

**Post Office Limited – Strictly Confidential**

**POLB(12)7<sup>th</sup>  
POLB12/71-79**

**Post Office Limited**  
(company no. 2154540)

**Minutes of the meeting of the Board of Directors held on 4<sup>th</sup> July 2012  
at the Gatwick Mail Centre, James Watt Way, Crawley, West Sussex RH10 9AA**

**Present:**

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

**In attendance:**

Alwen Lyons	Company Secretary
Kevin Gilliland	Sales and Network Director
Martin Moran	Commercial Director

**POLB12/71**

**NETWORK TRANSFORMATION (NT) UPDATE**

**Agency Network Transformation**

- (a) Kevin Gilliland presented an update on NT progress. He reported that 217 new model branches were now live and the business was seeing a good response to the model from the market and from the Post Office's multiple partners. He was confident that the target of 1,200 branch conversions would be achieved this year but there was an ongoing risk if the programme lost stakeholder support from the NFSP or Consumer Focus. Kevin Gilliland explained that successful agents from Phase 1 of the programme were now working with the business as advocates, presenting at road shows and offering one to one visits with prospective branches.
- (b) The Board asked at what point the business would be confident about hitting the 3 year target. Kevin Gilliland explained this would probably be in 2013/14 (after the next funding discussions); however, the results for this year should give some confidence.
- (c) The Board requested a quarterly report to understand the transformation pipeline, showing the number of Postmasters interviewed; number accepted; number in progress and the number completed against quarterly targets.

**ACTION:**

**Kevin Gilliland/Chris Day**

Paula Vennells assured the Board that the Executive Team already monitored the programme at this level and would provide this information for the Board.

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**ACTION:**  
**Kevin Gilliland/Chris Day**

- (d) Alasdair Marnoch asked that a separate value for money NT scorecard be produced to show the number of branches converted; the investment made in their transformation and the benefits flowing from that investment.

**Crown Transformation**

(e)

(f)

(g)

**Irrelevant**

**ACTION:**  
**Kevin Gilliland/  
Chris Day**

(h)

(i)

**ACTION:**  
**Kevin Gilliland/Chris Day**

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POLB12/72

ACTION: Chris Day/  
Alasdair Marnoch

ACTION: Chris Day  
POLB12/73

(j)

(a)

(b)

(c)

(a)

# Irrelevant

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(b)

**ACTION:**  
Martin Moran/Chris Day

# Irrelevant

**ACTION:** Company  
Secretary

(c)

**ACTION:** Martin Moran

**POLB12/74**

## **MINUTES OF THE PREVIOUS MEETING AND MATTERS ARISING**

- (a) The minutes of the Board meeting held on 23 May 2012 were agreed and approved for signature by the Chairman subject to the following changes:

### POLB12/65:

The Board agreed that the normal period 1 Performance Report would not be suspended but be replaced by a "light" report. It was also noted that specific timescales should be met when reports were requested.

**ACTION:** Chris Day

- (b) The status report was noted.

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POLB12/42:

The Horizon risk and timeline review including the use of “hot and cold” back up systems would return to the Board as part of the Horizon update in September.

**ACTION: Lesley Sewell**

**POLB12/75**

**MINUTES FOR NOTING**

- (a) The Board noted:
- (i) the minutes of a meeting of the Audit, Risk and Compliance Sub-Committee held on 23 May 2012
  - (ii) a record of the formal approval of the annual accounts by two directors on 27 June 2012.

**POLB12/76**

**CHIEF EXECUTIVE'S REPORT**

(a)

**IRRELEVANT**

**ACTION:**  
**Nick Kennett / Chris Day**

**ACTION: Company**  
**Secretary**

**ACTION: Nick Kennett**

- (b) Alasdair Marnoch asked the business to check that the governance arrangements for monitoring performance were agreed and written into the contract.
- (c) The actions from the Board Eagle Update would be circulated to the Board.
- (d) The Board accepted the update and asked for a briefing note confirming the details, once the wording for the review date had been drafted.

**Segregation**

- (e) Paula Vennells explained that the Business was not achieving the segregation targets set out in the Mails Distribution Agreement; however, there were some issues with the testing which were being discussed with Royal Mail. The risk of missing all the targets in 2013-14 was £6 million and this would be built into the Risk Register if necessary.
- (f) The Board noted the latest Health and Safety report and the Appendix showing the most significant recent incidents.

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**James Arbuthnot**

- (g) The Chairman updated the Board on the meeting taking place on 4 July between James Arbuthnot and 2<sup>nd</sup> Sight, Forensic Accountants. She promised to keep them informed.

**POLB12/77**

**FINANCE/PERFORMANCE REVIEW**

- (a) The Board noted the Period 2 finance and performance update.
- (b) Chris Day presented the “flash results” for period 3 which showed net income £6.1 million favourable to budget and cash flow of £39 million.
- (c) The Board discussed the investment expenditure which at period 3 was £6.5 million above budget. Chris Day assured the Board that this would be reviewed with each function at their quarterly performance review but that he did not expect any additional action to have to be taken.
- (d) He provided some insight into P3's results which would be explained in more detail at the next Board meeting.
- (e) Chris Day recognised the need to report on the Strategic Programmes and on Business as Usual together, to give the Board a clear view of the current year's position and its effect on the strategic plan.

**ACTION: Chris Day**

A suggested report would be circulated to the Board for feedback.

**ACTION: Chris Day**

**POLB12/78**

**ANY OTHER BUSINESS**

**Update on Strategy Away Day**

(a)

**Irrelevant**

**ACTION: Company Secretary**

(b)

**Irrelevant**



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(c)

(d)

# Irrelevant

**ACTION: Company Secretary**

**ACTION: Company Secretary**

**POLB12/79**

## **NOTING PAPERS**

The Significant Litigation Report (POLB(12)96) was noted.

The Register of Sealings (POLB(12)97) was noted. The Board resolved that the affixing of the Common Seal of the Company to the documents set out under numbers 797 to 801 inclusive in the Register of Sealings is hereby confirmed.

The minutes of the Communication Action Group (POLB(12)98) were noted.

The latest employee engagement scores (POLB(12)99) were noted.

The amended Crown Loss measure to be included in the Bonus Scorecard for 2012/13 (POLB(12)100) was noted.

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