

Post Office Limited – Strictly Confidential

POLB(12)5th
POLB12/44-57

Post Office Limited
(company no. 2154540)
Minutes of the meeting of the Board of Directors
held at 148 Old Street, London EC1V 9HQ on 18th April 2012

Present:

Alice Perkins	Chairman
Neil McCausland	Senior Independent Director
Virginia Holmes	Non-Executive Director
Susannah Storey	Non-Executive Director
Paula Vennells	Chief Executive
Chris Day	Chief Financial Officer

In attendance:

Alwen Lyons	Company Secretary	
Martin Moran	Commercial Director	(item POLB 12/45 & 46)
Nick Kennett	Financial Services Director	(item POLB12/46)

POLB12/44 The Chairman welcomed Virginia Holmes and Susannah Storey to the Board.

POLB12/45 **MAILS UPDATE**

- (a) Martin Moran updated the Board on the current issue of stock availability for customers buying stamps before the price rise on 30th April. He assured the Board that the business had enough stock and that Royal Mail was supplying additional stamps to cover demand.
- (b) Martin Moran presented the Mails paper, focusing on the growth areas vital to delivering the strategy. He highlighted the progress made to date and the collaborative relationship with Royal Mail who were presenting the necessary business cases to their Board to the timescales agreed.

ACTION:**Chairman**

The Chairman suggested she call Donald Brydon (Royal Mail Chairman) to thank him for the work to date and re-emphasise its importance to POL.

ACTION:**Martin Moran**

- (c) Virginia Holmes informed the Board that she has a meeting with Donald Brydon. Martin Moran to provide a brief on the mails opportunities which need Royal Mail support.

ACTION:**Paula Vennells/
Alwen Lyons**

- (d) Paula Vennells suggested a visit to a Royal Mail mail centre and a meeting with Nick Landon (MD, Fulfilment & Parcel Strategy) or Mike Newman (Chief Customer Officer) to enable the Board to understand the Royal Mail operation and emphasise the importance of working together on collections and returns.

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Chris Day

- (e) Chris Day highlighted the link in the mails P&L between improving contribution and moving to variable agents' pay. The Board requested a paper on agents' pay as part of the next Network Transformation update, to include an explanation on how agents' pay is made up, the effect of current plans and what future options might exist.

ACTION:
Martin Moran

- (f) Susannah Storey asked how aggressive competitors were being in this market. Martin Moran explained that most of the competitors were starting from a very low base but were seeing rapid growth. He would include a market share analysis in future presentations.

ACTION:
Martin Moran

Virginia Holmes asked if the business had learned from other countries' experiences. Martin Moran assured her that they had and would include this analysis in her induction briefing.

POLB12/46**FEEDBACK ON BIS FOoG WEEK AND NEXT STEPS
PLUS ORAL UPDATE ON FOoG****ACTION:**
Martin Moran

- (a) The Board noted the update paper and congratulated Martin Moran and his team on the success of the week. The business now intends to hold this event on an annual basis. Susannah Storey also reported good feedback from her Business, Innovations & Skills (BIS) colleagues. Martin Moran was asked to check that the BIS address database used by the business was up to date with no duplications.
- (b) Martin Moran updated the Board on the DVLA tender. The Post Office has been shortlisted and has now submitted a detailed response to all 16 lots in the tender. The Business now enters into a competitive dialogue which will last a couple of months, with the final tender document in July.

ACTION:
Martin Moran

- (c) Martin Moran offered to take the new Non-Executive Directors through a Front Office of Government introductory session.

POLB12/47**EAGLE UPDATE****ACTION:**
Nick Kennett

- (a) Nick Kennett explained that the Eagle negotiations were ongoing and that the deadline of Tuesday 24th April was unlikely to be achieved. Some significant areas have already been resolved, notably in the insurance business, but the termination rights and portfolio valuation in the event of a 'distress' termination and move to a new provider had still to be agreed.
- (b) Nick Kennett asked the Board to note a change to Appendix 4 of the paper in that the payment to Bank of Ireland at 'managed termination' would probably end up as zero and cannot be 'less than zero' as presented in the paper.
- (c) Paula Vennells supported the network commitments in 4.3 of the paper, but stressed the need to ensure the contract schedules align to these commitments, as they had been agreed by Kevin Gilliland, the Network Director.

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- (d) Nick Kennett asked for a Board sub-committee meeting to be set up to agree the contract. The meeting would be presented with a paper highlighting any final areas of difference and would include advisers from KPMG and Linklaters to give comfort on the valuation and the legal contract.

ACTION:
Nick Kennett

The Board agreed that a Sub-Committee (comprising of the Chairman, Neil McCausland, Paula Vennells and Chris Day) be formed to agree the final contract, with papers being circulated to the whole Board.

ACTION:
Nick Kennett

- (e) A letter of consent would also be required from Jane Hoy at the Shareholder Executive.

