

Post Office Limited -- Strictly Confidential

**POLB 13(13<sup>th</sup>)**  
**POLB 13/97 - 13/115**

**POST OFFICE LIMITED**  
(Company no. 2154540)  
(the 'Company')

Minutes of a Board meeting held on 31 October 2013  
at Camden High Street Branch, 112-114 Camden High Street, London NW1 0RR

**Present:**

|                 |  |
|-----------------|--|
| Alice Perkins   | Chairman                                       |
| Neil McCausland | Non-Executive Director                         |
| Tim Franklin    | Non-Executive Director                         |
| Virginia Holmes | Non-Executive Director                         |
| Susannah Storey | Non-Executive Director (for items 13/97-13/99) |
| Paula Vennells  | Chief Executive Officer                        |
| Chris Day       | Chief Financial Officer                        |

**In Attendance:**

|                 |   |
|-----------------|---|
| Alwen Lyons     | Company Secretary   |
| Sue Barton      | Strategy Director (items 13/98 & 13/110-13/111)             |
| Nick Beal       | Head of Network Development (item 13/98 only)               |
| Timothy Warley  | Camden High Street Branch Manager (items 13/100-13/101)     |
| Andrew Thompson | Crown Regional General Manager (items 13/100-13/101)        |
| Sharon Bull     | Head of Network Finance (item 13/100-13/101)                |
| Tom Moran       | Crown Transformation Programme Manager (item 13/102 only)   |
| Kevin Seller    | Head of Government Innovations Programme (item 13/103 only) |

**Apologies for Absence:**

|                  |                        |
|------------------|------------------------|
| Alasdair Marnoch | Non-Executive Director |
|------------------|------------------------|

**POLB 13/97**

**INTRODUCTION**

- (a) A quorum being present, the Chairman opened the meeting, welcomed everyone to the Camden High Street Crown Office and gave Alasdair Marnoch's apologies for absence.

**POLB 13/98**

**GOVERNMENT FUNDING AND STRATEGIC PLAN**

- (a) The Board welcomed Sue Barton, Strategy Director, and Nick Beal, Head of Network Development, to the meeting.
- (b) The Board noted the progress report on the Government Funding and Strategic Plan and discussed the Memorandum of Understanding (MoU) with the NFSP.
- (c) Sue Barton updated the Board on the negotiations with the NFSP to date. The Board sought assurance that the review mechanism in

**ACTION:**  
**Sue Barton**

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the MoU had the strength required to break the agreement if the NFSP reneged on the changes required of them. The Board asked the Business to ensure that the final legal framework agreement included specific termination rights.

**ACTION:**  
General Counsel

(d)

[REDACTED]

**ACTION:**  
Alice Perkins

- (e) The Board discussed the merits of the Chairman writing to the Secretary of State to explain that Board's position and it was agreed that a possible draft would be shared with the Board.
- (f) The Board endorsed the position the team had negotiated, and approved the next steps outlined in the paper [REDACTED]  
[REDACTED]
- (g) Sue Barton and Nick Beal left the meeting.

POLB 13/99

**ACTION:**  
Alice Perkins

(a)

**Irrelevant**

(b)

- (c) Susannah Storey left the meeting.

POLB 13/100

**ACTION:**  
Sharon Bull

(a)

**Irrelevant**

(b)

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(c)

**ACTION:**  
Harry Clarke

(d)

**ACTION:**  
Harry Clarke

(e)

**Irrelevant**

**POLB 13/101**

**PRESENTATION BY THE BRANCH MANAGER CAMDEN HIGH STREET**

- (a) Timothy Warley gave a presentation on the opportunities and challenges of running Camden High Street Branch. He explained his involvement in the changes in the Branch and the challenge of leading the team. He recognised the changes in the Business since many of his team had joined and the need to support their development, but found the performance management tools available cumbersome. His vision was for the branch to be more customer-focussed with additional automation, lower staffing levels and a drive to get rid of paper.
- (b) The Board asked what could be done to ensure the right people leave through redundancy and performance management. The CEO explained that the current redundancy exercise was voluntary but that she had started a piece of visioning work with the CWU to look at a 2020 Crown Branch and challenge all the staffing agreements and procedures.
- (c) The Board thanked Sharon Bull, Timothy Warley and Andrew Thompson for their presentation and they left the meeting.

