



**POST OFFICE LIMITED BOARD MEETING**  
*Strictly Confidential*

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 22 SEPTEMBER 2020 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ BY CONFERENCE CALL AT 13:00 HRS<sup>1</sup>**

<b>Present:</b>	Tim Parker	Chairman <b>(TP)</b>
	Nick Read	Group Chief Executive Officer <b>(NR)</b>
	Ken McCall	Senior Independent Director <b>(KM)</b>
	Tom Cooper	Non-Executive Director <b>(TC)</b>
	Carla Stent	Non-Executive Director <b>(CS)</b>
	Zarin Patel	Non-Executive Director <b>(ZP)</b>
	Lisa Harrington	Non-Executive Director <b>(LH)</b>
	Alisdair Cameron	Group Chief Finance Officer <b>(AC)</b>
<b>In attendance:</b>	Veronica Branton	Company Secretary <b>(VB)</b>
	Max Jacobi	Head of Financial Planning and Analysis <b>(MJ)</b> (Items 5.)
	Dan Zinner	Group Chief Strategy and Transformation Officer <b>(DZ)</b> (Items 5.)
	Owen Woodley	Group Chief Commercial Officer <b>(OW)</b> (Item 6.)
	Meredith Sharples	Director – Telco <b>(MS)</b> (Items 6.)
	Amanda Jones	(Interim) Group Retail and Franchise Network Director <b>(AJ)</b> (Item 7.)
	Tracy Marshall	Network Development Director <b>(TM)</b> (Item 7.)
	Declan Salter	GLO Director <b>(DS)</b> (Items 8. & 9.)
	Julie Thomas	Operations Director <b>(JT)</b> (Items 8. & 9.)
	Ben Foat	Group General Counsel <b>(BF)</b> (Item 9.)
	Barbara Brannon	Procurement Director <b>(BB)</b> (Item 10.1)

**Action**

**1. Welcome and Conflicts of Interest**

A quorum being present, the Chairman 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.

**2. Minutes of Previous Board meetings and Matters Arising**

The Board **APPROVED** the minutes of the Board meetings held on 28<sup>th</sup> July 2020, 29<sup>th</sup> July 2020 and 24<sup>th</sup> August 2020.

The Board **NOTED** the action log and status of the actions shown.

**3. Committee reports (verbal)**

**ARC**

Carla Stent provided a brief overview of the topics discussed at the ARC Committee meeting held earlier in the day including the pensions assurance update and the identification of 31,000 boxes that would need to be reviewed as part of the Post-Conviction Disclosure Exercise (PCDE). Lisa Harrington was not a member of the ARC and Carla Stent would call her to provide a fuller briefing from the meeting.

**Irrelevant**

<sup>1</sup> Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chairman's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.



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# Irrelevant

**4. CEO Report**

# Irrelevant

The costings for the Historical Shortfalls Claims Scheme (HSCS) would be discussed further in the Historical Matters Unit session later on the agenda. We had to work out how we could fund the quantum of claims and had stopped investment in projects such as SPM at the moment. No claims payments had yet been made and no de minimis set for the HSCS.

A number of points were raised, including:

- # Irrelevant
- Tom Cooper reported that the Government review into Post Office was likely to be announced on 29<sup>th</sup> September 2020
- **IRRELEVANT**

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# Irrelevant

**5. Finance****5.1 Financial Performance Report**

Al Cameron reported that P5 had been positive from a trading perspective and there were no major issues of concern to flag. The trading profit for P5 had been **IRRELEVANT**

**5.2 Re-forecast Budget 2020/21**

Al Cameron provided an overview of the re-forecast position but noted that it was difficult to gain an overall picture because of the many different variables and the situation had changed again since the paper had been circulated. The reasons we thought there would be a tail off over in some areas of trading over the rest of the year had been set out in more detail in the Reading Room but included factors such as the delay in DMB franchising. The position was moving fast, for example in Mails, where we had thought the Mails Team might have been overly prudent but with the worsened Covid-19 position our forecast could prove to be optimistic.

