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Post Office Board Agenda

Date	
24th November 2016	
Start Time	**Finish Time**
11.15hrs	15.15hrs
Location	
Room 1.19 Wakefield	

Present	In Attendance	Apologies
• Tim Parker (Chairman) • Richard Callard • Tim Franklin • Virginia Holmes • Ken McCall • Carla Stent • Paula Vennells • Alisdair Cameron	• Alwen Lyons • Martin Edwards (item 4 & 6) • Martin George (item 6) • Mark Siviter (item 6) • Nick Kennett (item 7) • Angela Van Den Bogerd (item 8) • Rob Houghton (item 8)	None

Agenda Item		Action Needed	Purpose	Lead	Timing
1.	**Minutes of previous Board and Committee meetings including Status Report**	Decision	Minutes formally agreed.	Alwen Lyons	11.15 – 11.20
2.	**CEO Report** Including IR update and Digital Christmas Campaign	For noting	CEO to update the Board on the report.	CEO	11.20 – 11.50
3.	**Financial Report**	For noting	CFO to update the Board on results.	CFO	11.50 – 12.10
4.	**Update on Funding Process (verbal)**	For noting	CFO to update Board on latest progress	CFO / Martin Edwards	12.10 – 12.30
5.	**Board Effectiveness Review Introduction**	For noting	To familiarise the Board with the Board Effectiveness review process.	Alwen Lyons / Ken McCall	12.30 – 12.50
LUNCH					12.50 – 13.20
6.	**Mails Update**	For noting	To update the board on progress made since June on Post Office and Royal Mail joint strategy, next best alternative, negation preparation and next steps.	Martin George / Mark Siviter / Martin Edwards	13.20 – 14.20
7.	**Report from POMS Board**	For noting	To update Board on half year performance and strategy.	Nick Kennett	14.20 – 14.35
8.	**Back Office Transformation**	For approval	For Board to review / approve the Back Office Transformation Business Case.	Angela Van Den Bogerd / Rob Houghton	14.35 – 15.00

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Agenda Item		Action Needed	Purpose	Lead	Timing
9.	**The acquisition of Broadband Customers from New Call**	For ratification	To ratify the decision taken by correspondence.	Alwen Lyons	15.00 – 15.05
10.	**Items for noting**				15.05 – 15.10
	10.1 Sealings	For noting	Board aware of the affixing of the seal.		
	10.2 Health & Safety	For noting	To update Board		
	10.3 Date of next meetings	For discussion	To confirm Board dates for future meetings		
11.	**AOB**				15.10 – 15.15
	CLOSE				**15.15**

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Post Office Limited – Strictly Confidential

POLB 16(8th)
POLB 16/62 – 16/71

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

Minutes of a Board meeting held at 9.30am on 25 October 2016
at 20 Finsbury Street, London EC2Y 9AQ.

Present:	
Tim Parker	Chairman
Richard Callard	Non-Executive Director
Tim Franklin	Non-Executive Director
Virginia Holmes	Non-Executive Director
Ken McCall	Senior Independent Director
Carla Stent	Non-Executive Director
Paula Vennells	Chief Executive
Alisdair Cameron	Chief Financial Officer
In Attendance:	
Alwen Lyons	Company Secretary
Martin Edwards	Director of Strategy (*Minute* POLB 16/66 and POLB 16/67)
Mark Davies	Corporate Affairs Director (*Minute* POLB 16/66)
Nick Kennett	Group Financial Services Director (*Minute* POLB 16/67)
Rob Houghton	Chief Information Officer (*Minute* POLB 16/67)
Jonathan Hill	Head of Risk, Banking, Regulation and Strategy, Financial Services (*Minute* POLB 16/67)
Owen Woodley	Sales Director (*Minute* POLB 16/67)
Chrysanthy Pispinis	Financial Services Corporate Development & Governance (*Minute* POLB 16/76)
Neil Hayward	Group People Director (*Minute* POLB 16/68)
Natasha Wilson	Director of Reward and Pensions (*Minute* POLB 16/68)
Apologies:	None

POLB 16/62 INTRODUCTION

(a) The Chairman noted that a quorum was present and opened the meeting.

(b) The Directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's articles of association.

POLB 16/63 MINUTES OF THE PREVIOUS BOARD AND COMMITTEE MEETINGS INCLUDING STATUS REPORT

Minutes

(a) The minutes of the Board meeting held on 29th September 2016 were approved as an accurate record and the Chairman was authorised to sign them.

(b) The Board noted the Action Status Report.

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(c) The Board discussed Action POLB15/50 (b) and the effect of classifying the closure of the Supply Chain external work as discontinued business and therefore an exceptional item in the accounts. The Board recognised that the work had been discussed at the time of budget setting and acknowledged that it would have been inappropriate to include it in any budget before the consultation with employees had been concluded.

(d) The Chair of the Remuneration Committee stressed the need for transparency when setting the bonus targets and assessing performance against those targets. The CFO would continue to disclose the exceptional charges at the ARC and he assured the Board that any effect on the EBITDAS would be transparent to the Remuneration Committee.

POLB 16/64 **CEO REPORT**

(a) The CEO introduced the CEO Report, focusing on the following key points:

(b) Period 6 Results: Performance continued to be challenging and although the CEO remained reasonably confident that the full year EBITDAS target would be delivered, the gross income trend remained a concern.

(c) Pensions: The CEO updated the Board on the decision of the Pensions Trustee to accept the proposal to close the Post Office Section of the RMPP on the 31st March 2017. She thanked Virginia Holmes for her support.

(d) Industrial Relations: The CEO reported that the CWU and Unite unions had called for strike action on the 31st October. The Board was assured that contingency plans were in place to ensure there would be as little adverse effect on customers as possible. The CEO explained that discussion continued with the unions but that there would likely be further strikes in the run up to Christmas.

(e) POca: The CEO explained that the details of the supplier contract would be presented at the November Board meeting. The Board asked the CEO to ensure that a wide range of options for payment provider be considered.

(f) Apprentices and Graduates: The CEO updated the Board on the presentations she had received from the apprentices and graduates who had recently joined the Business. The standard was excellent and she was excited by both their enthusiasm and their focus on the commercial and social purpose.

(g) Mails: The CEO explained that the Mails team was continuing to engage with the RMG whilst looking at the next best alternative strategy. The Board was nervous about the RMG delaying the discussions and the CEO assured them that should deadlines be missed she would escalate the matter with the CEO of the RMG. Ken McCall reported his meeting with the Mails team and the need

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to test the viability of alternative solutions. It was understood that the Mails strategy would be discussed at the next Board meeting.

Transformation Report

(h) The Board noted the Transformation Report. Transformation risk would now be included as a standard agenda item for the ARC and **the Board asked that the ARC specifically consider:**

ACTION: David Hussey

- **The aggregated cost and burn rate compared with business cases and budgets; and**
- **The impact of IR35, 'off payroll' working, the impact and risk mitigation.**

(i) The Board noted the CEO report.

POLB 16/65 **FINANCIAL REPORT AND UPDATE ON THE DEVELOPMENT OF THE P6 RESULTS.**

(a) The CFO introduced the Financial Performance Report for Period 6, September 2016. The CFO was forecasting that the Business would hit the EBITDAS target for the year, but good Christmas trading would be key to delivering the £-10 million.

(b) Cash flow headroom had not improved as predicted in P6 as additional cash had remained in the network after the strike contingency planning. However this position had been recovered during P7.

(c) The Board discussed the Working Capital Facility and the opportunity to reduce the cash strain on the Government as part of the funding negotiation. The CFO explained that the most difficult areas to manage were coin distribution and Foreign Exchange cash. However if postmasters were incentivised to change their behaviour this could facilitate another change in supply chain demand and free up cash to use elsewhere.

ACTION: CFO

(d) The CFO explained the additional pressure on the 2017/18 target of £28m, which would flow into the baseline for the strategy and funding plan. The Board agreed that it was important to have a realistic baseline for the plan, and asked the **CFO to provide trend income analysis in the Financial Reports to enable the Board to monitor the income streams.** The Board recommended that the 2017/18 budget should be realistic and based on flow through from the 2016/17 operational outturn, with initiatives to deliver the contingency to get back to the £28m target.

(e) The Board approved the P6 Income Statement, Balance Sheet, Cash, Headroom and Forecast positions

(f) The Board noted that external supply chain activities have been reclassified as discontinued operations subject to Ernest Young's (EY) agreement.

(g) The Board agreed that from P7 Actuals v Forecast comparisons would be monitored.

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POLB 16/66 **STRATEGIC PLAN TO 2020/21 AND FUNDING REQUEST**

(a) The Chairman welcomed Martin Edwards, Director of Strategy and Mark Davies, Corporate Affairs Director, to the meeting.

(b) Martin Edwards presented an overview of the 2020/21 strategy, explaining the financial consequences of the counterfactual case as opposed to achieving commercial sustainability through funding a major cost base restructure.

(c) The Board discussed the proposals and stressed the need to strengthen the explanation and narrative behind the counterfactual case and to include ranges within the projections.

(d) The CEO recognised that because of the good work done to date in delivering Network Transformation, and the current stability of the network, it would potentially be difficult to persuade Ministers that there was still a cost base crisis which needed to be addressed.

(e) The Board asked for assurance that the necessary evidence was available to support the funding case. The CFO explained that the Group Executive had worked though and agreed the assumptions in the plan, which were supported by market analysis and business cases. The BEIS team had employed KPMG to review the funding request and Martin Edwards would work closely with Richard Callard and his team to present the case.

(f) The Board discussed the revenue projections and agreed that the business had to aim to be sustainable without relying on FS growth. **The Board asked Martin Edwards to consider how the size of the network could be used to deliver income through an access fee, similar to that for paid for the banking framework or identity products.**

ACTION:
Martin Edwards

(g) The Board recognised the uncertainty within the income projections included in the plan, but stressed that the cost base remained more in the control of the business. The funding narrative needed to make it clear that it would be impossible to change legacy IT systems and reduce the cost base without funding support from the Government.

(h) The Board discussed the segmentation of the network into commercial and social branches and possible changes to how these could be funded. It recognised that product simplifications and a reduction in postmaster remuneration would put pressure on some postmasters, but believed that there could be an opportunity to restructure the franchise to sell it more as a footfall generator.

(i) The Board agreed with the four success criteria set out in the narrative document, namely that by supporting funding the Government would secure:

- A growing, flourishing network – although not with any binary network number to hit;
- Permanently lower funding;
- Indispensable service to customers and communities; and
- Options on ownership – without referring to a mutual option.

(j) It was recognised that there would need to be more detail in the funding request with analysis on £320m investment and the resulting deliverables. The Board advised that the funding request had different audiences and would require different explanations to align with their priorities accordingly. The Board recommended that greater focus be given to SME customers.

ACTION: Martin Edwards

(k) **The Board supported the direction and funding proposal and asked for more information on the investment and returns to be presented at the next Board meeting.**

ACTIONS: Martin Edwards

(l) **The CEO suggested that Martin Edwards could provide additional information on a one to one basis if any Board member required.**

(m) The Board <u>approved</u> the strategic plan to 2020/21 and funding request prior to submission to the Government in early November.

(n) Mark Davies left the meeting.

POLB 16/67 **FINANCIAL SERVICES GROWTH STRATEGY**

(a) The Board welcomed Nick Kennett, Group Financial Services Director, Jonathan Hill, Head of Risk, Banking and Strategy Financial Services, Chrysanthy Pispinis, Financial Services Corporate Development and Governance, Owen Woodley, Sales Director, and Rob Houghton CIO to the meeting.

(b) Nick Kennett reminded the Board of the strategic direction for Post Office Money (POM) approved at the June meeting, with the interdependent key components of:

- The New Normal customer proposition;
- The 'Strong Integrator' business model; and
- The re-negotiation with the BoI.

(c) Nick Kennett stressed that the FS strategy meant a change to focus on the customer relationship and lifetime value, and a move away from the primary delivery in branch to a digital channel. He added that the delivery of the strategy required a significant change in how the business was run, with enhanced capabilities, risk management and governance structures, changed relationships with suppliers and partners, supported by agile technology.

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(d) Nick Kennett explained that investment, which had been included in the wider 2020/21 strategy plan and funding, would be required for IT development in support of the new model. The CIO stressed that the investment should focus on delivering one product at as low a cost as possible to test the proposition with both customers and revenue earning protection. Further products could then be added incrementally. The CIO believed that the initial investment could be around £8-10m but needed further definition as it depended on the product chosen and the level of systems integration required with the product provider. The Board supported this initial investment.

(e) Nick Kennett confirmed that the overall funding request was £72.3m over five years, of which £37.4 related to capex. This investment was targeted to deliver gross income in 2020/21 of £156m and EBITDAS of £68m, an increase of £30m. The overall NPV was £181m over five years.

(f) The Board asked for assurance that the development would not complicate the IT transformation currently underway. The CIO assured the Board that the system would be developed separately and only integrated into the Post Office systems if tests proved it could be incorporated without causing issues.

(g) The Board agreed to plan to make the full investment as proposed, depending on the success of the initial investment, and discussed the most appropriate structure and governance for its delivery.

(h) Nick Kennett advised that the paper did not include recommended changes to the organisation structure and regulatory position as this had not been discussed at GE. CS explained that, based on her experience with FinTech companies and major banks, for this new business to work effectively the Board and management should think in a new way, enabling a separate innovation hub supported by people and a new governance environment. Ring-fencing the team working on the business development would assist faster change, particularly if the project deployed a compartmentalised, "test and learn" methodology. There was support of this from across the Board.

(i) The Board discussed the FS sales model and the move from Financial Specialists in Directly Managed branches to a CRM model training postmasters' staff to use a portal and tablet to capture customer data. Owen Woodley explained that the CRM model was underway as a trial which would need to prove it was profitable for the business and the postmaster.

(j) The Board supported the recommended options and direction of travel principles in relation to technology structure, the distribution model and the shape of the funding and emphasised to the executives that it would be important to build momentum into the change programme.

(k) Nick Kennett, Martin Edwards, Owen Woodley, Jonathan Hill, Chrysanthy Pispinis and Rob Houghton left the meeting.

POLB 16/68 **PENSIONS VERBAL UPDATE**

(a) The Chairman welcomed Neil Hayward, Group People Director, and Natasha Wilson, Director of Reward and Pensions, to the meeting.

