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GROUP EXECUTIVE		
Date: 13.11.17	Venue: Finsbury Dials	Time: 9.30am to 15.17pm
Present:	In Attendance	Apologies
Paula Vennells (PV)	Amanda Radford (item 1) (AR)	
Alisdair Cameron (AC)	Tom Wechsler (item 2 & 4) (TW)	
Nick Kennett (NK)	Andrew Goddard (item 2) (AG)	
Jane MacLeod (JM)	Andrew Parsons (item 3) (AP)	
Rob Houghton (RH)	Tom Moran (item 3) (TM)	
Martin Kirke (MK)	Martin Kearsley (item 4) (MK2)	
Martin Edwards (ME)	Somita Yogi (item 6) (SY)	
Mark Davies (MD)	Angela Van Den Bogerd (item 7) (AB)	
Kevin Gilliland (KG)	Natasha Wilson (item 12.1) (NW)	
	Maryn Lewis (item 12.2) (ML)	
	Marla Balicao (MB)	
Agenda Item 1		
Performance – Financial Results & Review of Business Scorecard		
Purpose		
To review the Financial Results and the Business Scorecard and discuss any areas which are shown to have a RED status.		
AR presented the results for P7 and reported the following: - EBITDAs of £3.2m in month which is in line forecast and £1.1m favourable to budget. - YTD EBITDAS is £3.8m favourable to budget at £7.6m. - Although performance is in line with forecast there are a number of compensating variances which bring us in line. FD's are flagging that timing differences will reverse hence underlying fees flows through of retail over performance offset associated agents pay (0.4m) - Encouraging improvement in digital net income giving a green scorecard on growth for the period. - Red variances – Branch compliance is a basket of measures. We believe this to be principally driven by counter shops. Of the 55 completed between July and September 31 were red rated. - HGNA roll out – received conflicting figures and the team were not able to resolve on Friday afternoon. - Gap on network numbers widening, new 111 behind target. 75 behind target in P6. However most of the deterioration is an increase in the target from P6 to P7. As at P6 11,733 and at P7 target is 11,670 and increase of 37. Actual number of branches increased by 1 from 11,558 to 11,559. - In month EBITDAS versus forecast is £ 0.1m favourable: - Strong performance in retail in government services and lottery but offset against - Agents pay where xxx as well as volume contributes to adverse variance. - Overspends within marketing (retail) and stationary, postage and licenses, some of which is timing and expected to reverse in balance of year. - In period EBITDAS versus budget is £1.1m favourable: - Strong performance in retail driven by Telecoms in (FS&T) Telco base but offset against - Delays in branch conversions. - Agents pay. - Non-Staff Costs. (In line with reforecast). - YTD versus forecast same as in period. Trends as per first half of the year. - Strong performance in retail - Adverse in FS&T with delays in New Call acquisition, MoneyGram revenue decline but partially offset by Telco. - Staff costs adverse due to delays in branch conversion - Agents pay adverse as analysed in P5 and mix and volume offset by delays to DMB programme are key contributors. - Non-Staff costs favourable to budget by £1.9m which was a result of underspend in marketing, savings in property which is offset under budgeted LTIP cash and former agent's losses. - FS&T revenue broadly in line – MoneyGram and Banking services shortfalls offset by small favourable variances across a number of areas. Encouraging POMS is in line with forecast.		

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- Overheads - Slide 10 focusses on overheads variances against budget and variances reflect first half trends:
 - Retail - principally delay in branch conversions offset timing, broadly neutral.
 - POMs – favourable, delivering savings to core revenue.
 - F&O – slightly favourable costs in supply chain and losses are offset by property savings.
 - CIO - £1m adverse but expected to be in line by year end.
- Project Spend – Despite re-phasing on project forecast, tacking is behind by £8.2m versus forecast in month and versus budget (£11.5m). £1.7m of £8.2m is on back office transformation, robotics project and timing of redundancy programme.
- Specific projects – project variances are under review and Michael will give a full update at December GE.
- Balance sheet has net assets of £200m and nothing specific to note. **PV asked about the reduction in provisions balance due to OSOP and agents payments, how much was the split between the two? AR noted she would find out.**
- Network Cash – Continued focus on inward remits sees the inward remits balance reduce to £57m versus £84m at yearend and a peak of £144m in P3.
- FX balances have started falling as the peak summer demand has subsided. As a result cash in the network has fallen by £116m since P6 and has been a broadly corresponding reduction in the loan balance which has reduced to £588m from £714 at P6. The position is favourable to forecast due to reduced project spend and the forecast assumed a conservative position on inward remits.

Outcomes

Action:

- AR to find out about how much was the split between OSOP and Agents payments.**

Agenda Item 2

Project Panther Update

Purpose

To update GE on Project Panther and to note pre-Board.

