

In Strictest Confidence

**POLB(08)5th
POLB 08/39 – POLB08/51**

Post Office Limited

(company no. 2154540)

**Minutes of the meeting of the Board
held at 80-86 Old Street, London
on October 20th 2008**

Present:

Alan Cook	Managing Director, Post Office Limited (Chairman of meeting)
Peter Corbett	Finance Director
Mike Young	Operations Director
David Glynn	Sales Director
Gary Hockey-Morley	Marketing Director
Debbie Moore	HR Director

In attendance:

Neil Owen	Notes
Stephen Hirst	Head of Accounting (for POLB08/42)
Simon Whale	Head of Strategy Planning (for POLB08/42)

Apologies

Allan Leighton	Chairman, Royal Mail Holdings plc
Paula Vennells	Network Director
Sue Whalley	Strategy Director

POLB08/39

PREVIOUS MINUTES

- (a) The Board approved the minutes of the previous meeting;
- (b) The Board noted the Investment Committee minutes of 19th June, 3rd July, 25th July, 14th August, 28th August, 10th September, 24th September, 9th October;
- (c) The Board noted the POFS minutes of 12th September 2008;
- (d) The Board noted the FRES minutes of 29th April 2008.

APPOINTMENT OF DIRECTOR

POLB08/40

- (a) The Board ratified the appointment of Mike Young to the Board of Directors, effective 1st August 2008.

POLB08/41

STATUS REPORT POLB(08)35

- (a) The Board noted the report which showed all actions from the previous meeting were completed or in hand. The Board also noted that:

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(b) POLB08/32(c): weekly sales continued to track significantly and materially below business case. This would be escalated to WHS Senior Management to agree remedial action. A meeting would take place between Alan Cook and Kate Swann.

POLB08/42

(a)

(b)

Irrelevant

(c)

POLB08/43

FINANCE FUNCTIONAL REPORT POLB(08)37

(a) Peter Corbett presented the finance report and period 12 performance pack to the Board;

(b) the operating profit at half-year was £28.5m, which was just £(0.5)m behind budget. Although this meant that the target was in sight, there remained concerns that sales were 4% behind target and were being offset by other income streams such as bank commission from Card Account and cost savings. To be confident of delivering the rest of the Plan sales needed to be back on track;

(c) in Period 6 the profit share from POFS was revised to reflect the accounting method that had been established for the 'Gamma' contract with the Bank of Ireland. This would improve income at the expense of profit share and the net impact was within budget. This was the principle reason for the £(4.5)m variance on profit share in the month;

ACTION:
Peter Corbett

(d) it was agreed that an appropriate internal communications briefing would be prepared to explain the financial results of the Company;

(e) the Product & Branch Accounting (P&BA) capacity and business cases backlogs continued to reduce but P&BA was very stretched. Higher profile reviews of Saving Stamps and ATMs were positive but P&BA continued to overspend on agency;

(f) the Board noted the performance pack.

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POLB08/44

NETWORK FUNCTIONAL REPORT POLB(08)38

- (a) The Board noted the report and in particular that:
- (b) Crown Network: the first refurbishments had commenced and there were no material issues. Procurement problems over CMS equipment had been resolved and the tender documents had been issued;
- (c) Network Change: 11 area plans have now concluded in full and public consultations were concluded on all 42 plans. Final decisions had now been announced for 39 area plans to date with decisions yet to be announced on only 3 area plans. To date, over 169,000 pieces of correspondence (c30% via e-mail) had been received by the Consultation Team. 1800 branches had closed and 174 outreach offices had gone live;
- (d) WH Smith: all conversions were now complete and the total WH Smith network now stood at 82 branches. Further franchise sites had been identified as possible additions to WHS estate. Overall physical and presentation standards were good.

POLB08/45

MARKETING FUNCTIONAL REPORT POLB(08)39

ACTION:
Gary Hockey-
Morley

- (a) ATMs: momentum in the internal ATM programme had now been re-established with both POL and Bank of Ireland (Bol) confirming their desire to recommence installations as soon as possible. Bi-weekly meetings with Bol had now been scheduled up to the end of November to finalise the commercial position and update the current Agreement. In parallel, work was in progress to establish the overall profitability of the ATM programme, which will inform remuneration discussions with the NFSP and feed into the full ATM business case;
- (b) Bill Payments: improvements in bill payments were now beginning to show. British Gas had announced that Payzone had been dropped which would generate more business for the Post Office;
- (c) Queuing: the queuing results were under pressure, mainly in Crown offices, due to the levels of migration. It was agreed that GHM, PV and MY would meet to discuss.

POLB08/46

SALES REPORT POLB(08)40

- (a) The Board noted the report, and in particular that;
- (b) total POL sales P6 YTD income from Focus and Standard products was £347.49m. YTD P6 Focus product income now stood at £86.44m, some £8.1m below target, with Standard product income at £261.05m, £7.32m below target. Focus

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product income performance now stands at 91% YTD, a further drop of 1% on P5 although still 109% vs. this time last year;

(c) all sales forecasts for 2009/10, from both channels and marketing teams (including JVs) were under review to ensure that these were both achievable and stretching, and underpinned by careful and detailed assumptions of market opportunities. This was part of the current exercise to determine how the existing £30m gap against plan for 09/10 can be closed.