(b) Neil Hayward updated the Board on the decision taken by the Pension Trustee to accept the proposal to close the DB pension plan on the 31st March 2017. He reported that the approach to the consultation had been validated by the Pension Regulator.

(c) Face to face briefings were now planned to explain to DB scheme members the summary of the consultation; what would happen to the surplus after the current valuation; what the move to the DC scheme would mean to members; and the next steps in the process. A pensions' website was also being launched where members could access information.

(d) Natasha Wilson reported that the scheme valuation should be available in the first two weeks of November and this would help to make the position clearer for members.

(e) Natasha Wilson explained that a Governance Committee was being set up to give oversight to the DC scheme and that she was working with the Chairman of the DB Trustees to identify an independent trustee to invite onto this committee. **Richard Callard asked to be kept updated on the establishment of the Governance Committee.**

ACTION: Natasha Wilson

(f) The Chairman thanked Natasha Wilson on behalf of the Board.

(g) Neil Hayward and Natasha Wilson left the meeting.

POLB 16/69 **UPDATE FROM BOARD COMMITTEE**

(a) Remuneration Committee (RemCo)
The Chair of the RemCo updated the Board on the meeting held on the 29th September 2016.

- He reported that PwC had been appointed as the new Remuneration Committee Advisor.
- The CEO had recommended that the Group Executive should receive a pay award of 1.9% similar to the rest of the Business, which the RemCo had noted.
- The STiP target for the CEO and CFO bonuses, which had been agreed with the last Government Minister, had now been further delayed by the Ministerial change. Because of this delay the RemCo had decided that it would not be advisable to ask for a recalibration of the LTiP target for 2016/17 as it was now too late to do so.
- Neil Hayward would be presenting the timetable for future bonus target submission at the November Committee.

(b) Nomination Committee (NomCo)
The Chair of the NomCo updated the Board on the meeting held on the 29th September 2016, at which the Committee had discussed the Group Executive succession plan.

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POLB 16/70 **ITEMS FOR NOTING**

Sealings

(a) The Directors resolved that the affixing of the Common Seal of the Company to the documents numbered 1451 to 1453 inclusive in the seal register was confirmed.

(b) **Future Meeting Dates**
The Board noted the future meeting dates.

(c) **Health and Safety**
The Board noted the Health and Safety report.

POLB 16/71 **CLOSE**

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

(b) The Board attended a session presented by Linklaters covering, 'The changing regulatory environment – The impact of the senior manager and certification regime, on the Financial Services sector.'

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Chairman **Date**

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POLARC 16(6th)
POL ARC 16/41 – 16/53

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

Minutes of a meeting of the AUDIT, RISK AND COMPLIANCE COMMITTEE held at 2.30 pm on 28th September 2016 at 20 Finsbury Street, London EC2Y 9AQ

Present:

Carla Stent	Chair
Richard Callard	Non-Executive Director (RC)
Tim Franklin	Non-Executive Director (TF)
Ken McCall	Non-Executive Director (KM)

In Attendance:

Paula Vennells	Chief Executive, (CEO)
Alisdair Cameron	Chief Financial Officer (CFO)
Jane MacLeod	General Counsel (GC)
Nick Kennett	Financial Services Director and CEO of POMS (NK)
Alwen Lyons	Company Secretary (CoSec)
Mike Morley-Fletcher	Head of Risk and Assurance (MMF)
Paul Hemsley	Financial Controller (PH)
Peter McIver	Ernst & Young (PM)
Elena Belyaeva	Ernst & Young (EB)
Kevin Gilliland	Network and Sales Director (KG) (Minute POLARC 16/42 to 16/44)
Jonathan Hill	Head of Risk, Governance and Development (JH) (Minute POLARC 16/42 to 16/44)
Owen Woodley	Sales Director (OW) (Minute POLARC 16/42 to 16/44)
Amanda Bowe	POMS, Non-Executive Director and Chair of POMS ARC (AB) (Minute POLARC 16/42)
Susie Hayward	POMS, Head of Risk and Compliance (SH) (Minute POLARC 16/42)
Gordon Gourlay	BoI, Managing Director of Post Office Businesses (GG) (Minute 16/43)
Alec Hughes	BoI, Head of Post Office JV Compliance (AH) (Minute 16/43)
Rob Houghton	Chief Information Officer (RH) (Minute POLARC 16/48)
Tim Parker	Post Office Chairman (TP) (Minute POLARC 16/43 to 16/50)

POLARC 16/41 **INTRODUCTION**

(a) A quorum being present, the Chair opened the meeting. The directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's articles of association.

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(b) The Chair welcomed attendees from Post Office (POL) and Post Office Management Services (POMS) who had joined for the Financial Services discussion.

FINANCIAL SERVICES

IRRELEVANT

(f) NK explained that the compliance risk of the POL Network was the highest risk on the POMS Risk Register and rated adverse to appetite. While there had been no indication of systemic customer detriment from sales through the POL network, it was a regulatory requirement that POMS should be able to provide evidence and quality assurance from POL in relation to POL's own compliance with contractual and regulatory requirements and its conduct risk framework. This included evidence that agents and those of their staff who sold POMS products had been appropriately vetted and trained. A new Horizon IT control, which would enable POL to limit user access, and which had been anticipated for delivery by POL in January, would be delivered later.

(g) KG supported the introduction of the user access control.

IRRELEVANT

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(i) **The ARC stressed the importance of implementing the new control to manage user access and the Chair asked the POMS CEO to provide a report setting out the timeline and actions to deliver the requirement.**

ACTION: NK

(j) The Chair thanked AB for her report and assured her that the ARC would continue to monitor delivery of the AR accountabilities.

(k) AB and SH left the meeting.

IRRELEVANT

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IRRELEVANT

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POLARC 16/45 **MINUTES OF THE MEETINGS HELD ON 25TH JULY 2016**

(a) The minutes of the meetings held on 25th July 2016 were approved as presented and the Chair of the Committee was authorised to sign them as a true record.

POLARC 16/46 **POLICIES FOR APPROVAL**

Investigations

(a) The ARC approved the Investigations Policy.

Physical Security

(b) The ARC approved the Physical Security Policy.

Financial Crime Policy

(c) The ARC approved the Financial Crime Policy subject to the alteration to include 'possible prosecution' as an outcome for failure to comply.

ACTION: MMF **Amend the Financial Crime Policy to include possible prosecution as an outcome for failure to comply.**

POLARC 16/47 **INSURANCE RENEWAL FOR RECOMMENDATION TO THE BOARD**

(a) PH explained that the cover being proposed included a high level of deductibles which meant that POL self-insured up to that level. The ARC asked if consideration had been given to complete self-insurance. PH explained that this had been considered and would be considered every year before renewal. NK suggested that once POMS was more established it could look at offering insurance to POL.

(b) The Committee recommended the renewal as set out in the brokers' report, for submission to the Board for its approval.

BOUNDARY/PERIMETER CONTROLS

POLARC 16/48 **FINANICAL REPORTING UPDATE**

(a) The Chair welcomed Rob Houghton, Chief Information Officer to the meeting.

Financial Control Framework (FCF)

(b) The CFO updated the ARC on the progress being made to develop the FCF. He said that the methodology being deployed was entirely appropriate to financial reporting and could be extended to other areas. The CFO explained that the majority of finance processes had now been mapped and gaps identified. The ARC asked for priority to be given to remediating the higher risk gaps disclosed in the CFO report, such as segregation of duties, and the CFO concurred. By year-end gaps would have been mitigated, at least on a work-around basis, controls self-assured and testing undertaken.

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(c) The CFO reported to the ARC that after discussion with the Chair, the Shareholder and the External Auditors, a decision had been taken not to produce Interim Accounts for the current year. The resource saved would be used to focus on ensuring that relevant controls were in place by the year end. EY audit work would be accelerated but without duplication. EY and POL were considering the need to repeat additional year-end routines as the controls would not have been in place for the full financial year.

(d) The CFO noted that the controls and assurance of the accuracy of the declared cash in the Network was under review.

(e) The CFO explained the Finance System upgrade currently being scoped relied on SAP for income reporting and would eliminate the need to use multiple spreadsheets and feeder systems. A detailed paper and business case for this investment in SAP would be presented to the Board in November. The ARC recognised the improvement that this change could bring but were concerned about the time and investment required and stressed that the implementation of the new system would be key.

ACTION: PM/CFO

(f) **The proposed External Audit plan would be presented to the November ARC meeting.**

(g) The Committee noted the progress made.

Controls Assurance

(h) The CFO reported on the controls in place to give assurance to the budget and funding requirement. He explained that UKGI had engaged KPMG to provide assurance as to the funding application. PM reported that EY had been approached to bid for the work but that they would decline due to conflicts of interest.

Risk Management Framework

(i) MMF presented the Risk Profile and explained the changes since the last report. The Industrial Action risk had improved significantly despite the strike called by the unions. The CEO explained that the effect of the strike had been well managed and the Group Executive supported the reduced risk.

(j) The ARC were surprised that the risk associated with IT transformation and its effect on the flexibility to change systems and controls was not included in the risk profile.

ACTION: MMF/RH

The ARC requested that this risk be added in the future.

ACTION: David Hussey

(k) **The ARC agreed that Transformation risk needed more scrutiny and asked that it be included in future agendas and reports.**

(l) The Committee approved the 2016/17 Half Year Group Risk Profile.

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POLARC 16/49 IT CONTROLS

End to End Control Framework and Cyber/IT Security

(a) RH explained his plans to create an end to end control framework for IT and the work underway to map the IT landscape. This work would map the current state against the necessary controls and required protections.

ACTION: Rob Houghton

A paper would be presented at the November ARC outlining the proposed IT control framework and the plans for its implementation.

(b) RH recognised the need to strengthen the IT team and introduce people with expertise in IT security operations. He assured the ARC that these appointments were underway. This would bring the skill necessary to develop an IT security operations centre with the right detection systems and capability to monitor any IT security issues.

(c) RH recognised that the current status of Cyber Security and Information Assurance were outside the Board risk appetite in three key areas as described in the paper. He admitted that he would remain nervous until he could see the whole IT environment in one place rather than being fragmented between suppliers.

(d) The Chair updated RH on the ARC discussion on system changes required by POMS to introduce controls to limit Horizon user access. RH assured the ARC that he was aware of the required IT changes and was working with the network and training team to deliver them as soon as possible.

(e) The ARC noted the paper on Cyber/IT Security.

Horizon Lessons Learned

(f) The CFO explained that Fujitsu and Oracle had been unable to determine the root cause of the Horizon systems failure but the same failover/failback exercise which had caused the initial failure had now been replicated successfully. It was believed that the problem had been caused by the memlock processes which had now been reconfigured.

(g) The ARC was concerned that the root cause of the Horizon failure had not been identified, and that the business incident escalation processes had not worked. The GC explained that changes had been made to address the deficiencies in business continuity and a Business Protection team was now in place with ongoing training and testing for different scenarios. The incident escalation process would continue to be developed and tested.

(h) One of the issues highlighted by the Horizon failure was the inability to communicate quickly with the Network. Standard communications had now been prepared with a separate communications channel should the Horizon system become unavailable.

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(i) The Committee noted the paper and commented on the lessons learned.

(j) RH left the meeting.

POLARC 16/50 BRANCH CONTROLS

BCV Lessons Learned

(a) The CFO introduced the lessons learned paper and highlighted the actions taken since the fraud had been reported to the ARC. He stressed that management actions had already been taken concerning the BCV fraud before it was reported to the ARC but recognised that enhanced reporting was required and was now in place. Greater transparency would mean more issues would be reported but these issues were usually caused by non-compliance or unintentional mistakes. The tighter controls being put in place would help reduce the losses through early intervention and, where possible, recovery.

(b) The ARC applauded the transparency and recognised the work underway to enhance reconciliations and increase interventions. However they asked if those responsible for the lack of escalation had been made accountable. The CEO reported that changes to the senior leadership had taken place.

(c) The Committee noted the paper and the verbal update.

(d) TP left the meeting.

AML/CTF Framework

(e) The GC updated the ARC on the HMRC AML/CTF audit. The work had been slightly delayed and would be reported to the November ARC along with finalised actions, dates and accountabilities.

(f) The Committee noted the status of the HMRC audit and the initial draft findings of the Risk Assessment work.

Policies for Board Approval (AML and ABC)

(g) The ARC recommended the Anti-Money Laundering and Counter Terrorist Financing Policy, for submission to the Board for approval

(h) The ARC recommended the Anti-Bribery and Anti-Corruption ("ABC") Policy, for submission to the Board for approval.

POLARC 16/51 QUATERLY AUDIT REPORT

(a) MMF presented the Quarterly Audit report and explained that although the audit programme was slightly behind plan it was expected to catch up during the remainder of the year.

(b) The ARC asked MMF to prioritise the review of IT governance.

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(c) The ARC noted the paper.

POLARC 16/52 **ITEMS FOR NOTING**

(a) The ARC noted the report on Business Continuity planning.

(b) The ARC noted the Contact Management paper.

(c) The ARC noted the Horizon Scanning paper.

(d) The ARC noted the Property paper.

POLARC 16/53 **ANY OTHER BUSINESS**

(a) The CFO reported that Postal Services Holdings Company Limited (PSH) was planning to sign its report and accounts on the 3rd October. The accounts would contain a subsequent event note on IRIS and would note that a letter before action had been received on 22nd September in relation to notice of termination which had been given in respect of a 3rd party contract in Supply Chain.

(b) The GC explained that a letter before action claim had been received relating to the Supply Chain withdrawal from the external market. The letter claimed an abuse of a dominant market position, and alleged that withdrawal could have an adverse impact on Somali communities. The legal team was dealing with the letter, however there was a risk of adverse publicity.

(c) There being no further business the Chairman closed the meeting.

GRO .... 17.11.2016 ....
Chairman **Date**

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CEO's Report

Author: Paula Vennells Meeting date: November 2016

Executive Summary

Context

Our goal for 2016-17 is to achieve EBITDAS of (£10m).

Our 3 year goals are:

1. To accelerate the transformation of Post Office.
2. To secure commercial sustainability for the long term
3. To establish a business that can ultimately fund investments and the social purpose from profits rather than subsidy.