A net liability position at year end now seemed a certainty because of the HSCS claims **IRRELEVANT**  
**IRRELEVANT** AC advised that it was not clear that we could make HSCS payments from November 2020 if we could not support the payments throughout the year. All requests for funding made at the Investment Committee this week had been turned down. **IRRELEVANT**

A number of points were raised, including:

- Ken McCall thought that we were not in a position to debate the forecast at this stage and the cash position **IRRELEVANT** and HSCS payments should be our areas of focus which would need to be reviewed very carefully at each meeting
- Carla Stent asked about the consequences of not taking some of the actions we had thought we were going to take, including those set out in our funding plan. AC explained that the developments discussed today had been raised in conversations with BEIS and UKGI. We had only reached this position in the last few days but we would have to think about the stakeholder ramifications **IRRELEVANT**  
**IRRELEVANT**
- Dan Zinner noted that there would be in delays in the cash benefits associated with programmes such as DMB franchising and a number of other programmes as well as extra costs associated with pausing and then having to re-start programmes
- Tim Parker asked how clear we were about the potential £100m costs associated with the HSCS and the period over which the payments would be made. We would need to discuss the position with BEIS and look at the options and the ramifications of these such as



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cutting back on scheme payments or change spend. It was difficult to have a valuable conversation without greater certainty on the numbers but serious enough to need to have a conversation with our Shareholder swiftly. Tom Cooper noted that it had not been clear previously that payment of the full amount of the claims submitted was proposed. The Board needed to be able to rationalise why the figure was as estimated. Sums above £50m would need Shareholder approval. Carla Stent asked whether the increased costs were solely linked to far higher claim volumes than anticipated. AC advised that he was working from the figures provided by Declan Salter but the position was almost impossible to forecast and we were in unprecedented territory. The Board could ask Declan Salter to explain the rationale for the figures in more detail later today. The fact remained that we did not have the money to pay for this quantum of claims so we needed to start conversations with the Minister straightaway. TC agreed we needed to have these conversations with BEIS quickly and were going to need their approval as the sum was likely to be over £50m. We could not pay any claims prior to BEIS approval other than for distress payments. Our approach had to be reasoned. Nick Read reported that he had had a discussion with Carl Cresswell at BEIS yesterday and had set out the position and options. CC had raised the Telco sale and asked us to come forward with a proposition. NR added that the HSCS was still open and would be for the next 5-6 weeks. BEIS was fully cognisant of the number of claims that had been received [REDACTED]

[REDACTED] There appeared to be a disconnect between what the Board had discussed in January and February 2020 and the current position. The figures discussed with BEIS would need to have been reviewed by a third-party review

- Al Cameron advised that we would need to reduce our spend and could not crystallise the revenue streams for our business at the moment. [REDACTED] **IRRELEVANT**  
[REDACTED] **IRRELEVANT**
- Ken McCall was concerned about pausing the Horizon replacement spend. We could not end up with an unsupported system. This work was essential to us being able to operate. [REDACTED] **IRRELEVANT**  
[REDACTED] **IRRELEVANT** Dan Zinner advised that we could split out some of the spend and not commit to further spending until the position was clearer
- Tom Cooper noted that we had always known we would need a comfort letter because of the litigation. It would be for the Board to decide the pay-out level against the HSCS claims and it would be helpful to think about what we could afford for the HSCS. Tim Parker noted that the Board had no appetite to create an opportunity for a very negative campaign about POL as an institution. The HSCS claims went much wider than the financial issues.

Tim Parker summarised the next steps, which were:

- 1) understand options for the HSCS claims and tie down the numbers as far as we could
- 2) decide what were we comfortable with from a reputational perspective, for example, paying out less than 100% of the value of the claims submitted and how would that impact the individual claimants. Once considered, work out how much cash we needed, when this was going to be paid out and how this would impact on POL as a business.

There was a triangulation of reputational impact, the cash we could spend today and the cash we would spend tomorrow. We could not get into a position of wrongful trading. Neither could we fail to have support in place for our fundamental IT platform. We needed to reach a rapid understanding of the various costs, the conversations that had been held with the Shareholder and that needed to be held with the Shareholder. Setting up the HSCS was part of the settlement agreement and had to be delivered.

Al Cameron said that he would leave the forecast as included with the papers; [REDACTED]  
[REDACTED] would go through the HSCS figures with



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Declan Salter; and, would set up meetings with BEIS. Tim Parker noted that he would be happy to be involved in these conversations at short notice.

The Board **APPROVED** the proposed forecast which would supersede the agreed budget but noted that the degree of uncertainty made it impossible to regard this as a stable position and the Board would need to review the position carefully at each meeting.

