Board Reports</b>		
5a	November 2011 POLB11/57(e)	Paula stressed that queuing times was an area on which the Business focussed heavily and suggested a strategy paper comes to the Board on this topic.	Kevin Gilliland (Paula Vennells)	In hand, Kevin will bring this to the June Board.
5b	January 2012 POLB12/06 (a)	Chris Day to speak to Matthew Lester (RMG CFO) regarding 'Going Concern' discussions as part of the Board's governance, and introduce the necessary reporting process at the Board.	Chris Day	Ongoing – Chris Day to report back to February Board. Update 9 <sup>th</sup> February – Chris Day confirmed that POL's Going Concern status would be covered within the RMG consolidation for this year. A paper would be provided to the Board (May) on the proposed Going Concern process/external audit for FY 12/13.



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		<b>6. Actions Appertaining to POL Remuneration</b>		
6a	January 2012 POLB12/01(b)	LTIP: The Chairman asked that a proposal be brought back to the Board based on the discussions to date (including higher ranges for CEO and CFO) with a gateway for Network Conversions; a small reward for achieving 90% of the financial target; but with the main bonus at 100% and significant rewards for hitting stretch targets. It was agreed that the work needed to be completed as quickly as possible to enable a proposal to the Shareholder before the end of the financial year.	Matthew Starks	Work is on-going with New Bridge Street to re-model the LTIP in line with the feedback provided by the Board and to establish the metrics with the Finance team. The revised proposal will be represented to the board in March though, following a suggestion by Alice Perkins, this may be able to be considered sooner, but outside a main board meeting. Extraordinary board meeting 29 <sup>th</sup> February. Ongoing
6b	February 2012 POLB12/20©	PDR scoring – Les Owen requested two-dimensional matrix rating performance and potential. Paula Vennells suggested the inclusion of potential ratings for the Top Team in the succession planning paper.	Pauline Holroyd	Session scheduled for May Board.
		<b>7. Actions Appertaining to Finance</b>		
7b	March 2012 POLB12/38	In relation to the 2012-13 Budget the Chairman suggested that Paula Vennells and Chris Day discuss the medium cost reduction challenge with the Executive Team to decide how they will improve productivity without jeopardising the major transformation programmes, and report back to the Board.	Paula Vennells/ Chris Day	Ongoing – likely to require consultation with external specialist consultancies on best practice prior to making recommendations to ET/Board.

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7c	March 2012 POLB 12/38	Chris Day to circulate to the Board the updated budget figures including contingency.	Chris Day	The challenge and contingency has been done as set out in the Board paper for 15 March. Following the year end and as intercompany balances have finalised with Royal Mail there have been some further minor amendments. A final bridge from the 15 March Board paper to final budget will be provided with the Period 1 reporting.
		<b>8. Actions Appertaining to Front Office of Government</b>		
8a	February 2012 POLB12/18(e)	The DVLA Tender would return to the July Board but Paula Vennells would keep the Board updated on any significant changes should they arise in the interim.	Paula Vennells	Ongoing
		<b>9. Actions Miscellaneous</b>		
9b	January 2012 POLB12/07	Integrity of Horizon System: Susan Crichton to clear the audit report with the external lawyers and, if possible, to give the report privileged status and circulate it to the Board.	Susan Crichton	Final amendments to report awaited.
		<b>11. Actions Appertaining to Personal Injury Referral Fees</b>		
11a	March 2012 POLB 12/32	Neil McCausland to take ownership of this issue going forward to ensure the business was getting the required information and challenging Junction to ensure that the Post Office was beyond criticism.	Neil McCausland/ Nick Kennett	Ongoing.

**Proposal: authorities to commit spend or implement change****ShEx Consent Required Under Articles of Association**

<b>SHEx</b>	> £50m
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**Authorise**

	<b>Planned Spend</b>	<b>Unplanned &amp; Complex Spend</b>	<b>Decisions with brands and risk impact</b>
	<u>Value</u>	<u>Value</u>	<u>Description</u>
<b>Board</b>	> £20m	>10m	Carries significant risk (ERM score4). Attract public and media interest Risk of impact on brand value New product
<b>POLIC/ ET</b>	£5-20m	£0.5-10m	Carries significant risk (ERM score 3). Attracts local public and media interest Impact on customer experience Changes to products
<b>CFO</b>	£1-5m	£0.25-0.5m	Price changes
<b>Director</b>	<£1m	<£0.25m	N/A

To be reviewed at the end of 2012/13.

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### **Planned Spend**

Covers both bau costs of running the business and projects approved in the budget unless deemed in the budget to be complex.

Includes: extending a product range, system upgrades, and property projects.

Examples:

- Horizon releases
- Rhino Doors cash centre security upgrade
- Payment Card (PCI) security compliance
- Marketing campaigns

### **Unplanned & Complex Spend**

Spend not in budget and projects in the budget that were identified as complex.

Includes: product development, acquisition of new system, major capital spend

Examples:

- IT Transformation
- Channel Integration
- Returns and Collections
- Olympics
- FOoG tenders

### **Change with Risk**

Any activity that places business at risk (refer to ERM score).

Includes: change of supplier, compliance cases, and single person vehicles.

Examples:

- HomePhone and Broadband supplier selection
- PINpads
- Eagle
- Sale of credit cards in branch

### **Brand Impact**

Significant issue that will be noticed by all customers and significantly impact a group of customers.

Includes: completely new product, change to product, new branch model

Examples:

- POCA statement frequency,
- Premier trial
- Online retail shop
- Cheque acceptance
- Project POLO

**NB** some cases will fit under more than one heading.