



Post Office Limited Group Executive

Minutes of the Group Executive ("GE") meeting held at 100 Wood Street, London, EC2V 7ER on Wednesday 28 June 2023 at 11.00am

Present:

- Nick Read (Chair)
- Sarah Gray – deputising for Ben Foat
- Zdravko Mladenov
- Tim McInnes
- Martin Edwards – deputising for Martin Roberts
- Kathryn Sherratt – deputising for Alisdair Cameron
- Patrick Bourke – deputising for Richard Taylor
- Ian Rudkin – deputising for Jane Davies
- Barbara Brannon – deputising for Owen Woodley

Other Attendees:

Rachel Scarrabelotti (Company Secretary)

Other attendees as shown against agenda items.

Apologies: Al Cameron, Jane Davies, Ben Foat, Richard Taylor, Owen Woodley, Martin Roberts

Action

1. Pre-discussion

There was no pre-discussion.

2. Finance

Kathryn Sherratt/ Asha Patel

AP joined the meeting at 11:10.

2.1 Financial Performance Report

Key discussion points were as follows:

- KS spoke to the re-shaping of the Financial Performance Report, advising that further changes were expected to the form of the Report ahead of the September Board Meeting;
- AP detailed the headlines for P2 noting the position on revenue and trading profit as against budget and outlined variances and why. NR queried whether the Mails team had provided any insight into the trends being observed such as the decline in footfall in branch and also queried whether the Mails revenue target set was appropriate. **ACTION** AP replied referencing the point KS had made initially; the finance team was very conscious of the need for deeper analysis of financial results and going forward business owners would be provided with a template to complete including providing narration around the results. NR requested a copy of the template and noted the analysis that had been undertaken on customer experience; it would be important to align the different analysis to look for correlations across the data. NR queried when the template reporting was due to commence. AP replied that this would be trialled for P3, ahead of reporting to the Board in September. **ACTION** ME expressed support for the new template and requested that this include a section to detail impacts on Postmaster remuneration. NR referenced the potential STIP metrics for FY23/24 and the need to make the link very clearly between profit, mails and banking and Postmaster remuneration; **KS/AP**
- AP spoke to Postmaster remuneration for the period, outlining the interactions underlying the result and advising that in absolute terms we were tracking below prior year. KS contributed that management would need to find solutions to improve this position; **KS/AP**

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- AP detailed the results on non-staff costs and branch discrepancies for the period. NR queried the budget for branch discrepancies. AP replied. NR noted that the position was worsening. AP spoke to the work that EY were undertaking in relation to branch discrepancies and the recommendations that had been received. KS advised that M Park was of the view that branch discrepancies could be wound into RTP path clearing activities, however it was not clear as to when and what activities would be carried out. ME contributed that aspects of branch discrepancies fell into BAU and other parts were included in RTP path clearing. ZM and KS commented that they were not clear which parts of branch discrepancies fell where and the financial implications. ME advised that a plan needed to come back to GE, although the implications of a delay on NBIT rollout on RTP path clearing activities was not known at present. **ACTION** NR shared his view that regardless of the timing for the rollout of NBIT that the work in relation to branch discrepancies needed to be progressed and that the Retail team needed to come back to GE promptly with a plan. ME undertook that a plan would be presented to GE next week. The root cause of branch discrepancies was discussed and ZM offered the assistance of the Technology team if the Retail team needed help with data as to the use of the dispute button;
- NR queried the management and tracking of central costs as against the cost savings target set and noted that the Shareholder was very concerned about the level of central costs. TM advised that data on the status of this was included in the Board Away Day pack and also in the pack for the next session with the Minister. AP noted that part of the savings expected were due to come from OD, however currently the monies allocated for a revision to headcount could not be drawn on as there was no process in place nor any governance around a process. KS contributed that the People team had advised that a program needed to be established before access to the funds to revise headcount could be taken. Whilst KS accepted this, KS was of the view that this was an activity that needed to be progressed. IR queried how the fund amount was set. TM replied, advising that the approach was very targeted and not a structured program as such. **ACTION** IR took an action to raise this with P Quinn. AP noted that P Quinn had undertaken to speak with each GE member. NR requested that the meetings with GE members be held and that the matter be returned to GE in another 2 weeks.