POLB12/48

MINUTES OF PREVIOUS MEETINGS

- (a) The minutes of the meeting of 15th March 2012 were agreed.
(b) The minutes of the 22nd March 2012 meeting of the Sub-Committee of the Board were noted.
(c) The minutes of the 23rd February 2012 FRES Board were noted.

POLB12/49

MATTERS ARISING – Status Report

POLB11/54 (e)

Paula Vennells circulated the new Executive Structure.

POLB12/28(b)

ACTION:
Lesley Sewell

- (a) Questions were raised about the points covered in the Berkeley report and the fact that the Board had not received validating evidence of other organisations where the SI approach had worked. Paul Vennells would ask Lesley Sewell to update the Board on the latter. She explained that she had challenged the structure of the tender to ensure the Business maintained full flexibility to keep options on structure open but she was confident that Berkeley supports the SI approach for POL on a medium term basis.

ACTION:
Paula Vennells

- (b) The Chairman asked Paula Vennells to ensure that the new Strategy Director (who will have responsibility for IT) validate the IT strategy.

ACTION:
Paula Vennells

- (c) The Board confirmed the decision taken on the SI at the previous meeting but agreed to convene a meeting to take stock of the position on IT procurement and strategy.

POLB12/38(a)

- (a) Chris Day updated the Board on the three areas of focus for efficiencies:

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- the tactical £15m saving which was already included in directorate objectives;
- the medium term re-engineering to reduce the cost base without destabilising the Network Transformation;
- the evidence of value for money for Network Transformation investment.

ACTION:
Chris Day Chris Day would return to the Board in July with a paper on efficiencies and value for money.

ACTION:
Chris Day (b) Chris Day to present the Business score card and transformation score card at the May Board.

ACTION:
Chris Day (c) Chris Day was asked to agree with Will Gibson (ShEx) the areas of the Business score card to be used for Shareholder reporting.

POLB12/50 **DIRECTOR APPOINTMENTS**

(a) The appointments of Virginia Holmes and Susannah Storey as non-Executive Directors to the Board were ratified.

ACTION:
Alwen Lyons (b) The Company Secretary was asked to make the necessary filings with Companies House.

POLB12/51 **MANAGING DIRECTOR'S REPORT**

(a) The Board noted the Chief Executive's report.

(b) Olympics
Paula Vennells updated the Board that one of the planning 'dry run' days would be 8th or 9th May to align with a request from Transport for London.

(c) Fujitsu
Paula Vennells reported that she and the chairman had met with Duncan Tait (CEO) and Rod Vawdry (Vice Chairman) of Fujitsu and that she had a further follow up meeting on 19th April.

(d) Independence
Paula Vennells emphasised how well the separation from Royal Mail had gone. The Chairman congratulated all those involved.

POLB12/52 **HEALTH AND SAFETY UPDATE**

ACTION:
Paula Vennells (a) The Board noted the Health & Safety Report and the Chairman asked for an appendix to be added to the report to give more information about any injuries sustained by staff or agents to enable the Board to understand the severity of the cases.

POLB12/53 **FINANCE/PERFORMANCE REPORT**

(a) The Board noted the year-end finance report and congratulated the Business on a strong result.

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Chris Day

- (b) In the absence of a Non-Executive Chair of Audit on the Board, Chris Day was asked to invite Matthew Lester (Royal Mail CFO) or Paul Murray (Royal Mail Chair of Audit) to chair the Post Office Audit, Risk & Compliance Committee which will be necessary to recommend the Report & Accounts to the full Board.
- (c) Chris Day reported that the year-end audit would complete on 19th April and that no material issues had been raised to date.

POLB12/54**VEHICLE TENDER**

- (a) The proposed award was approved.

POLB12/55**ANY OTHER BUSINESS****ACTION:**
ALL

- (a) The Chairman informed the Board that Alasdair Marnoch would be joining as Chair of Audit from the July Board and that he would be available for the June Strategy day.
- (b) One remaining non-executive director with retail financial services experience is still to be found and all the directors were invited to inform the chairman if they knew of anyone who would be appropriate.
- (c) The Chairman reported attending a meeting called by Vince Cable and Chaired by Lord Green focusing on small and medium enterprises and driving growth.
- (d) Neil McCausland re-emphasised the good year and asked Paula Vennells to pass on thanks to the business.
- (e) The Chairman asked that a contact list of all Board members be circulated and that Non-Executives let the Company Secretary know of any meetings on Post Office business. A Board diary would then be circulated.

ACTION:
Alwen Lyons**POLB12/56****NOTING PAPERS**

- (a) Significant Litigation Report (POLB(12)61) was noted.
- (b) Post Office Sealings (POLB(12)62) was noted.
- (c) Communication Action Group Minutes (POLB(12)63) were noted.
- (d) Berkeley Report on IT & C Transformation (POLB(12)64) was noted.

POLB12/57**CLOSE**

- (a) There being no other business, the Chairman closed the meeting.

GRO