



POST OFFICE LIMITED BOARD MEETING
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MINUTES OF AN ADDITIONAL MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 30 APRIL 2019 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 2.30 PM

Present:	Tim Parker	Chairman (TP)
	Alisdair Cameron	Interim Chief Executive (AC)
	Ken McCall	Senior Independent Director (KM)
	Tom Cooper	Non-Executive Director (TC)
	Tim Franklin	Non-Executive Director (TF)
	Shirine Khoury-Haq	Non-Executive Director (SK-H)
	Carla Stent	Non-Executive Director (CS)
In Attendance:	Veronica Branton	Head of Secretariat (VB)
	Jonathan Lewis	Head of Strategy and Corporate Development (item 3.) (JL)
	Mo Kang	Group HR Director (item 4.) (MK)
Apology:	Paula Vennells	

1. Welcome and Conflicts of Interest

ACTION

The Directors declared that, in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association, they had no interest in the matters to be considered at the meeting.

2. CEO Report

ACTION

Al Cameron introduced the report and highlighted a number of issues since its circulation:

- ten or so emails had been received over the weekend asking us to "cease and desist" on the mail work arrangements and stating that we could not make changes to contractual arrangements following publication of the Judgment on the Common Issues Trial. The emails were similarly worded and we were considering our response
- the Bank of England and the UK finance industry, including PO Limited, had started discussions on the creation of a cash utility
- IRRELEVANT
- the evidence for the Select Committee Inquiry on the Post Office Network being held on 21 May 2019 would be submitted shortly.

A number of points were raised:

- Tim Franklin thanked Directors for agreeing to speak to Deloitte about the PO Insurance strategy options. It was hoped that the strategy would be brought to the May Board but would be deferred if not sufficiently well developed
- IRRELEVANT
- it was noted that the only substantive item remaining as part of the Back Office Transformation programme was moving the historical backlog of transactions onto SAPCWS
- IRRELEVANT

IRRELEVANT

 The arrangements for bill payment transactions had been dealt with but we were developing a plan on the banking side to take these transactions out of Horizon and



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therefore out of PCI compliance. However, we were maintaining an alternative plan as a back up

- (subject to legal privilege) what was the current position with the recusal application? PO Limited had gone to the CoA to seek to apply for the Judge's recusal. David Cavender QC's view was that we should co-join the two appeals but on balance the Postmaster Litigation Subcommittee had decided not to do so and to go first to the Judge on 16 May 2019 to seek leave to appeal on the Judgment on the Common Issues trial. AC thought we might not succeed with the recusal application¹ but the strong view from a legal perspective was that we ought to be successful in appealing at least some elements of the Judgment



3. 2019/20 Annual Strategic Plan and Budget

ACTION

Jonathan Lewis was welcomed to the meeting and Al Cameron introduced the paper. The main changes since the draft budget was discussed in March were:

- £3m of additional stretch
- £9m upside for the lease accounting change
- £12m of additional costs to support the accelerated agent agenda.

The change plan had been scrutinised and in particular what needed to be done to accelerate work on agent engagement and support. In practice, this was mainly a question of deferring some planned work, and in particular moving from the Belfast Data centres to the cloud (Azure) in 2019/20.

We were finalising what the work on agent engagement and support during 2019/20 would mean for agents in practice. This should include fewer errors in the system, for example, by providing more prompts for Postmasters to check pieces of data before making a submission. We would also be developing the agent pay proposition, making it as simple and attractive as possible but in doing so distinguishing clearly between the incentives that could be offered to business people acting as agents rather than those which might be offered to employees. The implications for future costs associated with any changes proposed would also be factored in. We needed to make changes which reflected points raised in the Judgment on the Common Issues trial² but also wanted to promote alignment between our service via Postmasters and our digital channel in a way which was beneficial for PMs. We now had better data on branch activities which would inform our visits to branch and allow us to reach out if we thought there might be a problem.

