



UK Government
Investments

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Company No. 9774296

UK Government Investments Limited
(the "Company")

27-28 Eastcastle Street, London W1W 8DH

Minutes of a meeting of the Board of Directors held in

Room UGH, 1 Victoria St, London

On 9 July 2019 at 13.00

Present: Robert Swannell (in the Chair)
Alex Chisholm (items 1-4)
Andrew Duff
Jitesh Gadhia
Jane Guyett
Clare Hollingsworth
Robin Lawther
James Leigh-Pemberton
Mark Russell
Caroline Thomson

Apologies: Charles Roxburgh

In attendance: Tom Aldred (item 4)
Tom Berry (item 9)
Elliot Brinkworth (item 9)
Jane Bannan
Jonathan Ingram (item 8)
Robert Razzell
David Sandford
Ceri Smith (item 9)
Susie Timlin (item 6)
Richard Watson (item 4)

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2. Minutes of the previous meeting

The minutes of the meeting of 23 May 2019 were approved, subject to one amendment to item 2.

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4. Post Office Limited

The Board was briefed on the history and current operations of Post Office Limited (POL). Key points included the fact that POL has always operated on a franchise model, and that of its c11,500 branches, fewer than 200 are directly operated ('crown') post offices, and it is intended to continue the phase-out of these last remaining crown branches. Whilst POL's financial performance has significantly improved since the split from Royal Mail, a sizeable minority of the franchise branches are commercially unsustainable and POL receives a £50m subsidy to maintain a comprehensive national network. At times, the franchisees have been seen as a cost centre, rather than partners. An increasing level of revenue is generated online, emphasising the point that POL's biggest asset is its brand, which is threatened by the ongoing litigation.

There was discussion around the senior leadership of the business, including the board and senior executives. The threat of significant churn at senior executive levels was noted.

There was also a detailed discussion of the litigation; it was explained that this is being financed by a specialist hedge fund, which may have implications for the parties' ability to settle on mutually acceptable terms. It was queried as to whether UKGI had applied the lessons learnt from Magnox; the team affirmed that they had – legal advisers had presented directly to the board, a board subcommittee had been established to consider the litigation, and additional advice from QCs had also been sought. It was noted that it is very difficult for board members, who are not themselves lawyers or experts in the matter being litigated, to challenge legal advisers. It was suggested that external QCs might be hired to take a devil's advocate position, and that boards might benefit from hearing the issues being argued from both sides. It was noted that there are individuals who would be capable of assisting boards in these circumstances, but that this may need to be in the context of a defined protocol for handling major litigation. The Board asked for a summary of all major litigation affecting UKGI assets or projects to be presented to the next meeting.

The Board queried the 'traffic light' rating in the dashboard, specifically whether 'governance' and 'departmental relationship' should be amber or red, rather than green, and whether 'quality of the management team' should be red rather than amber.

The next steps were discussed; it was noted that a working group is being established between BEIS, HMT and UKGI to oversee the settlement process, primarily from a value for money perspective. It was agreed that this matter would be subject to further discussion at the September board meeting, where the following would be discussed in more detail:

- The franchise model and the substantive nature of the relationship between POL and postmasters;

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- The fundamental culture in the business, which allowed for the mis-management of the relationship with postmasters, and specifically culture in the Board, and the governance philosophy of the chair;
- The potential fallout from both the CEO recruitment and the litigation, and how and if UKGI and departmental officials may wish to support specific POL board members.
- The operational implications for POL of settling, or losing, the litigation, and how POL will deal with them.

Action: further update on POL to be scheduled for September

Action: dashboard traffic light ratings to be subject to a review

Action: analysis of litigation landscape across UKGI portfolio entities and projects to be assembled.

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ROBERT SWANNELL

Chair of the meeting