Discussion

KG presented his update paper on Project Panther and noted the update was in relation to non-binding discussion with Payzone since the last GE meeting. He highlighted the following points:

- TW noted that they have had two discussions with Payzone and another one due this week and both have been positive and constructive so far. As expected there is a gap between the ranges of our respective valuations to theirs but are working through the details and Payzone are providing greater assurances over how the business is able to generate value. Payzone are keen to continue with discussions and further analysis is still required. It was noted that they were not ready to go to the Board to submit a request for a full negotiating mandate but would provide an update on discussions to date.
- KG stated that although their valuations have gone up we are still going through the due diligence process and risk has reduced around potential cash flows for instance they are prepared to sign over service level agreements for their card business guaranteeing the revenue streams from this. They have also provided insight to their transport ticketing and the length of these contracts of which are **IRRELEVANT** plus which is another upside. NK asked if the range originally discussed changed as was between £15m-£20m. KG responded that this has not changed but it was too early to agree valuations.
- JM asked if we had agreed exclusivity with Payzone and TW noted we had and also it was not time stamped. KG added that Payzone are up for the deal and there is intent there we just need to make sure we are all going in the right direction.
- PV noted what was missing from the paper was the risks. Firstly, what could go wrong on this and what are the other options. Secondly, other risks associated such as M&A experience, corporate structures and no transition plan. She suggested that they include these in their Board paper. JM added that they should bring out the process points and provide a high level statement to give comfort to the Board.
- KG agreed the Board needed to be brought up to speed as not done an acquisition before and they would also need to consider if by doing this deal this would potentially stop other deals. They would also be concerned over our capability as in who would run the deal and deal with the transition. TW noted that they were currently scoping for the role now. MK added he could get his team to start looking for a transition director now.
- PV expressed that they should also be speaking Gary Fitton on lesson learned from the **Annex** deal. ME added also contact Irish Post office.

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Outcomes	
Action:	
To update the paper as per the comments of the GE and take update to the Board.	
Agenda Item 3	
Update on Group Litigation (verbal)	
Purpose	
To update GE on the outcome of the Case Management Conference in October and the way forward.	
Discussion	
JM provided an update on the outcome of the case Management Conference in October and outlined the time lines. JM noted that the current QC may not be available for one of the hearing dates and it was agreed to bring in a second QC in his place.	
Jane to provide a couple of bullet points	
Agenda Item 4	
Cash Services Strategy including Banking Framework and ATMs	
Purpose	
To update the GE on future strategic proposals for the banking services framework and branch requirements for cash services.	
Discussion	
- NK presented his paper on cash services strategy and explained that this was a huge opportunity which would extend the business line to a provider of cash and cash business. - PV noted that this could not be taken to the Board unless it covered the whole piece including ATMs. The GE had a discussion around ATMs in relation bank branch closures. If it was viable to replace ATMs from those branches or provide an additional service to service theirs. - RH questioned if we had the capacity and capability to even look at this. He was concerned with the SLA's with Lloyds and the banking framework and questioned if this was the time to pursue this as what would be the implications on other projects. MK2 noted that they could not wait much longer as needed to go back to Lloyds with some positive engagement. He added by March they would have more detail analysis behind this and a first step plan for the GE if they wish to pursue. MK2 was seeking a soft green light to push forward with the analysis on the work and the funding of £1m for external consulting on the analysis. RH that this should not be approved here as must go through a gating process to look in line with other priorities. PV added that HR should look and manage the capabilities piece and JM noted that it should go to the ECG to look at the landscape and what needs to be prioritised and agree if we are going to do all of what is proposed.	
Outcomes	
Action:	
PV asked that a paper come to the Board and log some of the questions raised in the discussion today and even if there are no answers yet should show that they are being considered.	
Agenda Item 5	
RMG Discussions	
Purpose	
To update GE on the mid-term review and developments.	
Discussion	
This was pulled from the agenda and is to be carried forward.	