In summary, our strategy is to secure our position as the UK's number one parcels and letters retailer, grow in financial services and protect our network and social purpose – all supported by a much leaner central organisation.

Questions this paper addresses

1. What is on my mind? *(successes, challenges, opportunities and risks)*
2. What are the implications for our outlook and plans?

Conclusion

1. EBITDAS in P7 was £(1.1)m, £1.4m favourable to budget. EBITDAS YTD was £(14.3)m,£1.6m favourable to budget. However, gross income in P7 was £0.3m adverse to budget reflecting challenging trading conditions.
2. Discussions with Government on our funding proposals continue and we are seeking ministerial engagement.
3. We are also continuing to discuss the current dispute with our trade unions. However, it is unlikely that we will be able to resolve the dispute with the CWU in particular in the near future. We are planning for further industrial action before Christmas.

Input Sought

The Board is invited to note the report and highlight any issues where a future discussion would be welcome.

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The Report

Looking Back

WHAT HAS GONE WELL?

- Financial Performance – P7
  - → P7 EBITDAS was £(1.1)m; £1.4m favourable to budget. YTD EBITDAS was £(14.3)m; £1.6m favourable to budget.
  - → Income in P7 from Mails and Financial Services was £0.5m and £0.8m favourable to budget respectively.
  - → Expenditure in P7 of £(82.1)m was £0.5m favourable to budget. YTD expenditure of £(531.8)m was £4.8m favourable to budget.

- Customer Measures
  - → All of our customer measures performed at or ahead of target in P7. Specifically:
    - Effort scores continued to perform well achieving 75%, in line with YTD performance and 7pp ahead of target.
    - NPS was +66, in line with YTD performance and 1 point ahead of target.
    - Customer Satisfaction was 84%, in line with YTD performance and target.
    - Wait Time Acceptability was 93%, 1pp ahead of YTD performance and 4pp ahead of target.
    - FS NPS was +30, 1 point ahead of YTD performance and ahead of target (+28).

- Supply Chain
  - → Phase 1 of the implementation of Project Iris progressively covering 10 sites went live on 24 October.
  - → The project is on track and on budget with routes and duties agreed; equipment and vehicles in place; 291 Settlement Agreements signed (15 pending); and work underway on exiting sites due for closure.
  - → Service performance against revised routes is monitored daily and all depots are performing well, achieving standards in excess of 90% consistently with some achieving 100% from the outset.
  - → Phase 2 covering a further 14 sites will go live on 30th January 2017.

- Industrial Relations
  - → As previously reported, our contingency plans for the day of industrial action on 31 October worked well.
  - → Turnout was again much lower than historical turnout in previous strikes by either Union (22% of represented employees).

- → 99% of the Post Office network was open for business. We opened 218 out of 299 Directly Managed Branches (up from 187 on 15 September) and all our supply chain depots bar one (Glasgow CVIT) were open.
- → Media coverage was very low key.
- → All industrial action is regrettable and we are conscious that changes we are implementing are difficult for affected colleagues. However, we believe the rationale for change is understood and that our regular, direct communication with colleagues is having a positive impact.

- Charity Ball
  - → The 2016 Post Office Charity Ball took place on 3 November. Over 1,000 people attended including suppliers, partners, Post Office heroes, POAC members and colleagues.
  - → We are awaiting the final total but we know that over £140,000 was raised for BBC Children in Need.

WHAT HAS NOT GONE WELL?

- Financial Performance – P7
  - → Gross Income in P7 of £88.0m was £0.3m adverse to budget. Gross income YTD of £560.1m was £7.5m adverse to budget.
  - → Some long term negative trends continued through P7, including Lottery which was £1.0m adverse to budget.

- Power Outage (Chesterfield)
  - → Our office in Chesterfield - Future Walk - experienced a significant power failure on Tuesday 8th November and was forced to run on emergency back-up for over 24 hours; including some loss of service in our contact centres while the issues were addressed.
  - → Our operational response was good and a repair to key components of the electricity supply to the building (including the 11,000 volt transformer) was completed on 11 November. An assessment of whether a full replacement is required is being undertaken.
  - → Nonetheless, we are conducting a review of our response and how we could improve in areas including communication to other parts of the business.

Looking Ahead

OPPORTUNITIES?

- Funding
  - → Discussions with UKGI on our funding proposal are continuing.

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- → An outline timetable for official level discussions has been agreed for the various stages of the process including conversations with the European Commission; and discussions with KPMG (covering e.g. the baseline proposition and strategy overlays) commenced this week and are expected to go on for a fortnight.
- → In addition, I have written to Margot James seeking an early meeting to discuss our proposals. I will keep the Board informed of progress.

- Christmas Marketing Campaign
  - → The marketing team have developed an innovative digital marketing campaign which has been rolled out and will continue through the Christmas peak.
  - → I have invited them to share this with you at the Board meeting.

- Parliamentary Activity
  - → There is a debate on 17 November in Westminster Hall on the future of the Post Office. Margot James will be responding for the Government.
  - → Although the debate is inspired by the CWU, we have been working with the team in UKGI to turn it into an opportunity to highlight the progress the business has made since separation; our importance to communities across the country; and raise awareness of our future strategy.
  - → In addition, we are planning to hold a drop-in session for MPs in Parliament on 30 November focussed on raising awareness and support for our strategy and the banking framework in particular.

- Network Consultation
  - → BEIS launched its 'Network Consultation' on 8 November with a request for responses by 21 December.
  - → The consultation is designed to assist the Government to '*understand consumers' and businesses' expectations for what the network should look like'* in order to inform its work on the '*future funding of the Post Office network'*. Undertaking this exercise now will also assist in ensuring clearance of EU State Aid requirements for any future funding.
  - → The consultation exercise asks whether respondees agree that the current network access criteria should be generally retained; seeks views on provision in remote communities; and asks about future service offers together with the role that communities can play in the Post Office network.
  - → At the same time, BEIS also published a report from YouGov and London Economics on 'The Social Value of the Post Office Network'. This academic study (based on a 5000 responses from households and 750 from SME's) confirms the significant and ongoing social value that these groups ascribe to the network and its services (the lowest of three valuations calculated yields a figure over £4bn per year).

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RISKS OR CONCERNS?

- Industrial Relations
  - → Although the business managed the last day of industrial action well, there is little sign that we will be able to resolve the dispute with the CWU in the near future. We are anticipating further industrial action before Christmas.
  - → Nonetheless, we continue to have discussions with both Terry Pullinger and Andy Furey in an attempt to find a way through the current impasse.
  - → I have also written to Terry Pullinger to invite him and other CWU representatives to come to the GE meeting on 22 December to talk about our strategy and vision; and for them to share their vision for the future of the business. We await a response.
  - → More positively, discussions with Brian Scott (Unite) suggest that there may be scope to resolve the dispute with them. They have presented us with a broad range of requests that would allow them to settle the dispute. Whilst we could not agree to them all, there does appear to be scope for negotiation and compromise without diverting from our strategy. I will keep the Board informed of progress.

- POca
  - → Further to the update in last month's report, we have continued to investigate the options for addressing TSB's withdrawal from the procurement process.
  - → As part of our working through the detail of the proposed e-money solution HPE's banking partner, TrustPay Global (TPG) has recently presented their solution to the FCA, who have objected to a number of aspects of the solution.
  - → They were particularly concerned about the classification of the accounts as 'payment accounts'. Reclassifying the accounts would require £40m in capital adequacy to be set aside. HPE are considering other aspects of the FCA's response and are due to come back to us shortly with a re-assessment of the feasibility of the e-money solution.
  - → It now seems most likely that we will need to contract with JPM to provide the service to be co-terminus with our contract with DWP. JPM are contractually obliged to continue to deliver the service and will be under pressure from the regulator to continue to provide the service to customers.
  - → JPM are able to update their prices if we extend. They have agreed to provide us with detailed pricing for this option in December. We have shared the new services contract with them, as both parties have agreed that it would be preferable to update the terms under which the service is delivered. It is likely that negotiations will continue into the New Year.

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In Conclusion

CONFIDENCE?	IMPLICATIONS?
The business remains ahead of target for the year. However, trading conditions are challenging and we will need to carry the momentum from P7 into the Christmas Peak. The business responded well to the latest day of industrial action and support amongst colleagues was relatively low. However, resolution with the CWU appears no closer. More positively, discussions with Unite suggest that there may be scope to resolve the dispute with them.	Significant challenges lie ahead in achieving our financial targets especially given the impact of external factors on our income projections. We will also continue to face challenges in managing our industrial relations. However, our approach of engaging colleagues directly and supporting them through change is working. We will continue to invest time and resource on engagement activities.

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October 2016
Financial Performance

Al Cameron
24 November 2016

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P7 and YTD Performance ahead of Budget

Context

- P6 EBITDAS £(2.0)m off budget (YTD £0.2m ahead) highlighting a difficult income trend.
- Forecasting £(10)m EBITDAS for full year
- P6 £235m additional cash in Network, balance sheet headroom £36m.

Questions

- How is our scorecard performance in P7 and YTD?
- What is the financial performance of the business in P7 and YTD?
- Are we forecasting year-end outturn to be on budget?
- Are we appropriately funded?

Conclusions

- EBITDAS was £1.4m ahead of budget in P7 (YTD £1.6m).
- Of this £0.7m was underlying performance, £0.5m was due to one offs mainly Telco and the remaining £0.2m was related timing.
- We are forecasting to meet our £(10)m) full year EBITDAS target before discontinued operations, subject to Christmas trading.
- Balance sheet headroom improved in P7 by £107m to £143m, returning half of the contingent cash from the network.

Input Sought

The Board is asked to note the financial performance.

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The Executive Scorecard is largely positive notwithstanding pressures on income, footfall and attendance

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Key Performance Indicators	P7 Act	P7 Target	P7 Var.	YTD Act	YTD Target	YTD Var.	Full Year Target	2015-16 Audited
Growth								
Total Gross Income (excl NSP) £m	88.0	88.3	(0.3)	560.1	567.6	(7.5)	984.0	981.1
EBITDAS £m (100% bonus)	(1.1)	(2.5)	1.4	(14.3)	(16.0)	1.6	(10.0)	(24.0)
Headroom £m (vs Board minimum limit)~	343	200	143	343	200	143	200	485
Digital Net Income £m (digital team)	3.3	3.6	(0.3)	23.0	22.4	0.6	39.9	21.8
Customer								
Customer Effort	75%	68%	7%	75%	68%	7%	68%	67%
Net Promoter score	66	65	1	66	65	1	65	63
Acceptable Wait Time %	93%	89%	4%	92%	89%	3%	89%	79%
Branch Compliance - Financial Services - basket of 11 measures	20	<=50	-	21	<=50	-	<=50	26
Footfall (weekly) m (customer sessions from Horizon)	10.60	11.06	(0.5)	10.52	10.92	(0.4)	11.14	11.14
People								
Line Manager Engagement Index % (Once a year March) *		YTD Score		68%	68%	-	68%	68%
Internal senior manager appointments (3A and above)	63%	50%	13%	38%	50%	(12)%	50%	14%
Representation (Senior Managers) - Gender	35%	37%	(2)%	35%	37%	(2)%	37%	35%
Attendance	95.9%	96.7%	(0.8)%	96.6%	96.7%	(0.1)%	96.7%	96.8%
Modernisation								
Number of branches (one month in arrears)		Same as YTD		11,645	11,500	145	>=11,500	11,643
NT Branches Transformed In Year (Bonus Gateway 900)	135	77	58	848	777	71	1,075	1,904

~ Actuals include £200m retained for prudence.
* Measured annually in March with a 'Pulse survey' due in September.
Attendance – in period impact across Supply Chain and Crowns

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P7 showed an improved performance £1.4m ahead of budget

£m	P7 Period Actual	P7 Variance to Budget	YTD Actual	YTD Variance to Budget	Full Year Budget
Gross Income	88.0	(0.3)	560.1	(7.5)	984.0
Cost of Sales	(10.2)	1.1	(66.4)	4.6	(120.0)
NET INCOME	**77.8**	**0.8**	**493.8**	**(2.9)**	**864.0**
Expenditure	(82.1)	0.5	(531.8)	4.8	(909.8)
FRES - Share of profits	3.2	0.1	23.7	(0.3)	35.8
EBITDAS	**(1.1)**	**1.4**	**(14.3)**	**1.6**	**(10.0)**

- Versus prior year, EBITDAS was £1.6m ahead (YTD £11.5m).
- This includes no change of accounting for discontinued operations (slide 7).
- Of the period net £1.4m:
  - £0.5m one off, mainly Fujitsu cost of sales rebate,
  - £0.2m is net timing (favourable non staff and agents pay offset by averse staff cost), and
  - £0.7m was therefore period performance and relates to lower agents pay and cost of sales.

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Favourable trading in Mails and Financial Services offset by weaker Lottery and Supply Chain.

	P7		YTD		Full Year
Gross Income (£m)	**Period Actual**	**Variance to Budget**	**YTD Actual**	**Variance to Budget**	**Budget**
Mails	31.0	0.5	189.9	1.7	329.6
Retail & Lottery	4.1	(1.0)	24.5	(4.0)	49.2
Financial Services	27.0	0.8	177.1	(2.7)	313.9
Government Services	9.6	(0.3)	70.2	2.7	116.0
Telecoms	13.5	0.2	78.8	(4.7)	141.1
Supply Chain	2.3	(0.8)	16.5	(1.2)	29.8
Other	0.6	0.2	3.2	0.6	4.3
Total Gross Income	**88.0**	**(0.3)**	**560.1**	**(7.5)**	**984.0**
Cost of Sales	(10.2)	1.1	(66.4)	4.6	(120.0)
Net Income	**77.8**	**0.8**	**493.8**	**(2.9)**	**864.0**

- YTD performance continued to be strong in Mails, weak in Retail & Lottery.
- Financial Services had a stronger performance in Insurance and Savings, close to budget on an underlying basis and supported by £0.9m of phasing benefits in banking and payments.
- Telco after one-off cost of sales saving, arising from Fujitsu rebate.
- Discontinued Supply Chain income starting to show the (unbudgeted) impact of Iris.