**POLB 13/102**

**INDUSTRIAL RELATIONS UPDATE**

- (a) Tom Moran joined the meeting and gave an oral update on the current position regarding Industrial Relations.
- (b) He explained that the CWU had cancelled their Royal Mail strike scheduled for Monday 4<sup>th</sup> November after an improved offer from RMG. The Post Office strike was still scheduled to go ahead although talks still continued. The Business could not afford to move towards a similar offer to that made by Royal Mail.
- (c) Tom Moran explained the two areas of visioning underway with the

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CWU: to find a redundancy solution which exits the right people from the Business and introduces more effective performance management; and to trial a new branch model outside the existing staffing arrangements. The Business and CWU would work together to run a number of offices which had been earmarked as franchise branches to see if they can be made to breakeven without a change of ownership.

- (d) Tom Moran reported that 18 of the targeted 35 franchise branches had now been announced and were in consultation with more announcements expected over the coming weeks.
- (e) Tom Moran left the meeting.

**POLB 13/103**

#### **PROJECT MAYPOLE**

- (a) Kevin Seller, Head of Government Innovations Programme, joined the meeting.
- (b) The Board:
  - (i) Noted the progress made to date in developing options for the future of POca;
  - (ii) Agreed the proposed approach and noted the key risks and business interdependencies associated with the Business' preferred option;
  - (iii) Noted the income variation against Strategy Plan projections; and
  - (iv) Agreed that the proposed approach be delegated to the Executive Committee with updates being provided to the Board at regular intervals.

**ACTION:**  
**Martin George**

- (c) The Board asked for a future agenda item on the effect of Universal Credit on the Business.

**POLB 13/104**

#### **CHIEF EXECUTIVE'S REPORT**

- (a) The Board noted the Chief Executive's report and discussed the following specific items:

(b)

**Irrelevant**

(c)

**Irrelevant**

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Irrelevant

(d)

Irrelevant

ACTION:  
Martin George

(e)

Irrelevant

(f)

Project Sparrow

Sir Anthony Hooper has now been appointed as Chairman of the Horizon Working Group. The Business was working to prepare the team of people to work on the mediation and case information necessary as there were likely to be up to 150 cases put to the Working Party for a decision on whether they progress into the mediation process.

ACTION:  
Nick Kennett

(g)

Irrelevant

(h)

Sue Barton

The CEO told the Board that Sue Barton had resigned and would be leaving the Business. The Board asked the CEO to try to ensure that Sue Barton remained until the NFSP legal deal was completed.

POLB 13/105

**INTERIM REPORT AND CONDENSED FINANCIAL STATEMENTS FOR 2013 – 2014**

- (a) The Board received the draft Interim Report and Condensed Financial Statements for 2013-2014.
- (b) The Board discussed the inclusion of the segmental income report and pillar commentary in the front half of the interim report. It was agreed that the CFO and CEO would decide whether or not to include this analysis after taking input from RMG and ShEx.
- (c) The Board:
  - (i) Approved the approach to Going Concern, and agreed the Going Concern status for the Company at the half year;

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**ACTION:**  
**CFO/CEO**

(ii) Approved the Interim report, confirmed that the interim financial statements have been prepared in accordance with IAS34 'Interim Financial Reporting' and delegated responsibility to CEO and CFO to sign the Statement of Directors' Responsibilities on behalf of the Board;

**ACTION:**  
**Chairman/CEO/CFO/  
Chairman of the ARC**

(iii) Agreed to delegate authority for reviewing final amendments and completing the Interim Report on behalf of the Company to a Sub-Committee, the quorum for which to be comprised of any three of the Chairman, CEO, CFO and the Chairman of the ARC; and

**ACTION: CEO/CFO**

(iv) Approved the Letter of Representation to the Auditor, and authorised CEO or CFO to issue it on behalf of the Board.

**POLB 13/106**

**FINANCIAL PERFORMANCE UPDATE**

**ACTION: CFO**

(a) The Board received the financial performance update for September 2013, the 2013-2014 Q2 full year forecast and the 2014-2015 Budget look-ahead.