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Outcomes	
Action:	
Update to go the Board.	
Agenda Item 6	
Update on Data Strategy including MI	
Purpose	
To provide the GE on summary of findings to date and proposals for future data strategy.	
Discussion	
AC introduced Somita Yogi - Head of MI, Analytics & Data Strategy who would be taking the GE through the paper. He noted that this has been a joint piece of work with RH and that the approval had been given by CAG of £100m. AC noted that new kits were being rolled out but due to the wrong information we hold engineers are turning up at branches that are no longer there. There is a structural issue that needs to be addresses and we need to spend time and money to get this right. PV noted that the presentation in future need to come in the right format and it would also be helpful for a summary. SY took the GE through the paper and highlighted the following: - SY explained that she had identified 6 data work streams that needed to be worked on to improve MI. Those being Data Management Strategy, Data Quality, Data Governance, Data Operations, Platform & Architecture and Supporting Processes. The next step is to engage with GE members to promote data needs in line with their requirements. An interviewed held with AC identified the area of cash management reporting. AC gave the example of network numbers. It took 3 months to produce an answer but could be done in an hour. - NK asked if the intention was to create a monster solution or a piece meal to a final solution. SY clarified that this was a step by step solution looking at 1-3 interim solutions. The need to look at technology as advancing at a fast pace. - NK raised that no reference has been made to our key supplier of data (BOI). He added that there were a series of participants that provide input data, customer data and different groups of data come together in one group. SY noted that this should come under cash management and has not yet interviewed all GE members. - JM asked what culturally needs to change. SY responded that with regards to data flows – needs to be questioned as to if this is the right process and who's going to own it. PV followed on to ask about the data around branches, who owns data. SY noted that there were a number of branches and that Postmaster should be emailed to confirm if they are trading and open. PV asked to change culture do we need data owners and people responsible. SY responded yes. JM noted that accountabilities were talked about 2 years ago how do we land this now. SY responded that the process owners need to be identified. RH described that this must be worked under triage. Pick 2-3 areas that are critical first then work your way down. - SY reported that data flows were weak and currently a bottom up flow but need to do top down. - SY explained that Project Arrow aim is to achieve better, cheaper and quicker MI and implementation of data strategy for PO. To do this you need smarter people in the role and a centralised MI team with less dependency on third parties. You need to retain the staff and knowledge within PO. - ME asked SY how PO compared to other organisations and if this could be achieved. SY responded to say that by picking the right ways, using the right technology and with GE support the task is possible. - KG noted SY needed to identify the priorities and make sure there were no road block. SY noted all she needed was the GE support and she could get on with the task. By February SY hopes to have an IT partner to assist but needs more in house people and for the team to keep the knowledge.	
Agenda Item 7	
Future Change Approach Proposal	
Purpose	

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To discuss approach to change management.

Discussion

AC noted that this was a joint production with RH. He reported that current change capabilities has not gone very well and are losing the benefits. This needs to be approached differently. AB took the GE through the paper and highlighted the following key points:

- AB explained 'What good looks like' would require:
 - An Independent experienced Portfolio Office which would prioritise and schedule demands and projects and provide a different lenses on portfolio performance.
 - A Design team which would focus primarily on the think and design stages in order to deliver more confidentially.
 - A Change Resource team which reports to Portfolio Office but managed by business unit Portfolio Leads. Re-profiled into a core permanent team of experienced 'Change' professionals which currently on a ratio of 77:23 perm to contractors and looking for 60:40 next year and 50:50 by 2021. This would be better for upskilling.
 - Replace the ECG with the Investment Committee which will be a smaller group able to do more detailed reviews, review portfolio performance and approve major business cases. This committee will meet monthly and report to the Board and UKGI.
 - CAG would be refocused and would ensure gating is rigorously applied (Think, Design & Deliver), approve business cases, adapts for Agile but also 'Kills' initiatives that don't meet the criteria. This will meet up weekly to speed up approvals and be chaired by Portfolio Office.
 - Meetings aligned within a common governance framework coordinated by the Portfolio Office.
- RH reported that they needed to lift the Portfolio Office up a level to make this work. AB explained that people don't want to take up within and always opt to go to contractors. Contractors come in and go. This is not coordinated well so by taking up a level we get the best people working with them. Contractors are also a hit and miss sometimes you get some good people. PV asked by raising the level is there a gap in skills and if so how do we get there. AC suggested that Martin head up with regards to resource and skills and Tim White (?) to run the Portfolio.
- The GE were in support of the proposal and **PV asked that they pick upon the skills gap and go to L300 to show progress.**

Outcomes

Action:

- **The GE approved the Change Approach proposal and asked that the skills gap be picked up and progress is taken to L300.**

MK?

Agenda Item 8

Digital Strategy & Delivery

Purpose

To discuss and approve digital development strategy.