Cost favourable overall with headcount reduced by 605 (10%) YTD

	P7		YTD		Full Year
£m	Period Actual	Variance to Budget	YTD Actual	Variance to Budget	Budget
Staff Costs	(20.5)	(0.9)	(135.7)	0.6	(226.4)
Agents Pay	(35.3)	0.8	(227.0)	1.2	(391.1)
Non-Staff Costs	(26.3)	0.6	(169.1)	3.0	(292.3)
Total Expenditure	**(82.1)**	**0.5**	**(531.8)**	**4.8**	**(909.8)**

- Staff Cost increases are driven by phasing and the YTD figure remains favourable.
- Agents Pay savings reflect lower income through the network, with lottery shortfalls having a particular impact and some phasing.
- Non staff Costs – underlying £1.2m favourable, some phasing benefits from Christmas marketing, offset by additional provisions on losses and HMRC AML issue of £2m.
- Headcount of 6,000 is 257 lower than P6 and 605 lower that the start of the financial year.

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Against forecast we had a good month with favourable phasing

£m	P7 Period Actual	P7 Variance to F'cast	YTD YTD Actual	YTD Variance to F'cast	Full Year Q2 Forecast
Gross Income	88.0	2.5	560.1	0.6	964.5
Cost of Sales	(10.2)	0.8	(66.4)	1.2	(117.5)
NET INCOME	**77.8**	**3.4**	**493.8**	**1.8**	**846.9**
Expenditure	(82.1)	(0.3)	(531.8)	2.2	(892.3)
FRES - Share of profits	3.2	0.1	23.7	(0.3)	35.4
EBITDAS	**(1.1)**	**3.2**	**(14.3)**	**3.7**	**(10.0)**
Discountinued adjustment (Subject to E&Y)	1.1	1.1	7.5	7.5	12.9
Potential EBITDAS	**0.0**	**4.4**	**(6.8)**	**11.2**	**2.9**

- Of the £3.2m, £2.0m was trading largely in Government Services, £0.9m was phasing in Financial Services and £0.5m is one time Fujitsu credits in Telco, offset by £(0.3)m in net expenditure. Overall £1.7m trading benefit in the period.
- We are on target to meet £(10.m) EBITDAS subject to Christmas trading in particular.
- A detailed technical paper has been provided to E&Y to assess the accounting treatment for Iris.

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We continue to underspend on CAPEX and exceptionals

£m	P7 Period Actual	P7 Variance to Budget	YTD Actual	YTD Variance to Budget	Full Year Q2 Forecast
EBITDAS	**(1.1)**	**1.4**	**(14.3)**	**1.6**	**(10.0)**
Depreciation	(0.0)	0.1	(0.3)	0.3	(0.8)
Network Payment	7.7	(0.0)	47.7	0.0	80.0
EBIT pre exceptionals items	**6.6**	**1.5**	**33.1**	**1.9**	**69.2**
Interest	0.4	(0.0)	0.9	(1.4)	3.8
Discontinued Operations	0.0	0.0	0.0	0.0	0.0
Impairment	(7.8)	6.7	(56.0)	51.3	(180.0)
Exceptionals (incl BT & VR)	(12.8)	7.7	(85.3)	20.0	(173.0)
Government Grant Utilisation	11.7	0.0	81.7	0.0	140.0
Profit/(Loss) On Asset Sale	0.0	0.0	1.7	1.7	0.0
Total Profit/(Loss) Before Tax	**(2.0)**	**15.9**	**(23.8)**	**73.6**	**(139.9)**

- Interest costs YTD have increased reflecting the increased levels of network cash.
- We are underspending in period and YTD due to the timing of programme delivery.

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Network cash has reduced by £121m from P6 but remains £185m higher than year end

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Balance Sheet

£m	Oct 2016	March 2016	Variance
Fixed Assets	144	120	23
Debtors	294	419	(126)
Cash	850	712	138
Creditors	(648)	(684)	36
Pension (deficit)/surplus	195	196	(1)
Provisions	(162)	(167)	5
Other	7	7	0
Loan	**(607)**	**(465)**	**(142)**
Net Assets	**73**	**138**	**(65)**
Capital and Reserves	**73**	**138**	**(65)**

Network Cash

£m	Sept 2016	Oct 2016	March 2016	Variance
Retail, Cash Centres	783	689	534	155
Bureau	123	105	74	31
Cheques, debit cards	53	45	45	(0)
Network Cash	**959**	**838**	**653**	**185**
Cash not in Network	20	12	59	(47)
Total Cash	**979**	**850**	**712**	**138**

Balance Sheet Headroom

	Sept 2016	Oct 2016	March 2016
Loan facility	950	950	950
Loan drawndown	(714)	(607)	(465)
Headroom	**236**	**343**	**485**
Target minimum	200	200	200
Headroom above target	**36**	**143**	**285**

The P7 Balance Sheet variances to March 2016 year end are:

- Debtor variance of £126m comprises decreases of £62m in the card account and ATM client debtors.
- Network cash has increased by £185m since March 2016 but reduced from £959m in P6 to £838m in P7. £121m of contingency funding has been returned, leaving c.£110m of contingency and c.£4m seasonal supply in the Network.
- Creditor balances have decreased by £36m, client creditors decreasing by £70m and business creditors increased by £34m.
- While the agents' compensation liability has reduced by payments made, there are new provisions in relation to the discontinuing of the external Supply Chain business.
- The loan balance movement is consistent with the cash flow in month, net of bank deposits.
- Balance Sheet Headroom has reduced from March 2016 due to the Loan balance increasing to fund the comparatively higher Network cash. Balance sheet Headroom has improved £107m since P6 from cash returned from the network.

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P7 Cash outflow of £(188)m and Net Debt of £595m driven by higher Network Cash

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Cashflow £m	Oct 2016 Actual	Oct 2016 Budget	Oct 2016 Variance	March 2017
EBIT after discontinued operations	**41**	**31**	**10**	**(10)**
Working Capital	(11)	15	(27)	5
Client Balances	1	23	(22)	21
Network Cash	(185)	(71)	(114)	(32)
Capital Expenditure	(56)	(107)	51	(180)
Government funding	172	172	0	220
Exceptional Items	(140)	(164)	24	(268)
Other (including interest and tax)	(11)	15	(26)	6
Operating Cashflow	**(188)**	**(85)**	**(104)**	**(238)**

Net Debt £m	Oct 2016	Audited March 2016
Net increase/(decrease) in cash and cash equivalents	**138**	**(109)**
Add/(deduct) movement in cash in the network	(185)	55
Deduct proceeds of borrowing from BIS	(142)	(155)
Net increase in net debt	**(189)**	**(209)**
Net debt brought forward at the beginning of the year	(406)	(197)
Total net debt carried forward at the end of the period	**(595)**	**(406)**
Net debt consists of:		
BIS loan	**(607)**	**(465)**
Cash (excluding cash in the Post Office network)	12	59
Total net debt carried forward at the end of the period	**(595)**	**(406)**

Cash outflow of £(188)m for P7 is £(104)m adverse to budget YTD.

- Network cash is £(114)m adverse entirely due to retained contingency prefunding the network.
- Client balances are £(22)m adverse to budget due to a number of smaller variances across our client portfolio the largest of which were Santander, UKPA and Bank of Ireland.
- The £35m FRES Joint Venture dividend was budgeted for P7 but was actually received on 31 October which falls into P8. This adverse variance is in other items.
- These adverse movements were partially offset by capex which is £51m favourable and exceptionals £24m as spending plans track behind budget.

Increase in cash and cash equivalents of £138m equates to the balance sheet variance on Page 9.

Net debt of £595m is £189m higher than the start of the year, largely driven by funding higher network cash.

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Board Effectiveness Review (BER)

Author: Alwen Lyons Sponsor: Ken McCall Meeting date: 24 November 2016

Executive Summary

Context

In last year's Annual Report and Accounts, a commitment was made to carry out an external BER in the financial year 2016/17. This was discussed at the Board and delegated to the Nomination Committee to deliver.

The work has been procured from Lintstock Ltd., a company recommended by Ken McCall, Senior Independent Director, and will take place between the November 2016 and January 2017 Board meetings.

Lintstock Ltd., will use an online questionnaire to produce both a quantitative and qualitative review, which will be available for the January 2017 Board meeting. Each Board member will receive a customised questionnaire, depending on their Committee membership and Lintstock will be available to take verbal input if anyone requires. The questionnaires will be circulated at the end of November 2016, with full instructions on how to complete.

The questionnaire relevant to the Board is included after this paper for your information.

The Group Executive will also be asked to complete their own questionnaires, which will be included in the review.

Input Sought

The Board members are asked to note the Board Effectiveness Review in which they will be asked to participate in December 2017.

Input Received

The Chairs of the Board, ARC, Nominations and Remuneration Committees have all signed off the questions for respective sections of the review.

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Board Review 2016: Overview

Board Composition

Q1 How appropriate is the Board's composition?

Please comment if you feel there are any additional skills which ought to be added to the Board.

Excellent - Good - Adequate - Poor

Q2 Please describe the key changes that ought to be made to the profile of the Board over the next 3 years to match the company's strategic goals.

Free Text Question

Board Expertise

Q3 How well does the Board understand the views and requirements of the following key stakeholders?

Please comment if you feel the Board's understanding of one or more stakeholder group(s) ought to develop further.

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- *The Government*
- *Customers*
- *Employees*
- *Sub Postmasters*

Q4 How would you rate the Board's understanding of the company's product pillars?

Please identify any specific areas in which you feel the Board's understanding ought to develop further.

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- *Mails and Retail*
- *Personal Financial Services*
- *Payments*
- *Government Services*
- *Telephony*
- *FRES*
- *POMS*

Board Dynamics

Q5 On a scale of 1 to 5 (where 3 is 'appropriate') how would you rate the level of involvement of Non-Executives in the affairs of the company outside Board meetings?

Please comment if you do not feel the balance of Non-Executive involvement is appropriate, or if you have any suggestions for improving the engagement of the Non-Executives.

Too Little Involvement ← 1 - 2 - 3 - 4 - 5 → Too Much Involvement

Q6 How would you rate the quality of the relationships between individual Board members?

Excellent - Good - Adequate - Poor

Q7 How would you rate the Non-Executive Directors' engagement with management in:

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- Providing effective support

- Providing effective challenge

Q8 How would you rate the quality of the relationship between the Board and the Post Office Advisory Council?

Please comment if you have any suggestions for improving the relationship or communication between the Board and the Post Office Advisory Council.

Excellent - Good - Adequate - Poor

Q9 How, if at all, could the atmosphere in the boardroom further encourage equal contribution, candid discussion and critical thinking?

Free Text Question

Time Management

Q10 How would you rate the planning of the annual cycle of work of the Board?

Please comment if you do not feel that all important issues are covered during the year.

Excellent - Good - Adequate - Poor

Q11 How would you rate the Board's agenda?

Please comment if you don't think that it covers the key issues and/or that the items are not well prioritised.

Excellent - Good - Adequate - Poor

Q12 How well does the Board review the effectiveness of past decisions and capture any lessons or actions required?

Excellent - Good - Adequate - Poor

Q13 What, if anything, do you feel the Board spends too much time focusing on?

Free Text Question

Q14 What, if anything, do you feel the Board spends too little time focusing on?

Free Text Question

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Board Support

Q15 How would you rate the frequency of presentations made to the Board by management?

Too Few ← 1 - 2 - 3 - 4 - 5 → Too Many

Q16 How would you judge the quality of the presentations made by management to the Board?

Please comment if you have any feedback for those presenting at meetings.

Excellent - Good - Adequate - Poor

Q17 How would you rate the following aspects of the Board packs?

Multiple numeric scale: rate each of the following from 1 ('Inappropriate') to 5 ('Appropriate'):-

- Length

- Use of Summaries

- Structure

- Timeliness

Q18 Please detail any recommendations for improving the content and format of the various management reports contained in the Board packs.

Free Text Question

Board Committees

Q19 How would you rate the performance of the Committees of the Board?

Please comment if you feel that the performance or reporting of one or more Committee(s) ought to improve.

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- ARC

- NOMCO

- REMCO

- POAC

Strategic Oversight

Case Study: June Strategy Day

Q20 How would you rate the agenda for the strategy day?

Please comment if you don't think that it covered the key issues and/or that the items were not well prioritised.

Excellent - Good - Adequate - Poor

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Q21 How would you judge the quality of the presentations made to the Board during the strategy day?

Please detail any recommendations you may have with respect to the quality of the presentations, or the balance between presentation and discussion during the strategy day.

Excellent - Good - Adequate - Poor

Q22 How would you rate the clarity and articulation of the conclusions reached during the strategy day?

Excellent - Good - Adequate - Poor

Q23 What would be your top 3 priorities for improving the Board's next strategy day?

Free Text Question

Wider Strategic Oversight

Q24 On a scale of 1 to 5 (where 3 is 'appropriate') how would you rate the involvement of the Board in determining the strategic direction of the company?

Please comment if you do not feel the Board's involvement in determining the strategic direction is appropriate, or if you have suggestions for improving engagement in this area.

Not Involved Enough ← 1 - 2 - 3 - 4 - 5 → Too Involved

Q25 How effective has the Board been in testing and developing the company's strategy?

Excellent - Good - Adequate - Poor

Q26 In what specific ways do you feel the Board could contribute further to testing and developing the company's strategy?

Free Text Question

Q27 How good is the Board's understanding of the company's performance relative to its main competitors in the following areas?

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- *Mails & retail*
- *Financial Services*
- *Telephony*
- *Government Services*

Q28 What do you feel are the top 3 strategic issues facing the company over the next 3 years?

Free Text Question

Risk Management and Internal Control

Q29 How would you rate the Board's focus on risk?

Please comment if you have any suggestions for improving the Board's focus on risk or the structure of risk discussions at meetings.

Too Granular ← 1 - 2 - 3 - 4 - 5 → Too High Level

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Q30 How would you rate the level of detail provided on risk and reward in papers submitted to the Board?

Too Little Detail ← 1 - 2 - 3 - 4 - 5 → Too Much Detail

Q31 How good is the Board at considering risk when making strategic and operational decisions?

Excellent - Good - Adequate - Poor

Q32 How can the Board improve its performance in risk management / oversight?

Free Text Question

Succession Planning and Human Resource Management

Q33 How would you rate the appropriateness of the structure of the company at Group Executive level?

Excellent - Good - Adequate - Poor

Q34 Are there any key positions which you think the company lacks or ought to be strengthened?