ME/ M
Parks

IR/ P
Quinn/
GE

GE **RESOLVED** to **APPROVE** the onward forwarding of the Financial Performance paper to the Board.

2.2 Product Profitability

Key discussion points were as follows:

- AP spoke to the slides detailing the results of profit profitability for FY22/23 by business unit;
- TM noted the high percentage of remuneration for Postmasters on Mails and commented that there was no logic as to this. ME contributed that whilst there were no policies around the sharing of profit for individual products that remuneration fundamentally needed to be based on fair distribution across Postmasters;
- KS advised that the finance team had undertaken the work as a mathematical exercise and queried whether the matter was sufficiently ready for the July Board. NR agreed that the matter should be deferred from the July board and requested that ME and the commercial team be closely involved in the work. AP advised that she had worked with the commercial team and undertaken the analysis with each of the business units. NR noted the absence of Postmaster remuneration in the analysis and suggested that the

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desired level needed to be included then the commercial targets set against this and tested as to whether these were achievable in the market;

- **ACTION** NR requested that the matter be returned to GE the following week with a plan to address the points raised above.

KS/AP

2.3 Facility Agreement and Security Headroom – Verbal Update

It was noted that an update on the position under the Facility Agreement and in relation to Security Headroom would be included in the July Board CEO Report.

3. Transforming Technology

Tim McInnes/ Zdravko Mladenov

3.1 Horizon Replacement Update

Key discussion points were as follows:

- ZM outlined the proposed approach for the update to be provided to the Board along with the pre-briefing and engagement with NEDs;
- TM detailed the guidance that the Shareholder Representative had provided as to the content of the funding submission;
- Speaking to the slides, ZM clarified that the NBIT cost saving measures identified were not recommendations, however, if only part of the funding request was provided then these would be the options from a management perspective;
- ZM detailed the proposed content for the July Board meeting being to provide context as to what the NBIT costs were and the factors driving the recent increases, revisiting the business case for NBIT, options to reduce NBIT costs, the policy choices the Shareholder could take that would help us reduce costs, and the degree of external assurance proposed;
- ZM outlined the main cost elements of NBIT. ZM noted that the costs encompassed RTP activities, although these were at a preliminary stage, and K Secretan had made a number of assumptions based on what G Clark had assumed, for example in relation to training. TM pointed out the inclusion of optimism bias and contingency. BB requested that the costs slide be updated to include a bar next to each column to show what had been spent to date;
- ZM spoke to the key drivers for the increase in NBIT costs from £180m to £848m. Questions and discussion followed in relation to the proposed extension of the Fujitsu contract;
- ZM posed the question of whether the Horizon exit business case still made sense and spoke through this issue. NR asked ZM to detail the cost of staying on Horizon with Fujitsu as against the cost of staying on Horizon with a third party supplier. ZM replied that Fujitsu would not stay on indefinitely so the other options were to locate a third party supplier to take on accountability from Fujitsu, or to bring support for Horizon inhouse. ZM shared his view that he did not think either of these options was very palatable. NR queried how HMT perceived the alternative options. ZM replied that the appetite for these options receded as these were spoken through with HMT, and that the view was that if a third party to take on Horizon support then someone very senior in government would need to take this decision. ZM advised that further analysis of the risks for Post Office and the Shareholder in respect of the alternate support options was required and would be undertaken. ZM advised that over a 10 year period moving to NBIT was still slightly more expensive than staying on Horizon, however, over time it became less expensive so the business case for NBIT remained. BB queried, if the

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business stayed on Horizon would there be macro improvements during this time. ZM replied that there would not be;