A number of points were raised:

- what were the risks attached to deferring the move from the Belfast Data Centres to the cloud by a further year?
- what would happen if the system failed, what were the consequences of this and how likely was the failure over the next year? If the system failed would we revert to our business continuity plans? It was reported that we had been using the current arrangements for about 20 years. On balance we thought we could postpone the move to the cloud for a year with a saving of around £11m in this year's budget; however, we needed to progress with our plans to ensure the longer-

¹ Recusal applications were rare and their success generally connected to a strong piece of factual evidence.

² For example, work on agents' training requirements.



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term resilience of the system. There were risks associated with migrating from one system to another but the decision to postpone was predominantly to enable the acceleration of the agent engagement and support work streams. It was **AGREED** that a note would be produced for the May Board meeting to explain the risks and disaster recovery plan processes.

AC to discuss

with RH

- the re-procurement for the Computacenter contract was not as high on our priority list as a number of other items and it was proposed to postpone this
- whether it was only an automated cash deposit system that would bring a fundamental change in the volume of errors in the system? It was reported that we could not afford the £200-300m investment that introducing such a system would incur but that a number of the banks were interested in investing in automated deposit taking systems through POs, though they remained unhappy about the increase in fees introduced with Banking Framework 2 which could influence the speed of progress
- that we needed to select options which were beneficial to both the Postmasters and to us and which incentivised Postmasters. PO Limited needed to be commercially sustainable in the long term and that approach also served the long term interests of Postmasters. It was noted that a caveat to this approach was in relation to smaller POs which might not be able to benefit from some mutually beneficial arrangements but where we needed to make sure the fees they received were reasonable and supported their operation. AC reported that work had been initiated on whether in a small number of instances we should be offering Postmasters employee status. If we took this option further our criteria for offering Postmasters the option of employee status would need to be clear
- whether we were investing sufficiently in the change management capability to be able to deliver so many projects and to do so to a high standard with proper financial controls? AC reported that the Group Executive thought that we needed to provide more guidance and control to ensure change management discipline but that extensive work had taken place on how to do this, how to structure it and who should lead the different portfolios to which each of the change projects would be allocated
- what was the long term sustainability of the convenience store model? Would there be a movement towards large click and collect centres? A piece of longer term thinking might be needed on threats and opportunities and how this affected our partners. We also needed to make sure we were not doing things now that could make our position worse in the future
- Tom Cooper reported that UKGI was still working through the budget and needed to know more about the changes flowing through from the Group Litigation Order. This year represented a transition period but there was nevertheless a need to focus on non-staff costs coming down. Other Non-Executive Directors supported the view that this was a transition year in which we needed to prioritise and develop a clear vision of our future strategy and structure, how we wanted to deliver this and why
- that the position on the STIP for 2019/20 should be discussed further once the budget for 2019/20 had been finalised.

The Chairman summarised the position. The budget needed to be agreed after which the incentivisation measures could be agreed. There were moving and moveable elements and we needed to strike the right balance between getting things done and continuing to improve results. There was a continuing challenge of getting costs down, comprising two main components 1) network cost base, especially DMBs 2) central staff overhead costs and IT costs, including extricating ourselves from high cost contracts. The Board want to see “the art of the possible” around the cost base and wanted to understand the strategy



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IRRELEVANT

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Employing people

who were able to take the right decisions was the most important element and we wanted to incentivise people to do well. We needed to set realistic budgets where the basis for the actions planned were the right ones. The Chief Executive – FS&T was tackling the insurance challenges and looking at the best future approach for the Telco business; the Chief Executive - Retail was taking the right steps to strengthen the network; and, the COO was progressing work but with more still to be done on IT issues. It was also important to have the right team at a level below GE to deliver projects.

AC noted that there had been a good track record of taking cost out over the last few years.

IRRELEVANT

IRRELEVANT and support through the network subsidy we should have the funds necessary to support our change projects. In the longer term we would need revenue to replace banking income and to develop a lean business model over the next couple of years.

The Board **APPROVED** the proposed budget with a trading profit target for 2019/20 of £77m. This was subject to confirmation with UKGI, as we shared the detailed plans for the recommended changes and agreement at Remuneration Committee on the final STIP targets.

4. Succession Planning

ACTION

Irrelevant



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Irrelevant

5. Date of next meeting
28 May 2019: 11.30 – 16.30 hrs

GRO

Chairman

02/07/2019
Date