Free Text Question

Q35 How effective is the Board's oversight of succession plans for the following members of management?

Please comment if you have any observations relating to the development or succession plans for management, or suggestions for improving the role of the Board in this area.

Multiple numeric scale: rate each of the following from 1 ('Inappropriate') to 5 ('Appropriate'):-

- *The Chief Executive*
- *The Chief Financial Officer*
- *The Group Executive*

Priorities for Change

Q36 If there was one practice you could bring to the Post Office Board from another Board upon which you serve, or have served, what would it be?

Free Text Question

Q37 In terms of improving the Board's performance, what would be your top 3 priorities for the coming year?

Free Text Question

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DECISION PAPER

POST OFFICE BOARD

Mails strategy update

Author: Mark Siviter Sponsor: Martin George Meeting date: 24TH November 2016

Executive Summary

Context

The crucial exclusivity provisions which underpin our MDA contract with Royal Mail (RM) expire in Q4 of FY19/20. This is earlier than the horizon of our five year strategic and financial plan, which we are setting out to Government together with its associated funding request. Uncertainty around the cost of securing our long-term sustainability in Mails is the biggest swing factor in the business' five year profit projections. It is essential to secure a sustainable long-term model for our Mails business well before the exclusivity provisions with RM expire but our optionality reduces and our negotiating position weakens the later we renegotiate.

In June, the GE and Board endorsed our strategy for securing our long-term future with RM. We set out the plan to engage RM in a joint strategy project this financial year to reinforce to them why we are better together and why we must act to renew the relationship for the long-term. Our intent remains to drive a renegotiation with RM next financial year. In June we also set out how we would develop a business plan for our next best alternative, as leverage and contingency, and deliver "no regret" moves within the bounds of the MDA to improve our position.

Questions addressed in this report

1. How have we progressed with Royal Mail since we set out our approach at June's Board meeting? What have we learned and how does that impact our plan?
2. What have we done since June regarding development of our next best alternative? What have we learned and how will this influence our strategy towards Royal Mail?
3. How are we improving the chances of our desired outcomes with Royal Mail? What is our timeline, when are the key decision points, and what are our next steps?

Conclusions

1. Our Mails business is currently trading ahead of budget and Royal Mail have been actively engaged with us in a joint strategy project since September. This is the first collective review of our joint strategy in the Mails market since 2012. It has so far established a common baseline and by the end of this financial year it will establish a joint, market-relevant, vision of the future together. This is positive but simultaneously, and of concern, RM are not committing to renegotiate early on a deal extending beyond 2022, and have tried to limit focus of any changes in the relationship to the "second half" of the current MDA term. Our chances of securing an acceptable long-term (i.e. post-2022) relationship before our self-imposed deadline of March 2018 are currently low. We lose optionality for implementation of acceptable alternatives the later we conclude a deal with RM. We are therefore doing everything we can to increase chances of striking a deal next financial year. This will involve exploiting the contractual right we have under the MDA to engage RM in a "mid-term review" of the agreement, commencing in May 2017.

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2. We have assessed in much more detail the two "next best alternative" business models we set out in June. We are now more confident that there is a viable alternative model for our Mails business, our customers and our postmasters, without such a close dependency on RM. This will increase the leverage we need and provide contingency. We are on a critical path to being able to implement this and we anticipate a major go/ no-go decision in November 2017. A "go" decision would have profound ramifications for both us and RM and so we must exhaust all opportunities with RM before then.

3. We must use the rest of this financial year to: complete a compelling joint strategy with RM; keep delivering on "no regret" moves which strengthen our position within the boundaries or silent areas of the existing MDA; further develop our next best alternative; gather further intelligence on RM's likely asks in return for a longer term deal; and model a fully costed negotiating mandate. Our overall timeline remains unchanged. The next decision point is the March 2017 Board where we will provide a full progress update on all elements of our strategy, and this is when we expect to formally recommend a negotiating mandate. Approval of this mandate will involve choices on the extent of concessions we could be prepared to trade in order to ensure the long-term security of our Mails business. The position with RM reinforces the importance of the strategic priorities as set out in the five-year plan to FY20/21 and the associated funding request. These priorities ensure we keep reducing the costs and complexity of Post Office Ltd whilst enhancing our distributional capabilities and strengthening profitable non-Mails income streams.

Input Sought	Input Received
Does the Board endorse our approach and the next steps as set out in this paper?	GE & Board endorsement of our strategy (June 2016). Ongoing supervision thereafter from the Mails Strategy Steering Committee and the GE.

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H1 2016/17 Report to the Shareholder

Presented by: Nick Kennett, CEO POMS

Executive Summary

Context

Post Office Management Services Limited ("POMS") is a subsidiary of Post Office Limited ("POL"); it undertakes insurance intermediation and is regulated by the Financial Conduct Authority. Under its Articles of Association, POMS submits a performance report every half year to its shareholder. This paper is the report for the first half of 2016/17.

Questions this paper addresses

- What are POMS' strategic objectives, shorter term goals and Plan?
- Is POMS delivering what it said it would do?
- What are the key constraints in delivering the short and long term plans?

Conclusion

POMS is on track to deliver its long term ambitions and strategies, confirming the benefits and opportunities of operating as a standalone, regulated business within POL; there are, however, a number of risks and dependencies:

Financials:
- While EBITDA was £(1.0)m to Plan at £4.9m, mainly due to weak branch travel insurance sales (income £3.3m behind Plan), margin management and cost reduction should result in a full year EBITDA of £7.9m (£(1.2)m adverse).
- POMS' regulatory capital is above that required by the FCA.
- POMS is, however, concerned that changes to POL's branch sales model, in particular the removal of Financial Specialists, will impact life assurance sales/income from Q4.

Building the future model:
- In May 2016 the POMS Board approved a five year growth plan aligned to POL FS' New Normal; it is targeting an EBITDA of £17m in 2020/21 and a contribution to Group profit of £43m. This is on track against the original POMS business case.
- The achievement of the strategy is depends on POL's delivery of services, including marketing, digital delivery and data analytics. These are not governed by SLAs or service contracts; discussions are underway to establish accountabilities, incentives and delivery requirements.
- The "Hawk" business acquired in 2015 is outperforming the business case.
- The new strategic technology platform (Zeus) is on track for delivery; this is pivotal for POMS to integrate other general insurances and expand in the value chain.

Governance and compliance:
- Risk and governance structures are in place and being embedded.
- The most significant risk issue remains the operational oversight by POL of its branches, as discussed at the Post Office ARC in September 2016.

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Input Sought

The Board is requested to note the report.

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The Report

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3. Risk management

Risk management framework and governance structures are in place and are being embedded.

The relationship with POL as both AR and service provider is in place; the most significant issue, however, remains the operational oversight of branches, as discussed at the Post Office ARC in September 2016.

Significant progress has been made to improve the systems and controls. Actions are being developed by POL and POMS to improve the levels of conduct risk.

At its meeting in January, the POMS Board will assess the progress made, or anticipated, and will assess whether it is comfortable to allow POL to continue to sell POMS' products in agency branches.

There have been no notifiable issues to the FCA in the period.

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Appendix 1: POMS Balance Sheet

£k	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Non-current assets						
Intangible assets	46,008	45,994	46,979	47,089	48,571	48,369
	46,008	45,994	46,979	47,089	48,571	48,369
Current assets						
Amounts owed by group undertakings	225	386	381	525	0	0
Other debtors	197	73	126	189	150	293
Accrued income	5,386	5,350	4,830	3,845	4,571	4,250
Prepayments	32	27	23	18	155	130
Cash at bank and in hand	15,999	11,497	13,483	17,815	17,928	17,170
	21,839	17,333	18,844	22,392	22,804	21,843
Total assets	67,847	63,328	65,823	69,482	71,376	70,212
Creditors: amounts due within one year						
Trade creditors	(550)	(473)	(663)	(718)	(1,101)	(1,203)
Amounts owed to group undertakings	(7,888)	(2,345)	(3,231)	(4,529)	(4,900)	(5,853)
Other creditors	(1,374)	(1,515)	(1,859)	(2,749)	(2,442)	(1,880)
Accruals	(4,296)	(4,305)	(5,054)	(5,234)	(5,912)	(3,537)
Provisions	(1,033)	(1,063)	(1,121)	(1,125)	(1,131)	(1,182)
Tax Creditor	(195)	(379)	(432)	(678)	(831)	(965)
	(15,335)	(10,079)	(12,361)	(15,034)	(16,317)	(14,619)
Total assets less current liabilities	52,512	53,248	53,462	54,447	55,059	55,593
Creditors: amounts due in more than one year						
Amounts owed to group undertakings	(500)	(500)	(500)	(500)	(500)	(500)
	(500)	(500)	(500)	(500)	(500)	(500)
Net assets	**52,012**	**52,748**	**52,962**	**53,947**	**54,559**	**55,093**
Capital and reserves						
Share capital	50,000	50,000	50,000	50,000	50,000	50,000
Retained earnings	2,012	2,748	2,962	3,947	4,559	5,093
Total equity	**52,012**	**52,748**	**52,962**	**53,947**	**54,559**	**55,093**

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Back Office Transformation

Authors: Rob Houghton/Angela Van Den Bogerd Sponsor: Alisdair Cameron Meeting date: 24 November 2016

Executive Summary

Context

In 2015, the Board approved a "Transition" project to reduce operational risk and stabilise Back Office hardware. An update was provided in September, which reminded the Board that, in line with the IT Strategy, a further stage of development (Transformation) would be required. The purpose of this paper is to agree the proposal for that Transformation. The Board has not previously approved funding for this element of Transformation, although the Three Year Plan has included a place-holder of £11m.

Today our Back Office systems enable POL to run the Supply Chain operation, settle with clients, pay agents and employees and report financially and operationally. If these systems fail, we cannot trade. Some £60b of transactions are processed over a year, affecting all locations and over 50k people.

The September Board paper highlighted that, "We cannot continue to exist in the transitioned state...." IT cannot commit to appropriate service levels across these key business processes and we have now received a written confirmation from SAP that its support for HR SAP and POLSAP will cease permanently in December 2017. This is not a theoretical risk: that support was used in February to resolve a three day POLSAP outage, which had Supply Chain working manually while we were unable to report the Bank of England's cash position and teams spent weeks re-inputting and reconciling. It is not been uncommon for the settlements team to pay clients based on estimated values, adjusting to actuals later.

The legacy complexity of these systems and the processes that work around them requires manual working, spreadsheets and multiple interfaces. It is hard to maintain strong control, as evidenced in the financial controls work, and limits our ability to report and analyse our results. The resultant complexity has led to a prohibitive cost of change, preventing improvements that should occur in business as usual, and higher run costs.

Questions addressed in this report

1. Which transformation options have been considered?
2. What is our recommended approach?
3. What are the key risks to a successful delivery?

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Conclusions

The back office application estate cannot stay as is. The minimum spend is £8-12m to upgrade and stabilise the systems, without delivering any improvements in the cost of change, IT run costs, control or future flexibility.

We have assessed three other options: removing the older systems; incrementally improving the way we work; and replacing everything with a completely new ERP system.

We are recommending Option 3 as representing the right balance of financial benefit, operational control, flexibility and risk. The cost increases to £16-20m to gain £3.5m lower operating costs and enabling a further £3m to be realised across other programs, with improvements in controls and ways of working.

The risks are significant, although substantially less than for a full ERP replacement. We know from experience that any change to Back Office will be a journey of discovery. We have a 17% contingency in the plans, which had already been adjusted by 7% following Wipro's independent review.

More importantly, we have developed the project in stages. We can progress Option 3 while retaining Option 2 as a viable alternative until we have proven the full concept. The next significant decision date is April 2017. The only spending commitment at this stage, approved by the Group Executive, is for £1.54m on top of the £0.2m spent to date.

Input Sought

The Board is asked to:

- Support the preferred Option 3, budgeting for costs of £20m
- Note the approved spend to April 2017
- Require an update and any future funding requests in March-April 2017.

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The Report

Which transformation options have been considered?

4. Four approaches are summarised below.

Option	Cost (£m)	IT OPEX Benefit (£m)	IT Risk (inc. DR)	Dept. OPEX Benefit (£m)	NPV (£m)	Payback Yrs	Enabled OPEX Benefit for other programmes (£m)	Audit & Controls	Business Efficiency / Fit to Strategy	Project Risk & Delivery Complexity
1. The "No Transformation Scenario"	8 – 11	0.4	√	0	-8.63	26.46	0	X	X	Medium /High
2. Remove Old Systems	13-16	3.0	√	0	-9.0	4.6	2.1m	X	X	Medium /High
3. Transform	16-20	3.0	√	0.4	-11.9	5.74	3.1m	√	√	High
4. Transform to new ERP	24-30	3.0	√	0.4	-24.2	8.62	3.1m	√	√	Very High

5. The first option enables no movement in improving control or flexibility and derives no benefits. The fourth option is substantially more expensive and riskier with no guaranteed additional benefit. Neither are therefore recommended.
6. Options 2 and 3 represent more nuanced choices. In both cases, we would remove POLSAP, HR SAP and our old warehousing systems. Option 3 additionally adopts industry standard processes, changes ways of working and will give us the flexibility to support future change quickly and cheaply.

What is our recommended approach?

7. We are recommending option 3 Transform, with a number of checkpoints enabling a fall back to option 2 – "Remove Old Systems" should costs/risks escalate. Option 3 is in line with the IT Strategy:
   - **Simplify, Standardise, Reduce Cost:** adopt industry norms; configure systems not customise. This makes it easier and cheaper to outsource should we choose to.
   - **Build in Traceability:** Transact sales in ERP allowing onward transactions and reporting to flow from a single view of sales. This will give us one version of the truth; sales data that is accurate and reliably so. Improves auditability, reduces report creation and validation time, changes employee focus to analysis and action.

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- **Create Capability**: Invest internally, ensure end-to-end process knowledge and technical skills are in-house and enables cheaper change delivered without third parties.
- **Deliver Small, Deliver Regularly:** Break down large goals into achievable pieces of work, build momentum, hit targets.