POLB08/47

OPERATIONS REPORT POLB(08)41

(a) The Board noted the report, and in particular that;

(b) Fujitsu: negotiations concluded and were now ready for sign off after many hours of input, securing benefits for POL despite late delivery of Horizon Next Generation X against original plan. As part of the deal there would be an increase in operating costs this year but it will be fully recovered against operating costs next year;

(c) Horizon Online: the HNG team ran an exhibition stand and held a seminar session on Horizon Online at last weekend's Subpostmaster Exhibition at Olympia. The stands were very well attended, and the response from delegates to the new system remains overwhelmingly positive;

ACTION:
Mike Young

(d) Crown Office Relocations: it was agreed that Mike Young would verify that the new offices featured a screenless format;

ACTION:
David Glynn

(e) Sourcing Council: it was agreed that the authority of the sourcing council would be clarified to ensure that the focus remained on the vendor selection process.

POLB08/48

HR REPORT POLB(08)42

(a)

(b)

Irrelevant

ACTION:
Deborah Moore

POLB08/49

STRATEGY REPORT POLB(08)43

(a) The Board noted the report.

POLB08/50

CLOSE

(a) There being no further business, the meeting was closed.

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POLB08/51

DATE OF NEXT MEETING

The next meeting of the Board was scheduled for 19 January 2009.

BALANCED SCORECARD ACTION LOG

2010 POLB01	FP1.1 Contribution from variable products needs to be noted as a Bonus Target	SiW
2010 POLB02	FP1.1 Variable Contribution: Investigate why there has been a £2m drop from last month to this	DG/SiW
2010 POLB03	CP1.5 - No. of Customer Complaint – Agree a target going forward and owner to drive this. Current target is an assumptions	SiW / GHM
2010 POLB04	CP1.1 - Average No of Products held per customers. Ensure this metric is delivered	SiW/SH
2010 POLB05	FP2.2 – FRES profit share. Need an explanation of the shortfall for the month (Sept)	GHM
2010 POLB06	FP2.3 Investigate the provision of an advertising campaign for Life Insurance Products from reduced spend on aggregators.	GHM
2010 POLB07	Ensure metrics are in place for Financial Services: <ul style="list-style-type: none"> • Cost of customer acquisition • Retention metrics for balances • Ave No. of FS product held per customer 	GHM/SiW/SH
2010 POLB08	CP3.3 - No. of Customer Complaints – Mails. Agree owner and target for this.	GHM/SiW
2010 POLB09	Remove 'fastdrop' and online postage metrics – as not due this year <ul style="list-style-type: none"> • No of offices with FD capability • Proportion of FD offices generating sales • Sales on POL online postage 	SiW
2010 POLB10	CP4.1 – Confirm reason for >1000 missing MVL disks with Keith Woppard and John Scott	SiW
2010 POLB11	Review Government Metrics to ensure we have the best measures in place <ul style="list-style-type: none"> • Card Account linked transactions (per customer) • Cross sales from Government Services (£m) • Customer Satisfaction for Government Services • Client Satisfaction with POLs Government Services (Sherpa linked?) offerings (may have to be removed in line with JEMM Survey) 	GHM/KS/SW
2010 POLB12	LP5.3 – No. of dual customers – Check YTD score as seems too high	SiW
2010 POLB13	FP4.4 & LP4.1 Review metrics in light of planned activity (with Kevin Seller)	GHM
2010 POLB14	FP5.5 – Review opportunity of putting ETU onto ATMs	GHM

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	(or other alternatives to drive income)	
2010 POLB15	IP5.1 - Cost of Customer Acquisition (£). Drive to get this metric in place	SiW/SH/GHM
2010 POLB16	Direct metrics – Agree metrics with Penny to agree replacements for: <ul style="list-style-type: none"> • Customer feedback on website • Customer feedback on call centre • External benchmark of direct experience (%) Penny has proxy measure that would be useful to see here (e.g. abandonment rates etc)	DG/SiW
2010 POLB17	CP6.1 - No. of profitable offices (Volume) – Ensure metric is in place as soon as possible	SH
2010 POLB18	Ops Efficiency - Add in new metric for 'getting it right first time' from a C&IS / product delivery point of view	MY
2010 POLB19	CP8.4- Talent Group retention / promotions / internal moves. Metric needs to be agreed and put in place	DM
2010 POLB20	Remove metrics that are not used: <ul style="list-style-type: none"> • Take up of 'Colleague Offers' • Proportion of parcels using carbon offset 	SiW
2010 POLB21	Add in new metrics that better reflect HR improvements areas: <ul style="list-style-type: none"> • Rookie Ratio – Proportion of staff that have been in the business for less than one year • Rookie resignation rate – Need to reduce this • Business resignation rate – Currently very low (how would we target this?) • Charity giving – (either payroll-giving and/or matched funding) to help measure CSR Need to agree owners and detail of each metric	DM/SiW
2010 POLB22	Prepare an appropriate briefing for CWU and NFSP regarding half year results announcement	DM/ PV/GHM