(b) The CFO explained that the expected recovery in the second half of the year meant that the EBIT target looked secure, but his concern was that the revenue and exit rate trajectory for revenue growth would not be at the level required to hit next year's targets. The Board asked for a detailed report as part of the financial report tracking the second half of the year with more detail on costs.

(c) The Board recognised the need to grow the revenue and agreed that any EBIT upsides should be reinvested on activity which would drive current year revenue back to the £900m target. The CFO reported that he had tasked the commercial/sales teams with closing the gap.

(d) The CFO was asked to include two measures for Network Conversions on the scorecard showing 'network conversions' and 'contracts signed'.

(e) The Board noted the Network Transformation scorecard and the income decline for locals and asked for a note to the Board in November to explain trend.

**ACTION: CFO**

(f) The CFO explained the £40m budget gap for 2014/15 and the need to implement the cost reduction activities necessary. A more detailed budget debate would come to the January Board.

**POLB 13/107**

**MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING**

(a) The minutes of the Board meeting held on 25 September 2013 were approved for signature by the Chairman.

**POLB 13/108**

**STATUS REPORT**

(a) The Status Report, showing matters outstanding from previous

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Board meetings, was noted.

POLB 13/109

**FINANCIAL SERVICES BOARD SUB-COMMITTEE TERMS OF  
REFERENCE**

- (a) The Board approved the draft Terms of Reference for the Financial Services Board Sub-Committee, but re-emphasised that key FS decisions and actions would still come to the Board.
- (b) The Chairman explained that, after consideration by the Nominations Committee, it had been agreed that Virginia Holmes would Chair the sub-committee and that Tim Franklin would be a member.
- (c) It was proposed that the Bank of Ireland Finance Director be invited to the sub-committee to present the Capital and Liquidity report.

POLB 13/110

- (a)
- (b)
- (c)
- (d)

**ACTION:**  
Sue Barton

**Irrelevant**

POLB 13/111

**POST OFFICE ADVISORY COUNCIL**

- (a) The Board received a paper on the establishment of a Post Office Advisory Council.
- (b) The Board reviewed the Terms of Reference for the Post Office Advisory Council (POAC). It was agreed that:
  - (i) the Council would be more effective if restricted to around 20 members;
  - (ii) the Business should consider whether payment of a small fee for attending a meeting as well as expenses would be beneficial;
  - (iii) the Business would review the membership rule of asking a member to stand down if they missed two meetings; and
  - (iv) an inaugural dinner and then an annual dinner was preferable to dinner before each meeting.
- (c) The Chairman explained that after consideration by the Nominations Committee, it had been agreed that Tim Franklin

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would Chair the Post Office Advisory Council and that Neil McCausland would be a member.

**ACTION:**  
Sue Barton/  
Tim Franklin

- (d) The Board asked Sue Barton and Tim Franklin to agree any changes and finalise the Terms of Reference.
- (e) The Board:
  - (i) Approved the Terms of Reference and arrangements for the establishment of a Post Office Advisory Council, subject to any changes agreed by Sue Barton and Tim Franklin;
  - (ii) Agreed a budget allocation of £40K per annum to establish and run the Council; and
  - (iii) Agreed that the POAC Chairman work with the Secretariat to establish to Council, in line with the proposals outlined in the paper, with the aim of holding a first Council meeting in early 2014.
- (f) Sue Barton left the meeting.

**POLB 13/112**

#### **ANY OTHER BUSINESS**

- (a) Authentication of the Post Office Limited Company Seal  
The Board approved that the affixing of the company seal may be authenticated by any one of the following: a current Director of the Company; the Company Secretary; the Assistant Company Secretary; the General Counsel; and Piero D'Agostino, Principal Lawyer.

**POLB 13/113**

#### **ITEMS FOR NOTING**

- (a) The Board noted the Significant Litigation report.
- (b) The Board noted the Report on Sealings and resolved that the affixing of the Common Seal of the Company to the documents set out against items numbered 1075 to 1085 inclusive in the seal register was hereby confirmed.

**POLB 13/114**

#### **NEXT MEETINGS**

- (a) It was noted that the next Board meeting would be held on 27 November 2013, and that the next Board awayday would be held on 10-11 June 2014.

**POLB 13/115**

#### **CLOSE**

There being no further business, the meeting was then closed.