8. Key building blocks include:
   - Designing out POLSAP and HR SAP migrating processes to other existing systems simplifying the IT landscape
   - Processing sales transactions in ERP, enabling settlements, invoicing, agent remuneration, profitability analysis and sales reporting to occur using standard SAP functionality – with auditable linkage.
   - Replacing 3 old warehouse management systems with a single modern solution enabling process savings and online ordering for all branches.
   - Improving retail cash management, linking directly into our core finance system and enabling online ordering for Post Masters

9. The diagram below summarises the planned delivery scope for this program.

PROCESSES	CHANGE & PEOPLE	DATA	TECHNICAL
➢ Settlements and invoicing ➢ Agents Remuneration ➢ Agent Debt ➢ Cash Processing and Treasury ➢ Procurement ➢ Cost Accounting ➢ Product & Channel Profitability Analysis ➢ Warehousing	➢ Journey from admin & report creation to data set up and analysis ➢ Client engagement and standardised settlement/invoicing interaction ➢ Reduction of staff and overtime	➢ Product Master & Hierarchies ➢ Agent master and channel hierarchy ➢ Agent Contracts ➢ Sales Organisation ➢ Sales transactional flows ➢ Client Contracts ➢ Chart of Accounts, Cost & Profit Centers	➢ Online cash & stock ordering for Post Masters ➢ Decommission POLSAP & HR SAP ➢ Implement SAP IS-Retail & ICM ➢ New warehousing system ➢ Migrate functionality to Transtrack ➢ Remove or adapt 56 interfaces

10. Future flexibility: Using more of our ERP's features requires embedding core processes in system steps. This can lead to reduced flexibility and the impact on our business has been considered. The following are core to the system:
    - **Organisation Structure –** Post Office's divisions and channels will be created as core structure. These are simple to add to, remove or group, but difficult to split or completely redesign. Upfront design needs to gauge the level at which these are created carefully.
    - **Financial Principles –** One challenge currently is that the financial principles (e.g. what is our definition of a profit centre?) are not consistent. Once these are established, they are difficult to change.

- **Detail –** The detailed list of profit centres (or other elements) can be added to and modified simply. Multiple product hierarchies can be created and channel reporting can be available by a number of selection criteria.

11. The highest impact process being tackled is client settlements. KPMG recently conducted a detailed review of our 440 client contracts detailing our approach to reconciling and validating each back into our accounts. The settlements team has been involved setting the high-level direction for our approach and will be instrumental throughout implementation. Approach to key areas are:
    - **Client Contact:** Clients rely on access to Horizon data for detailed transactional information, this access will remain. The settlements team daily provide one of five template word documents with summarised volume and value. These are emailed (or faxed) to clients alongside the bank transfers. This part of the process will simply be replicated and improved as the process moves to our CFS system.
    - **Settlement Data**: Almost 80% of the 440 clients settle based on Post Office data, hence will successfully migrate into our proposed standard process. Some of larger clients, by value, require upfront payment (e.g. predicted Santander account transactions) or using their data (e.g. Camelot); in these cases, our approach will be to engage and move them to our new process with manageable exceptions. These are the expected areas of concern as there are some case where a win-win improved process won't be found and we will have to determine mitigation plans.
    - **Fall Back Plan:** In all cases it is possible to migrate the current settlement process as-is. The current process involves creating payments that are not system-linked to sales then reconciling manually to demonstrate that accounts are balancing. In the case that we cannot move to a more automated process for some contracts, they can continue to run on a similar approach in CFS as they do today in POLSAP.

12. The program will be governed by the Post Offices' "One Best Way" methodology and in line with the IT strategy focus on incremental delivery, retaining control, avoiding large spend commitments and building skills into the retained team.

13. The delivery plan shown below provides an initial view on the projects required and their timelines.
    - **Transformation Base State –** up front technical prerequisites, basic master data and design principles
    - **Sales Transaction Related –** the transformational changes dependant on first processing sales transactions: settlements, invoicing, agent remuneration, profitability analysis and reporting. Planned to be delivered incrementally over time by business unit / product group / type of sales process e.g. we may first tackle sales of Mortgages, then bill payments etc

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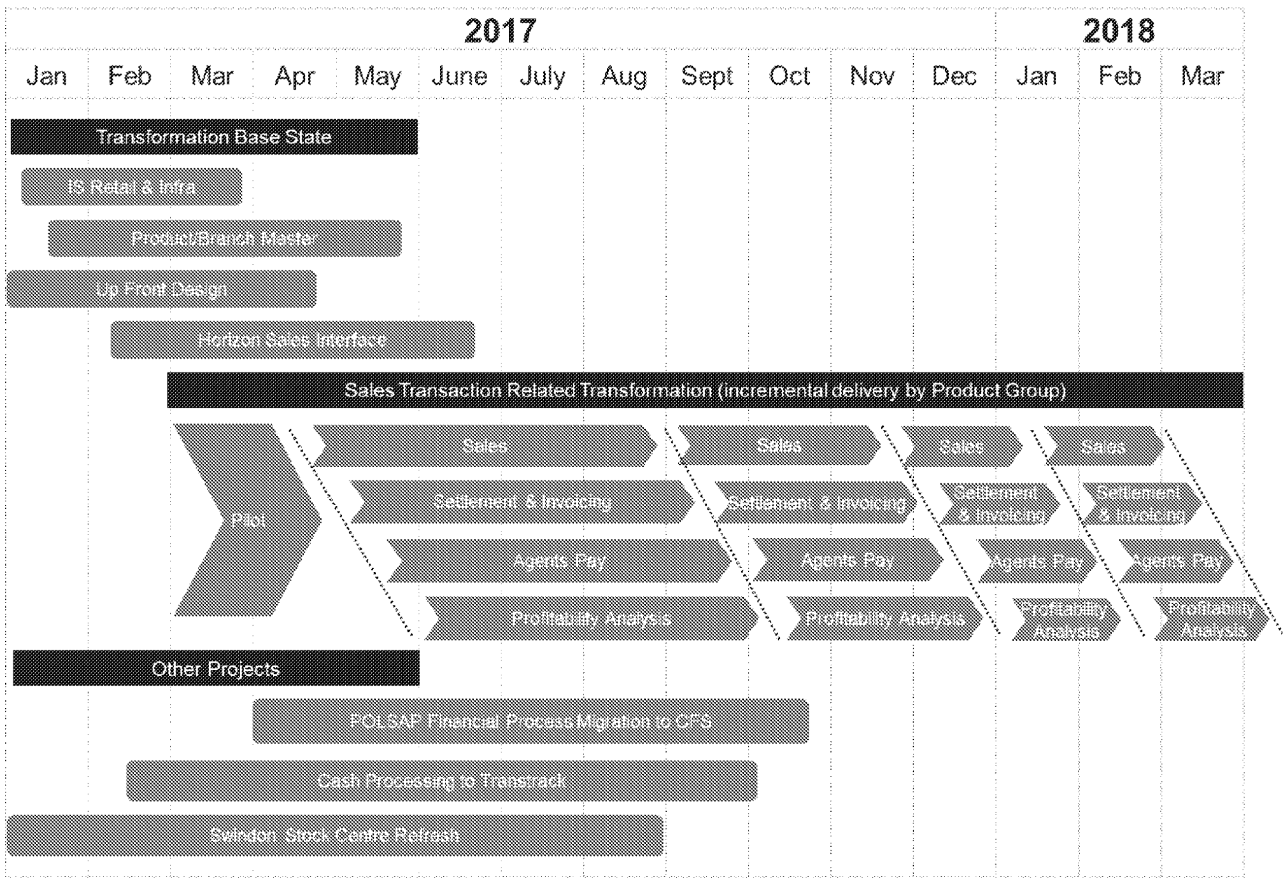
- **Other Projects** – projects required to deliver the overall transformation aims and cost reduction but able to run with minimal dependency on the overall program including: moving financial processes from POLSAP to CFS (e.g. agents' debt), moving cash processing functionality from POLSAP to Transtrack, refreshing our warehouse systems.



14. The initial budget drawdown request for 2016/17 is £1.532m (£217k has already been authorised). Further funds will be requested when the deliverables below for a project complete and submission is made to move to the next phase.
15. In April 2017 the program will report back on the extent to which we intend to transform, seeking approval for further funding. Outputs will include the results of a study into our client agreements and the extent to which we can standardise the back end processing. And the results of a pilot modelling a truly transformed back office using SAP to process sales transactions generating settlements, invoices, Agents' pay and product profitability. At this checkpoint we will decide whether to proceed with option 3, or revert to option 2.

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16. Program costs have been modelled with resource and material plans created for each area of work. In order to validate expected costs Wipro were engaged to provide an independent view and indicated that the program may cost 5-8% more than our pre-contingency view: we provided for 25% in the £20m recommended budget.

Phase	Cost (£m)
Transformation Base State	2.5 - 3
Agents Remuneration	1.5 – 2.5
Sales Processing	2 – 2.5
Financial Operations and Procurement and Reporting Improvements	2 – 2.5
Settlements Re-design	1.5 - 2
Supply Chain Cash Systems	3.5 - 4
Warehouse Refresh	3 – 3.5

17. Benefits are as set out below:

Benefit Generator	Amount	Calculation
Remove POLSAP	£1,167,686	POLSAP Infra, Support Licence = +£1,890,163 Increased CFS Infra, Support & Licence = -£475,334 Increased Transtrack Support & Licence = -£247,143
Remove SAP Common Services	£1,130,000	Removal of CSC common services (printing, authorisations, portal) required to manage multiple SAP environments. With only CFS left these are not required, and there is no additional OPEX to replace.
SAP extended Maintenance Charges	£359,067	SAP extended maintenance charge = +£224,529 SAP Active Embedded support = +£269,076 (Partial reduction of £134,538)
Transtrack moves off Citrix	£75,000	Remove Citrix licence costs = +£75k Microsoft alternative included in current licencing.
Warehouse licence and support reduction	£310,331	Mercia Licence = +£55,000 WCS Licence = +£128,375 Galaxy = +£466,956

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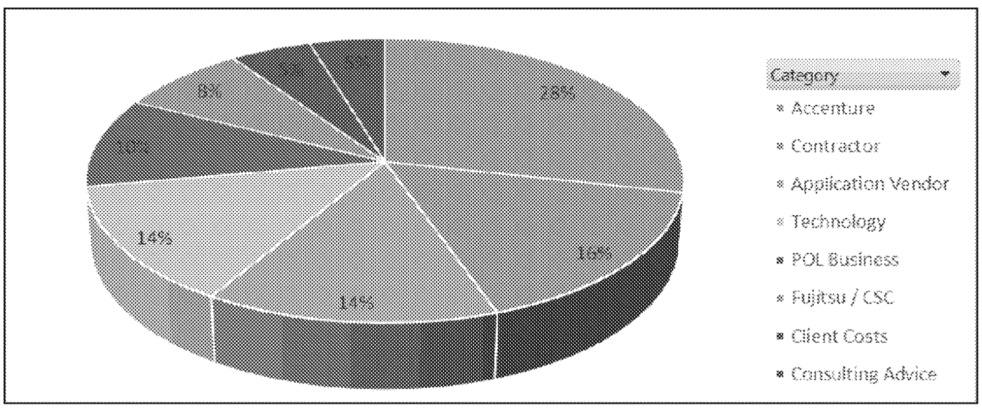
Benefit Generator	Amount	Calculation
[redacted]		
		New WMS system = -£300,000 Front end App = £-40,000
Improved Warehouse processing	£443,500	Non staff costs (£30k paper / £20k postage) = +£50k Fixed staff costs (2 x PO) = +£58.5k Variable staff costs (2 x SO1 equivalent) = +£45k Remove Capricorn engineers = +170k Increase pick efficiency = +120k
Total	**£3,485,584**	

18.In addition to the benefits above directly attributable to the Back Office Transformation business case, there is a further **£3,089,586** of claimed benefits in other programs dependent on option 3 being delivered:

- Online Cash Ordering replaces call centre = £400k headcount reduction
- Decommissioning HR SAP = £2,056,586 licence, infrastructure and support cost reduction
- FSC process simplification = £633,000 headcount reductions

19.The program will be delivered using the contracted Back Office partner (Accenture). We will also spend on backfilling Post Office resources and supplementing them with skilled contractors.



20.The diagram below shows the proposed program organisation grouped by process and capability. An early deliverable (in progress) is a resource plan highlighting capability gaps for discussion on where we should hire, contract or buy-in skills.

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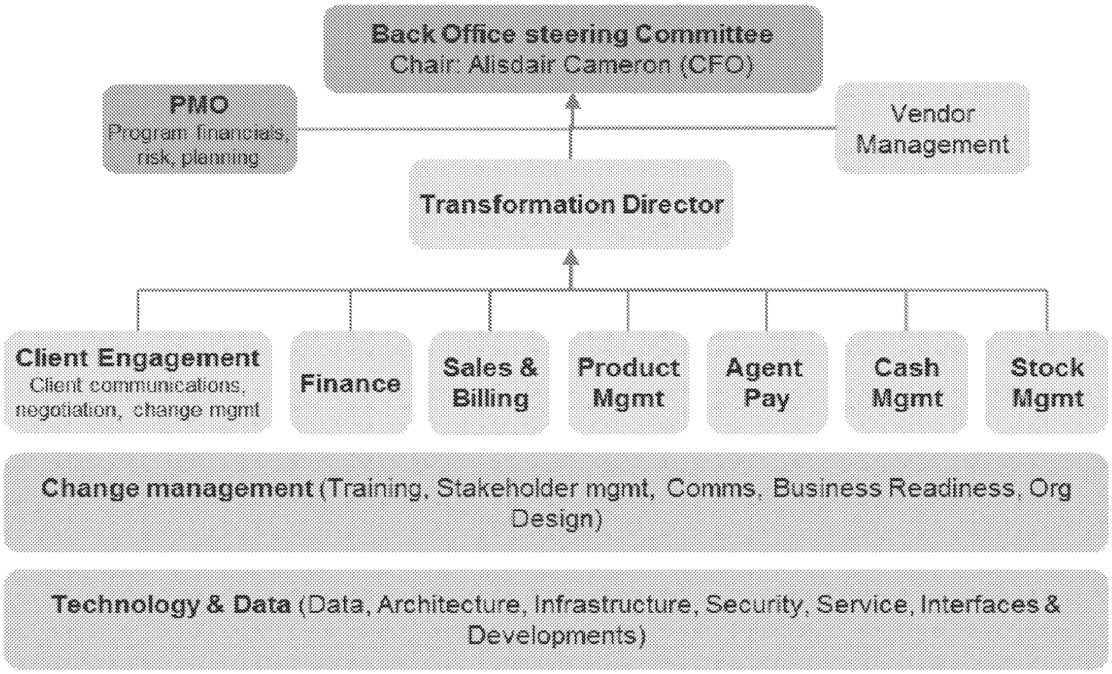

21. Wipro recently conducted a review of the detailed approach, resource plans and budget for the program. Their report concludes:
    - The approach for the program, desire to simplify through consolidating into systems already in our landscape and use standard processes is a good one.
    - Internal change management should not be underestimated and requires focus throughout
    - The timelines provided were suitable for the program of this size and complexity, however Wipro believed they could be accelerated (something we believe would not be possible within the Post Office for our tasks). However they recommended some additional technical steps and overall believed costs may increase by 5-7%, which has been taken into account in our figures.