Discussion

- RH presented his paper and noted following discussion in September he and ME have put a digital framework together (Appendix B) as a concept for use. Ownership and execution of activities can be framed and changes required to develop an enabling culture in order to give strategic drive to digital development in the Post Office.
- Different reactions to the paper were discussed and RH stated it was not a paper on what to do next it was to show the GE that they needed to invest as a whole to create an environment in which digital leadership, innovation and thinking can flourish. A digital framework could be adopted and GE members nominate 'owners' of each segment to develop the thinking against the digital strategy and prepare an overall 'digital transformation plan'. RH noted the list of people from the different segments to be responsible on page 5 of his paper which all need to talk together.
- MK noted that there is a strong digital theme in what we do already and people are influenced by stories. He noted that we must not underestimate the low confidence currently, where things have not been successful such as Success Factor. We need to put out more positive stories and show the real changes. RH asked how are we get the message across. AC added how do we upskill our people who are up for the change. Do we need to be more strategic on talent such as re-training those who want the change to get

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people's confidence up. MK noted we need to share what 'digital' means and back up with success such as Yammer. KG noted that his team uses 'Whats app' group which is more effective than official channels. PV concluded by suggesting RH adds a Comms person to this approach and go ahead with.

Outcomes

Action:

- **RH to go ahead with proposal and add a Comms person to provide the positive stories and could be the digital champion.**

Agenda Item 9 - Verbal Update from Committees & Steering Groups

11.1 IRSG

- MK reported that they are still working on contingency plans for RMG industrial action, as they may still strike before Christmas but the earliest being 24 December.
- MK gave a verbal update on Employment Tribunal relating to change for some employees from weekly to monthly pay.

Agenda Item 10

Review of GE Minutes, Action Points and Updates

Purpose

To update the GE on the actions taken and provide any information requested.

Discussion

- 14/06/17: Cash Management / Action 1 - Set up a review on the Santander security rules towards the end of the calendar year. **AC and NK to take joint ownership and provide update by 30 November.**
- 14/9/17: Finsbury Dials Review - Action 1 & 2 – AC reported that they were working on a short term plan and have secured the 6th Floor for IT. Also considering building space outside London for IT. **AC to provide future updates?**
- 16/10/2017 Independent Review of IT Strategy - RH to provide GE with further findings and responses and paper to go to GE. **Closed**
- 16/10/17 Performance Report – FS&T SBU: JM was asked to get Gary Fitton to speak to GE before going to POL Board. This had already taken place in May and just need to do the same for next year. **Closed**
- 16/10/17 AOB – Timing of papers. **Closed**
- 19/10/17 Project Panther – 'Black Hat' review. Keep open till further progression has been made with project. **Open**
- 19/10/17 Overall Strategy and 3YP Review – Strategy session booked for 28th November. **Closed**

Agenda Item 9

Items for Noting

- **Health & Safety Report** JM and KG attended the Deep Dive
- **Forward agenda -GE December 2017 & January 2018**
- **Forward agenda- Board – November 2017**

Outcomes

The GE agreed the following actions:

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<u>GE December 2017</u> - Government Services should be change to be called the Future of POca Options and jointly owned by KG, ME and NK. - NK to confirm if Mortgage Distribution would need to be on the agenda. - Approval of POMs MSA and SMR discussion. AI noted AR working on MSA and would follow up. NK to see if Sean the right person for discussion on SMR. <u>GE January 2018</u> - Performance Report for FS&T SBU to be moved to March and should not come together with Retail SBU which will stay in January agenda. - POca and Digital Wallets to be included with Cash Strategy and deferred to March agenda. <u>Board November 2017</u> - RH noted that Digital Delivery be changed to IT Assurance. - Project Jay agreed to be moved to January and actions log amended to tie in with.	AL/NK
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Agenda Item 10	
AOB	
Purpose	
To discuss any additional items raised	
Discussion	
<u>LTIP Proposal</u>	
NW took the GE through the paper and it was agreed that 2016-19 LTIP two targets would be presented and for 2017-20 they would include two targets plus a 3rd option to Remco. NW and AC to rewrite paper and bring to Remco before going to the Board.	
<u>SAPHR & Payroll Replacement Business Case</u>	
ML presented replacement business case which he was seeking approval before submitting to the Board. AC noted he was uncomfortable with how long this has taken to come back to Board and should flag up as soon as they are aware they are going to be more than 10% variance from NPV. PV noted that when bringing the paper back to the Board it must not be longer than 6 pages and say up front that it is now more than double the budget and will look to commission some independent review. AC agreed that an independent review be commission and asked that they report back to the ARC on the findings. (Check with Paula and AI if they wanted the independent review immediately or post Go Live)	
RH noted something about Joint action plan with suppliers – problems continue on a number of sites – noisy postmasters, call centres?(See RH about)	
<u>Horizon Attack</u>	
- RH reported a third Horizon attack which affected performance for a short period of time. (KG Only 15% failure in Agency and 50%in DMBs.) - KG reported that Nisa had accepted a bid for takeover from Co-op.	
Outcomes	
Action: ML to provide paper to Board no longer than 6 pages and to be upfront about the cost being double the original budget. ML to commission an independent review and present findings to the ARC.	

The meeting closed at 15.17pm