**Strategy and updates**

6.

# Irrelevant

7. **Sign off of Annual Network Report 2019/20**

# Irrelevant

8. **Postmaster Contracts**

Julie Thomas introduced the paper. Work had started on reviewing the contracts in January 2020 when we had considered various options. It had been a long and involved piece of work and Board approval for the contract restatement exercise had been obtained in June 2020; since then we had used a codified version of contract and issued a plain English restatement of what the contract said to postmasters.

We were now making sure our documents were compliant with the Common Issues Judgment (CIJ). The Operations Manual was out-of-date and was the document our operators used the most; updating and simplifying this to produce a single version would be a “no regrets” move.

[REDACTED] The third piece of work was



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to reduce the number of contract variants and to hold the templates in house. The stages of contract reform would could be described as:

- 1) Legal compliance - completed
- 2) Better, modern contracts laying the foundations for how we wanted to change the relationship with our postmasters. This work was due to be completed in the middle of 2021
- 3) Network Strategy work and alignment of that to the development of new contracts. This work was due to be completed in 2022.

The roadmap for the work was included at Appendix A of the paper. Starling and the consultation requirements with NFSP were key dependencies for this work. We thought the appointment of a postmaster non-executive director would be helpful for the contract reform work. The NFSP might be resistant to a significant change in the approach to postmaster representation.

A number of points were raised, including:

- Dan Zinner noted that in the next year would be starting the changes in mails remuneration linked to IRRELEVANT and needed to make sure this was aligned to the contract reform work so we were not making multiple changes. Julie Thomas reported that we would monitor timings and alignment and keep the Board informed
- Tim Parker asked how we could assure ourselves that we were not leaving room for criticism of our approach to implementing the CIJ and contract reform. Julie Thomas explained that the work we had done had shown compliance with the judgment and had been received positively. We were now saying we wanted to do more than required by the judgment to make the contract and support materials better for Postmasters. TP asked whether there could be criticism of the time it was taking us to complete this work. JT accepted that this was possible but it was a major task and we had needed to identify every document that had to be reviewed. TP noted that we needed to be on the “front foot” and be able to demonstrate POL’s changed approach. This was the opportunity to make a significant and positive shift. Nick Read noted that there had been no adverse response to the contract restatement but there would be challenges ahead because of remuneration changes and the development of the Network Strategy. There had not been a demand for contract change from postmasters and we had to get the contract change right and try and to re-contract only once
- Carla Stent noted that we needed to be able to say to the Head of the Government Inquiry that we had engaged with postmasters about the contract changes and were continuing to do so. CS asked whether it would be visible that we were running with a different set of contracts and how would we manage and mitigate these risks. Julie Thomas explained that we had no plan to change the central terms and conditions of the contract as part of the overhaul of processes and documents to simplify and modernise these but we would have options to consider when we got to a decision point on new contracts when we would look at changing terms and conditions
- Tom Cooper asked how we would deal with contracts for new postmasters. He understood not wanting to change the contracts again until the Network Strategy had been determined but the contract following the judgment was favourable to postmasters and retaining this for longer than necessary could create costs for POL. TC asked whether any consideration had been given to changing one or two of the clauses for new contracts in advance of the full overhaul. Julie Thomas explained that [REDACTED]; we had looked at the termination clause and while we could terminate the cost of doing so came from the notice period. We could look at changing one or two clauses once we had the [REDACTED] data on what was happening in practice. [REDACTED] but the dependency was appointing a Head of Contracts



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- Ken McCall noted that as a new postmaster taking on a new franchise it would be helpful to know what you would receive when joining and he would like to see how this compared with the past and how this would look once all the work had been completed. For example, would the Operations Manual comprise a core with add-ons depending on the branch format type? Julie Thomas would arrange for this to be mapped out including deadlines for completion where work was in progress. KM also requested that this show how quick or long the onboarding process could be, the minimum start up training requirements and subsequent training requirements.

**Action: JT**

The Board:

- APPROVED** the approach and stages to achieve full contract reform which were: I) and overhaul of the Operations Manual [REDACTED] III) updating and modernising the contract templates, which would require consultation with the NFSP IV) modest digitisation, including the Operations Manual V) the final phase to completely review the terms and conditions of the contract which would sit within the business cases for the new Network Strategy
- NOTED** the proposed delivery timeline which was aligned with the business strategy
- NOTED** the dependencies on the business strategy for full contract reform to be delivered.