22. The Post Office has faced significant challenges in recent programs and is implementing a number of the lessons learned from these in this approach.

Lesson	Learned
Incumbent vendor costs should not be underestimated.	Costs have been budgeted using current program actuals as a guide. Key vendors (inc. Fujitsu, Accenture) have been involved in the approach and budgeting.
Fixed Price Contracts are not suitable for large scale change where Post Office is accountable for external deliveries	The team will be led by Post Office resources backfilled, with specific capabilities brought in to support. The majority of delivery will be time and materials against a

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Lesson	Learned
	delivery plan. Fixed price will be used only for items work entirely within a single vendor's control.
Large delivery projects are prone to failure and lack of oversight	Whilst to achieve the overall aims, a number of projects are required, these are being broken down into their smallest component parts, with an approach of incremental delivery.

What are the key risks to a successful delivery?

39. The tables below contain a brief description of the key risks identified and our plans to overcome them.

Title	Description	Mitigation	Owner
Client Impact	The Post Office currently settles and invoices clients in a multitude of fashions, providing bespoke information in many cases. There is a risk that as we try to standardise we come into conflict with client contract, either jeopardising our relationships or reducing the effectiveness of the program.	Communicate early, take feedback and consult with client senior stakeholders, to ensure that the operation teams are instructed to work with us where possible. Re-negotiate contracts/ways of working with key customers (condition that we need to provide clients a decent or better experience).	Angela Van Den Bogerd/Martin George/Nick Kennett
Concurrent Financial Systems	It is essential to bring core sales into CFS, this can either be completed as a big bang (meaning all contracts and settlements move together) or incrementally. Our view is that an incremental approach is overall lower risk for our organisation. However, this gives a risk that Post Office will be running the same financials in POLSAP and CFS, increasing the potential of double reporting revenue, or mis-settling.	The Finance team will need to outline a plan for dealing with this challenge early in the project. During project the financial reporting team will need to demonstrate each month that errors are not occurring. To ensure the approach is solid there is a plan to engage our auditors early to agree the approach.	Financial Controller
Product Data	There are multiple Product Master data definitions and groupings (e.g. for Horizon, for Stock, for Agents Remuneration, for reporting) and questions	An entire work stream for the program will be dedicated to Product and Branch master data, offshore support for data cleansing and manipulation is budgeted.	James D'Souza

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Title	Description	Mitigation	Owner
	about the master data quality. Work will be required in order to create a clean Product Hierarchy. There is a risk that this will be more challenging and expensive than planned.	Should the team be unable to tie together all the product threads in the organisation a fall back is to revert to receiving values/products/volumes into SAP from sales systems, with reduced controls and checks, leaving multiple product definitions and hierarchies in our organisation. Product master governance will be updated alongside the project to ensure on-going adherence to the updated approach.	
Cost/Time	There is a risk that the budget and timeline are not accurate.	As outlined in the transformational principles section the program is delivering where possible in incremental chunks, hence timeline and cost slippage will be visible early enabling corrective action to be taken. Wipro reviewed our detailed cost estimate and resource plan of £16m. During the sessions (workshops with Accenture, SAP, our back office departments and technology teams) it became clear that additional technical steps would be required. Overall Wipro's view including upsides and downsides was that our total costs would be 5-8% higher, this is included within our requested 25% contingency.	Ben Cooke
Resource capability and Business Focus	The Post Office is undergoing significant change with a high number of projects going on e.g. FS Digital Transformation, EUC Admin etc. There is a risk that the required resources for the program are not available, or focus is distracted.	The Back Office team & applications are largely distinct from front office and FS/POMs activity, hence digital and Horizon related projects are not considered to be a major threat (pre-planning has occurred with Fujitsu for the Horizon interface and resource will be available Jan-Mar) Joint planned has occurred with the departments heavily involved and the other back office programs (SSTP for FSC and Successfactors for HR). In Supply Chain where key resources could potentially have their roles changed through Iris early discussions have occurred to earmark critical resource & will be picked up once the program is funded. Currently all essential team members identified are remaining within the Post Office.	Alisdair Cameron

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Broadband Customer Acquisition

Author: Alwen Lyons
Sponsor: Alwen Lyons
Meeting date: 24 November 2016

Executive Summary

Context

The Board were asked by email on 4 November 2016, to delegate authority to the Chief Executive and Chief Financial Officer to proceed with negotiations and sign a contract for the acquisition of 78,000 Broadband customers from New Call, who trade under "Fuel Broadband".

The Board approved this request by email response and the negotiations have started.

The Board's delegation now requires formal ratification.

Input Sought

The Board is asked to ratify the decision by the Board to delegate authority to the Chief Executive and Chief Financial Officer to proceed with negotiations and sign a contract for the acquisition of 78,000 Broadband customers from New Call, who trade under "Fuel Broadband".

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Post Office Limited Sealings

Author: Alwen Lyons   Meeting date: 24 November 2016

Executive Summary

Context

The Directors are invited to consider the seal register and to approve the affixing of the Common Seal of the Company to the documents set out against items number 1454 to 1461 inclusive in the seal register.

Input Sought

For the Directors to <u>resolve</u> that the affixing of the Common Seal of the Company to the documents set out against items numbered 1454 to 1461 inclusive in the seal register is hereby confirmed.

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POST OFFICE LIMITED

Date 24.11.2016

Register of Sealings

Company Number 21554540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
1454 / Deed of Surrender	21/10/2016	19/10/2016	Deed of Surrender and Release relating to a lease of premises known as 9 Higher Road, Urmston M31 1AA. Robert Graham Trustees Limited and Post Office Limited.	Jane MacLeod	Jean Reynolds
1455 / TR1	31/10/2016	26/10/2016	TR1 - 35 The Broadway, London, NW7 3DA	Jane MacLeod	Jean Reynolds
1456 / Licence	31/10/2016	27/10/2016	License to Install Air Conditioning Equipment relating to Land at the Rear of 113 Baker Street London W1.	Jane MacLeod	Jean Reynolds
1457 / Surrender of Lease - TR1	02/11/2016	28/10/2016	Deed of Surrender of Lease: Post Office, Market Place, Chesterfield S40 1TL - TR1 Transfer of whole registered title (Title no. of property DY410908) Full title guarantee. Transferor is POL and Transferee is Trillium (RMF) Limited.	Victoria Moss, Deputy Company Secretary	Jean Reynolds
1458 / Lease Renewal	02/11/2016	01/11/2016	Lease Renewal of 72 High Street Hoddesdon, Hertfordshire, between Nicola Trigg and Graeme Ross Atkinson as Executors for Elizabeth Fowler (1) and Post Office Limited (2) for a further 5 years. (Underlease)	Victoria Moss, Deputy Company Secretary	Jean Reynolds
1459 / Reversionary Lease	10/11/2016	08/11/2016	Reversionary Lease by reference to an existing lease relating to Ground Floor and Basement, 354 and 356 Edgware Road, London W2 1BG between Simpsons Paints Limited (Landlord) and Post Office Limited (Tenant).	Victoria Moss, Deputy Company Secretary	Jean Reynolds
1460 / Deed of Variation	10/11/2016	08/11/2016	Deed of Variation relating to Ground Floor and Basement, 354 and 356 Edgware Road, London W2 1BG between Simpsons Paints Limited (Landlord) and Post Office Limited (Tenant).	Victoria Moss, Deputy Company Secretary	Jean Reynolds
1461 / Renewal lease	14/11/2016	11/11/2016	Renewal lease by reference to an existing lease between Makan Investments Limited (a company registered in Jersey 76832) (Landlord) and Post Office Limited (Tenant) in respect of basement and ground floor premises at 124 Deansgate, Bolton (as per the existing lease dated 9 May 2006). Term: 5 years with effect from 9 May 2016. Rental: £40,000 per annum exclusive of rates and VAT to be paid quarterly in advance	Alwen Lyons	Jean Reynolds

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Performance Review – Health and Safety

Author: Martin Hopcroft Sponsor: Martin Kirke Meeting date: 24th November 2016

Executive Summary

Context

1.1 Keeping our employees healthy and safe is fundamental to Post Office success. This is reflected in the Post Office Board's legal responsibilities – directors can be personally liable when health & safety duties are breached and members of the board have both collective and individual responsibility for health and safety.

1.2 Our Health & Safety performance has improved significantly in the past 5 years and we have a rolling 3-year plan to drive health and safety compliance and risk reduction. The key risks of driving and robberies are the subject of mitigating activities. Our reporting and safety management system is measured against the externally recognised health and safety standard – OHSAS 18001. We recognise the importance that wellbeing can play in creating engaged and motivated employees and have developed and implemented an extensive wellbeing plan.

1.3 The aim for 2016/17 is to continue the year-on-year improvement by targeting a reduction in four key safety metrics: accidents; lost time accidents; days lost; and personal injury claims.

Questions this paper addresses

2.1 What is going well across health and safety and what is not going so well?
2.2 What are we doing to mitigate the key risks, including driving and robberies?
2.3 Are there any significant emerging risks?

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Conclusion

1. Performance continues to remain strong against all four of the key **health and safety metrics**, including absence accidents and lost days (see Appendix).
2. There is an appetite from the Group Executive and across the business as a whole to improve **awareness of health and safety** performance, management responsibilities and compliance. The Health & Safety Team and Property Management Team are attending many meetings and workshops to support and provide guidance and training.
3. Mitigating actions are working to reduce **road risk** and the risk of robberies. (see Appendix)
4. Recent environmental training has highlighted that POL may not be following best practice in the way we address environmental issues across the business and that Post Office **Environmental Strategy and Policy could be strengthened.** The Head of Health & Safety has set up a focus group, also involving Property team, the Social, Action and Inclusion Manager, and legal team to address ownership, governance and best practice. A report, with recommendations, will be provided to the GE H&S Sub Committee and Risk and Compliance Committee.
5. Following a recent Property Compliance review, it has been highlighted that additional training is required for '**Person in Charge' (PICs)** in Directly Managed branches to improve their competence and awareness. Managers are completing basic online PIC training with additional **training workshops** being arranged between Jan - Mar 2017 by the Head of H&S and Property Compliance Manager.
6. Following a 'deep dive' H&S session with the GE, it was agreed that the Director of Employee Relations & Engagement and Head of H&S provide **executive awareness training** to GE Members during Nov and Dec 2016.

Input Sought

We ask that the Board to **note** the current safety and wellbeing performance, risks highlighted and mitigating activity.

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What has gone well across Health & Safety

- '**Accident' and 'lost time'** incidents have reduced at P6 2016/17 when compared to September 15/16 and are meeting the continuous improvement target of 5% year on year reduction. (see appendix)
- Current **road risk performance** has also improved when compared to 2015/16 with 'at fault' incidents remaining 32% lower than 2015/16.
- Whilst the number of CViT **violent incidents** have increased compared to 2015/16, robberies have remained low in August and September (following the slight increase in July). 2 out of 15 incidents have incurred injury.
- The risk profile of **Supply Chain** will change due to the current restructure and changes in workload, delivery routes and relocation will potentially increase risk through change management activity resulting in distraction. The Health & Safety team are attending the weekly Iris programme and work stream meetings to provide support, including risk assessments, training and support visits to sites.
- **Accidents involving customers** at Crown and hosted branches are investigated, reviewed to identify any preventative measures and benchmarked. Current volume remains very low with fewer claims from customers. Analysis is being undertaken and will be shared at the December GE H&S Sub Committee meeting.
- The volume and value of **personal injury claims** has reduced with provision for known unsettled claims also reducing to £602k at Period 7 (October).
- **Mental health** related conditions are the single most common cause of longer term absence with 17% of occurrences and 31% of total absence days, a slight increase at P6 2016/17. Analysis is being undertaken to understand which areas of the business may benefit from additional 'mental health awareness' training. There has also been an increase in the number of users of the online 'Help' Employee Assistance and Lifestyle Online websites possibly in response to recent increases in absence but also awareness of resources. (See Appendix)
- **Attendance levels** have reached 96.8% YTD at P6 (September 2016/17) and remain on target. However, there has recently been an increase in the level of absences in Crowns but a decrease in Supply Chain. (See appendix)
- Three **Wellpoint™ health check** kiosks have been utilised across all largely populated sites (>25) during the first half of the year with very positive feedback. *Mobile health checks* will be offered by the Health & Safety team to Crown branch and Network Field team colleagues from November.
- **Property** - Health and safety related risk and facilities management have been assessed as medium risk, reducing to low by year end. This follows a programme of checks, inspections and closure of risk assessment actions in accordance with Health and Safety at Work Act and is now virtually complete.

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Overall property risk has reduced from high to medium and expected to be low by year end, mainly due to the recent focus on completion of technical risk assessments by CBRE and completion of actions by the Crown Office and Supply Chain lead and area management teams, supported by H&S and Property teams. Additional training will be provided in workshops to Persons in Charge (PICs) from January 2017.

- **Hosted Sites** – we have a duty of care to our employees working within 'hosted' premises eg. WH Smiths. A trial is under way to involve Trade Union H&S Reps in site meetings prior to transfer date, to support the local managers / project managers in respect of planning and advice. The Head of Health & Safety is in contact with the WH Smiths H&S Manager to develop relationships, understanding of the H&S processes and support available to local Post Office Managers.

What has not gone so well?

