

In Strictest Confidence

Meeting with George Thomson

March 13th 2012

Agenda items:

1. Horizon reliability
2. NT discussions
3. BIS select committee
4. Remuneration claim
5. Mutualisation
6. Strategic Partnership Board

1. Horizon reliability

George's has 2 main issues arising from the recent failures:

- Is Horizon capacity capable of handling the peak volume periods?
- What compensation will POL pay subpostmasters for these failures and how does this align to what we have received from Fujitsu?

Various briefings have been provided related to the incidents and a Board Paper has been submitted outlining the position. (This will be in the pack for the Board, but can be supplied separately if required).

Regarding his issue around capacity, suggested lines to George should be taken from the briefing prepared by Comms:

The four service incidents have all had a different root-cause and have not been connected to each other. As each incident has been different, we have identified the root cause of the issue and put in place mitigating actions to prevent the same issue from happening again.

- 27th July 2011 – Pin pad failure caused by a change activity
- 12th December 2011 – Horizon service failure caused by a hardware failure
- 1st February 2012 – Card account failure caused by a change activity
- 1st March 2012 – Horizon service failure caused by a hardware failure

As well as taking lessons learned from each incident, we have also put in place additional changes to make sure we have more rigorous testing and evaluation before we introduce anything to our live environment. Fujitsu Services has also put in place further improvements to monitoring and alerting.

So we have a more fundamental overview of our IT services, we are putting an independent person in to complete a full review of our IT infrastructure to prevent further service issues.

With regard to his claim for compensation, current Goodwill Payments agreements only kick in if service is lost for more than 48 hours, so these do not apply. Of the 4 incidents, one has resulted in a payment from Fujitsu to POL (£250k) – George is not aware of this.

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The most recent incident will only give rise to a payment if service levels decline further through March. We have no plans to make any payment to agents – any payment would be subject to business case and ET approval.

2. Network Transformation discussions

Following the workshop held 15th and 16th of Feb, 2 follow up workshops have been held:

- 7th March – Operational workshop whereby Mervyn and Paul Haines were taken, in detail, through our implementation processes. Feedback was that they recognised (and were somewhat overwhelmed by) the high volume of detailed activity that had been undertaken and were pleased with the robustness of the proposed processes.
- 8th March – Follow up with George and Mervyn on key contractual issues. Agreement has been reached on the majority of areas and the letter to George outlining this and required necessary actions is attached. We are pleased with progress and the collaborative way we have achieved agreements so far. Key outstanding issues are:
 - i. Items for inclusion in the compensation payments – we have improved our offer in this area but NFSP may still be looking to include some transition sums which we have said we will not include.
 - ii. Year in which compensation is calculated from – NFSP are looking to give the option of best year from 2008/09 at any point in the programme. Our position is that it must be from best in 3 previous years (and this would start with 2009/10) with an exception for any branch that volunteers in year 1 but is prioritised to a later year, whereby we would honour any compensation offer made, which would equate to 2009/10 onwards.

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3. BIS Select committee

Mike Granville has provided a separate note (March 9th) on this and will be preparing a schedule of briefing production, discussions and potential rehearsals over the next few days. Date has been confirmed as 15th May.

4. Remuneration claim

No further conversations have been had with NFSP since their demand was submitted, pending gaining a business mandate to make a formal response.

This mandate has now been given:

- Up to £3m from 2011/12 budgets as a one off payment distributed (via discussions with NFSP) across all branches (excluding outreach & satellites)
- Re-distribution of some of the remuneration arising from 2012 RM Tariff increases into one off sums for branches on CTP to alleviate reduction in CTP arising from unfreezing
- Flow-through of remainder of remuneration arising from RM Tariff increases

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Subject to any discussions arising at the 121, the intention is now have an off-line conversation with George to sound out his reaction to our proposal. This is likely to be towards the end of w/c 9th March in order to allow outstanding NT issues to be resolved.

5. Mutualisation

George is beginning to turn more attention to this. He is clear in his mind that there needs to be commitments, via appropriate Parliamentary approval, prior to the next election as he would be sceptical of the next Government having the same aspirations as the coalition.

He is beginning to shape his thinking around how the Board and Trustees could be constructed – an initial view on this was outlined in NFSP's submission to the consultation, whereby they were part of the Trustee Board representing all agents (including multiples).

Alice is meeting George on March 15th and there are a series of pre-meets leading up to this that will refine our current thinking from the work already prepared. The first of these is Monday am (Kevin, Sue, Nick) followed by Paula/Kevin on Monday pm.

A further update to this briefing will be made as required following these meetings.

6. Strategic Partnership Board

Current thinking/positioning is that the re-establishment of the SPB is part of the journey to Mutualisation.

One of the requests NFSP made during the NT discussions was a platform for discussing Network Policy etc and we have agreed the SPB will be the mechanism for this.

We have drafted a TOR which will form part of the pre-meet review to the Alice/George meeting and then be shared with NFSP for input.

NFSP are on board with this approach – main sensitivities are likely to continue to be sharing sensitive information.

Update on additional topics that might be raised:

7. Additional expenses payments to NFSP

George has sought an additional payment of £286k to cover additional NFSP costs (£180k) incurred in supporting POL strategic activity and a further amount (£106k) to fund a DVLA lobbying campaign.

Sue has discussed this with Chris Day and subsequently with George. We are able to recommend a contribution of £200k as an exceptional facilities payment made up of £100k towards campaigning activities and a further £100k towards NFSP's exceptional NT related costs, funded from NT budgets.

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Sue has indicated to George that this payment can be made swiftly but we would expect him to have agreed the outstanding elements relating to the NT contractual discussions.

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