**9. Subject to Legal Privilege – Post GLO implementation plan & Historical Matters Business Unit Report**

Tim Parker welcomed Declan Salter to the meeting and explained that the Board needed to understand how the HSCS claims had been valued and have confidence in this process; the degree of control we had; and whether we could put a cap on the claims.

Declan Salter had circulated the figures for the HSCS and also needed Board approval for the structure and governance of the Historical Matters Business Unit. £18-20m of the HSCS claims related to actual shortfalls through the system. The rest of the sum was for consequential claims. Once the much higher number of claims had been factored into the original estimate the claims sum increased to around £80m. The HSCS was part of the settlement and was meant to facilitate quick resolution, further delay would take us over a year from the settlement date. If we put a control on the sums proposed by the Panel it would take away its independence.

A number of points were raised, including:

- [REDACTED]

- Tim Parker asked whether an independent panel could no longer be deemed to be independent if it had to work within a cap and Declan Salter confirmed that this was his view. Tom Cooper noted that we had anticipated the point DS had raised but that this was why we had wanted the Panel to provide an estimate and for the Board to approve this. [REDACTED]

[REDACTED] It was not clear that this had happened yet and this was critical. Zarin Patel added that she did not think the Board had ceded control at set up. Ben Foat confirmed that it had been agreed



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that the Board would approve the funding envelope for the Scheme. It had originally been envisaged that the Panel would be comprised of POL employees but that Board had wished to appoint an independent panel to consider claims but with the Board approving the funding envelope to avoid a position where we had unlimited liabilities.

- Tim Parker noted that when we had had the initial discussion about the HSCS we had thought the sum could probably be accommodated within POL's financial plans. Even at the cost of some delay we needed to be as clear as possible on the numbers. We needed to look at the timescales for a generic model and a case specific evaluation
- Zarin Patel requested further information on the basis of the de minimis sum proposed for the Scheme
- Tim Parker said he could envisage a situation where the quantum was £100m but POL could only afford to pay part of this and we needed to approach HMT. Ben Foat noted that we had to compare these costs against what might be paid out under a second GLO

**Action: DS**

- [REDACTED]
- [REDACTED]
- Carla Stent noted that we wanted to avoid a second GLO but needed to understand the basis of the £100m reported. Declan Salter reported that a GLO 2 could lead to costs of around a quarter of a billion pounds
- Tim Parker noted that we needed to be alive to the risk of a certain proportion of the claimants rejecting the offer and moving to mediation and litigation. Tom Cooper thought that using the Clive system gave us a rationale for what we said about the funding envelope to the Panel and for a gap in our ability to fund with BEIS. Declan Salter reiterated that we had to be careful about Panel independence. Applying a cap to the shortfall sums would be problematic. Carla Stent noted that we would not be restricting the Panel in expressing its view but the Board had to review this against the backdrop of the funding envelope we could afford. Zarin Patel added that it was clear in the Scheme rules that POL was funding the HSCS and had a role in its overall governance.

**Action: DS/  
BF**

[REDACTED] Ken McCall asked for a date by which the HSCS claim scenarios could be produced given the urgency of the matter. Nick Read reported that he was seeing the Minister on 2<sup>nd</sup> October 2020 and we would endeavour to provide the information to the Board for the Board (CCRC) meeting on 1<sup>st</sup> October 2020.

Declan Salter asked whether interim payments could be made for the hardship cases. Tim Parker asked whether the quantum of these payments set a precedent. Declan Salter confirmed that these payments had the potential to set a precedent. It was **AGREED** that the management team would review the distress payments proposed to see whether it was possible to make payments in a very limited number of cases. The Board would need to review the proposals before payments were made in these cases but noted its preference to proceed.

**Action: DS**



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**10. Approvals**

**10.1 Procurement risks and pipeline report**

**Irrelevant**



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10.2

10.3

11.1

# Irrelevant

**11.2 Sealings**

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items number 1978 to 2006 inclusive in the seal register.

**11.3 Future Meeting Dates**

The future meeting dates were **NOTED**.

**11.4 Forward Agenda**

The forward agenda was **NOTED**.

**12. Any Other Business**

# Irrelevant

**13. Date of next scheduled meeting**

27<sup>th</sup> October 2020.

# GRO

Chairman

02/11/2020 16:57