- **Property -** The most significant area requiring improvement has been managing fire risk, as reported by CBRE to the Property Compliance Board as a finding from their risk assessments. High *risk fire actions* have been closed with medium and low actions planned to be closed by November.
- **Customer Harassment -** Concern was raised by the Westminster local authority regarding Post Office Policy for dealing with violence and abuse by customers, especially in London where there is a growing problem with the homeless population and their presence in our branches.
  Positive recognition has been received from the Environmental Health Officer in Westminster for the way Post Office has effectively managed this emerging risk in the London Crown branches. Consideration is currently being given for sharing with Postmasters and signposting them to the Health & Safety Executive for support and guidance.

2.2 What are we doing to mitigate the key risks, including driving and robberies?

- **Road Risk**: Driving activities have the potential for high impact/loss and therefore remains one of the more significant residual risk which is successfully being mitigated through a number of ongoing initiatives. Following a restructure of the Fleet Management Team, Head of H&S and National Fleet Manager are continuing to support the Road Risk Consultation Forum to ensure appropriate plans and actions in place to mitigate emerging trends and risks eg. initiative to capture signatures from all colleagues who drive for work that they have received and understood the policy and instruction alongside licence checks.
- **Robbery Risk**: Robberies have the potential for high impact/loss and remain a significant residual risk. We are successfully mitigating this through a number of initiatives and best practice. Ongoing monitoring of the risk profile will inform the assessment of the need, or otherwise, of body armour.
- **Safety Risk:** Concern raised with GE at the deep dive session that **mobile phones** are being used by Business drivers, including joining conference calls.

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Policy and guidance issued via a communication in August, reiterated by Senior Management during September. There needs to be strong leadership and empowerment for employees to challenge anyone on a call who may be driving and further discussion is planned for the GE Exec Coaching sessions in November.

- **Property Risk:** Remedial work for all identified high risk items has been completed and plans for addressing medium risk electrical, asbestos, building fabric and legionella have been built and are being undertaken.

Health and Wellbeing: We recognise the benefits that wellness can bring to the organisation and therefore there is an extensive programme of healthcare interventions to all areas of the business.

- The Health & Safety team are working closely with the **Communications team** to support a plan of activity to further raise awareness of the resources available to colleagues, including comms, blogs, video and face to face workshops.
- A programme of **wellbeing activity**, including raising awareness of mental health conditions, symptoms and the support available has been updated.
- The roll-out of a second programme of **health checks** to all employees via face-to-face clinics and stand-alone digital wellbeing kiosks will continue from Nov.
- Work is currently being undertaken to evaluate the link between local engagement scores with Wellbeing, analysing absence data and the **engagement index and wellbeing scores**, with focus on mental health related absence in particular. Conclusions and a proposed plan of action will be shared with the GE H&S Sub Committee in December.

2.3 Are there any significant emerging risks?

- The **Environmental Policy**, plan and level of reporting is currently under review. A Strategy Tactical Group has been set up by the Heads of H&S and Property, the Compliance Manager and CSR Manager, supported by legal and FM provider guidance to review strategy. The first group meeting took place on Nov 1st. POL directors will be made aware of the significance of **environmental reporting**, how it is affecting our brand image, the potential for personal liability with further discussion at the GE H&S Sub Committee in December.
- A significant gap has been identified in the competence of managers to carry out their **Person in Charge** (PiC) responsibilities and a revised on-line training product has been developed and issued by the H&S Team, with a requirement that all PiCs complete this by September. Follow up H&S training workshops will be provided to PiCs and deputy PiCs, covering Premises H&S, Site Log Books, Fire Extinguishers.

(Appendix Attached – Performance Charts)

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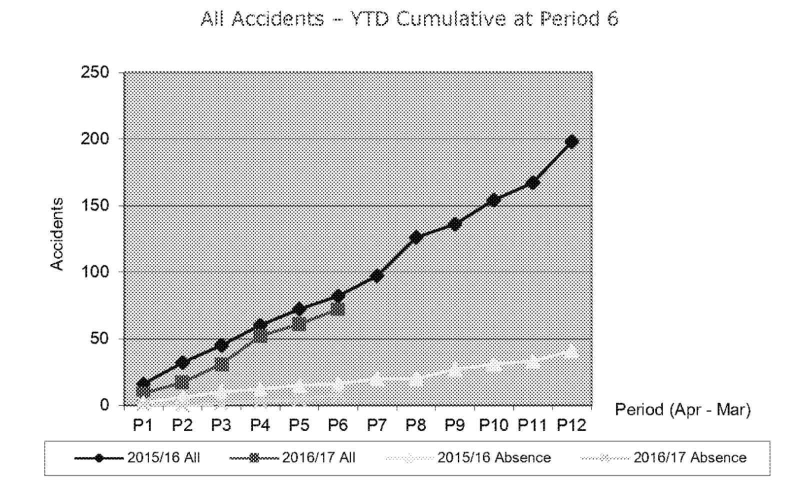
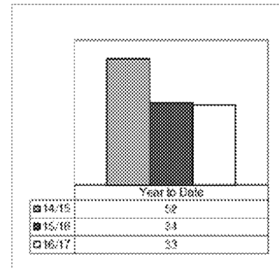
APPENDIX - Summary of Safety Performance - YTD Period 6 (2016/17)

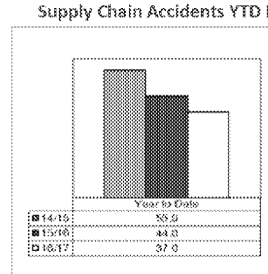


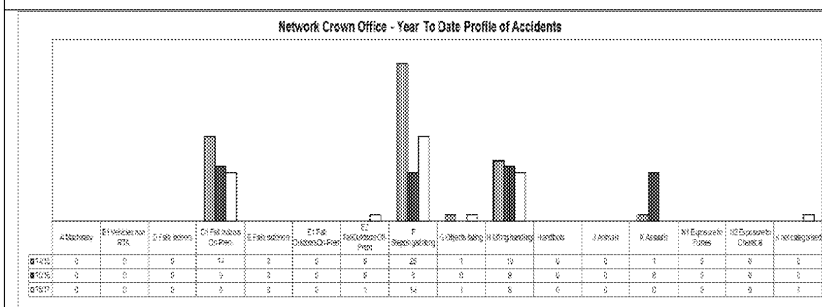
'Accident' and 'lost time' incidents have reduced 13% and 50% respectively at Period 6 YTD (September 2016) compared to 15/16

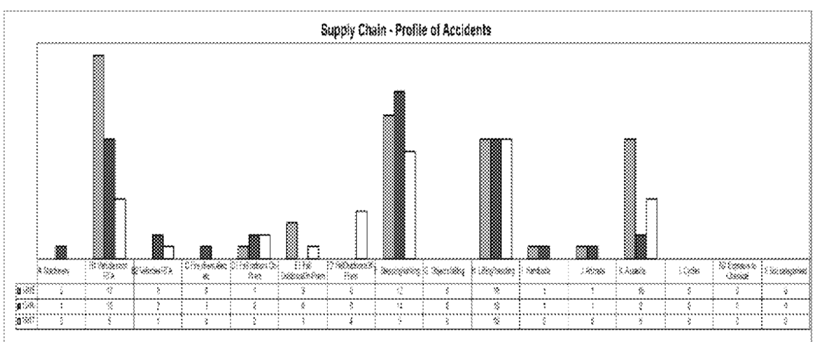
Crown Office Accidents YTD P6

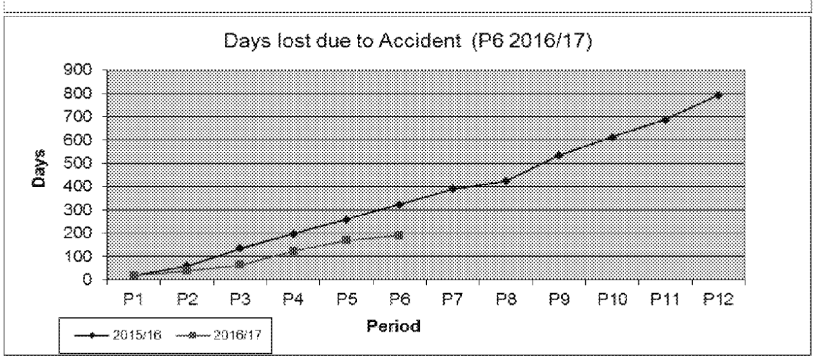


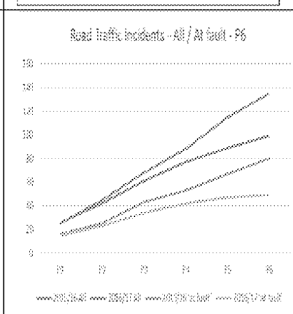
Supply Chain Accidents YTD P6











Current road risk performance has improved by 20.19% compared to 2015/16. 'At fault' incidents are also down by 31.58% P6 YTD (Sep).

Lost Time Injury Frequency Rate
<u>Supply Chain</u>
YTD P5 – 0.636
2015/16 out turn – 1.042
2016/17 target – 0.990
<u>Post Office – Employee</u>
YTD P5 – 0.210
2015/16 out turn – 0.370
2016/17 target – 0.350
PO Benchmark – 0.480

Post Office CViT Robberies – P6 (Sep16
Incidents – 2 (2 successful) vs 1 in 15/16 (1 successful)
Violence YTD – 16 vs 3 (15/16 YTD)
Injuries YTD – 1 vs 0 (15/16 YTD)
Weapons YTD – 6 vs 1 (15/16 YTD)
2 CViT incidents were in Birmingham

Post Office (All branch types) Robberies – P6 (Sep16)
Incidents - 9 (5 successful) vs 7 (5 successful) in 2015/16
Violence YTD – 0 vs 2 (2015/16)
Injuries YTD – 0 vs 2 (2015/16)
Weapons YTD - 10 (5 firearm) vs 11 (3 firearms) last year. ***One incident in September resulted in a £16k loss, where the SPMR was forced to open the safe by three suspects wielding machetes.***

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APPENDIX - Summary of Wellbeing Performance - YTD Period 6 (2016/17)

2016 / 2017	Sick Absence %ge							
	April Period 01	May Period 02	June Period 03	July Period 04	Aug Period 05	Sep Period 06	Y.T.D Totals	Gross Hours Target
FINANCE	**3.5%**	**3.2%**	**3.4%**	**3.5%**	**2.9%**	**2.8%**	**3.2%**	**3.5%**
FIN: SUPPORT SERVICES (ALL)	4.6%	3.3%	3.2%	3.0%	2.8%	3.1%	3.3%	**3.8%**
FIN: SS FSC	3.9%	2.6%	2.4%	2.8%	3.4%	1.6%	2.7%	**3.4%**
FIN: SS CONTACT CENTRES	8.4%	4.5%	4.2%	3.6%	2.2%	3.6%	4.3%	**6.7%**
FIN: SS HRSC	2.4%	3.4%	3.8%	3.1%	3.9%	4.8%	3.5%	**2.6%**
FIN: SUPPLY CHAIN	3.4%	3.4%	3.6%	3.9%	3.2%	3.0%	3.4%	**3.7%**
SALES & NETWORK	**3.3%**	**3.0%**	**3.1%**	**3.6%**	**4.0%**	**4.2%**	**3.5%**	**3.2%**
SN: CROWN SALES	3.7%	3.4%	3.3%	4.0%	4.4%	4.6%	3.9%	**3.5%**
SN: SALES DIRECTOR	3.9%	2.5%	3.2%	3.0%	2.5%	2.6%	3.0%	**2.9%**
PEOPLE & ENGAGEMENT	**1.6%**	**1.7%**	**1.3%**	**1.1%**	**0.6%**	**1.9%**	**1.6%**	**1.1%**
PE: COMMUNICATIONS & CORP AFFAIRS	0.0%	3.4%	3.1%	3.1%	0.2%	0.0%	2.0%	**0.3%**
GENERAL COUNSEL	**0.3%**	**0.4%**	**0.0%**	**2.9%**	**1.3%**	**0.6%**	**0.8%**	**1.8%**
GC: SECURITY	0.2%	0.1%	0.0%	2.4%	2.5%	1.2%	1.1%	**1.9%**
FINANCIAL SERVICES	**0.6%**	**2.1%**	**2.2%**	**2.1%**	**1.6%**	**1.6%**	**1.7%**	**2.8%**
Post Office Ltd	**3.2%**	**2.9%**	**3.0%**	**3.4%**	**3.4%**	**3.5%**	**3.2%**	**3.3%**

Trends - Attendance levels have reached 96.8% YTD at P6 (September 2016/17) and remains on target. However, there has been a recent increase in the level of absence in Crowns but a decrease in Supply Chain which has helped the overall business performance. (See chart above)
Network & Sales absence levels have increased over the last quarter and risen above target (overall sick absence 3.5% v 3.2%). We have seen an increase in Crown Office long term absences (2.2% LTS up to 3.3% in recent months). Analysis is being undertaken with the Occupational health partner to understand underlying trend by geographical areas.
Supply Chain absence reduction is mainly due to a reduction in long term absences wither by a return to work or exit from the business. (2.2% LTS down to 1.6%).

Activity -

- **Mental health** conditions remain the single most common cause of longer term absence with 17% of occurrences and 31% total absence days, a slight increase at P6 2016/17. Awareness training continues to be rolled out to all teams.
- There has also been an increase in the number of users of the online **'Help' Employee Assistance and Lifestyle Online** websites possibly in response to recent increases in absence but also due to improved awareness of resources.

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POST OFFICE
BOARD

Post Office Limited Board Meetings

Author: Alwen Lyons Meeting date: 24 November 2016

Executive Summary

Context

The Directors are requested to note the future meetings dates scheduled in respect of Post Office Limited Board meetings.

Input Sought

The Board is requested to note the future meeting dates.

The Report

Date			Time	Notes
Tuesday	31 January	2017	09.30 – 14.00	
Tuesday	28 March	2017	09.30 – 14.00	
Thursday	25 May	2017	11.15 – 15.30	
Tuesday	27 June	2017	TBC	Board Away Day 1
Wednesday	28 June	2017	TBC	Board Away Day 2
Tuesday	25 July	2017	11.15 – 15.30	
Tuesday	26 September	2017	09.30 – 14.00	
Tuesday	31 October	2017	09.30 – 14.00	
Thursday	23 November	2017	11.15 – 15.30	