- ZM detailed a number of options to save costs with NBIT:
 - The first option was to go live with a more limited product set. This would reduce costs in the near term, then we had the option to build back the products in time. Commercial colleagues had advised that the build back might be illusory, as more and more branches would not have the products as NBIT deployment progressed, so the customer could move on. Significant work was being undertaken to assess whether this was commercially and contractually possible. **ACTION** TM queried whether the travel business could be run via FRES. ZM advised that the team could explore this option more aggressively;
 - The second option was to go live without stamp stock management. The technical team were building for stock stamp management requirements, as per contractual obligations to RMG. An alternative could be for the Company to buy stamps as stock, which would go on balance sheet, although this one off investment would need to come from HMT. TM queried whether there was an option for Postmaster's to purchase stamps directly from RMG; this could simplify things considerably and the working capital facility would not need to be increased. BB contributed that this arrangement would require significant re-negotiation with RMG. TM offered a further suggestion that the Company act as an intermediary with the ability for Postmasters to buy stamps on Branch Hub. KS noted that the spend associated with these other options would need to be explored. ZM outlined possible other controls in relation to stamps that could be built on NBIT such as quantity. There was discussion around the inability to print stamps in branch with the sovereign's head pictured. BB noted the legislative constraints around this and TM pointed out that the Shareholder could pass secondary legislation in relation to this however;
 - A third option of not assuring low risk branches was considered. ZM advised that currently we were assuming a high level of cash audit witnesses although this could be reduced. Given the importance of this exercise perhaps this was not the money we wished to save however. TM queried whether an auditor really needed to be engaged to conduct this exercise. KS advised that A Cameron had thought one of big 4 firms would be engaged to count cash and stock and agreed with ZM that this was a very significant activity. IR queried whether we did not have the technology to do the counting ourselves. ZM replied as to the importance of having an independent witness present. A further option was to start with zero balances on NBIT, with the cash and stock not being counted on the day of migration. The cash and stock would be taken away and counted at a central location. This would mean that this activity could be removed from the NBIT critical path. ZM noted there would need to be video witnessing and chain of custody would need to be preserved. KS noted the alternate option deferred the sorting out of any issues in relation to branch discrepancies. ME contributed that significant branch discrepancies should have been attended to during path-clearing. NR was unsure that the alternate option would be accepted by Postmasters;
 - The fourth option was to reduce the number of branches. Savings associated with this option were predicated on reducing the number of branches by circa 2,000. ME referenced the existing network strategy and noted that the more time taken for NBIT migration, the more time in which we could achieve the reduction in branches via churn and the network strategy plan. Discussion followed in relation to maintaining the access criteria however achieving the reductions by way of altering branch format. TM contributed that the government could waive the network number;
 - The fifth option was to increase the pace of deployment as deployment went on;
 - The sixth option was to reduce the time spent on site during deployment;

ZM

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- The seventh and eighth options involved stopping NBIT. ZM spoke through option 7 and remaining on Horizon, advising that Fujitsu could exit by 2027 and that a project was underway looking at the possibility of having a third party supplier take over the Belfast Data Centre. ZM detailed option 8 which involved pausing NBIT and transforming the Company first. ZM advised that this option seemed to be favoured by the Shareholder Representative. There were no cost savings with this option. TM queried whether NBIT could be continued with however in tandem with progressing elements of business transformation. ZM agreed, although advised he was not clear as which elements of business transformation would need to be prioritised and that he would be concerned about the ability to execute;
- ZM detailed the NBIT presentation update provided to HMT yesterday. ZM shared his view that the additional funding request made could result in a 12 to 18 month funding settlement so we would need to think about what we could achieve during this period including focusing on the R2 release and the brilliant management of this and obtaining acceptable external assurance in order to access further funding. TM shared his view that an additional funding settlement could be for an initial 2 year period, then further funding for 1 subsequent year.

GE **RESOLVED** to **APPROVE** the onward forwarding of the Horizon Replacement Update paper to the Board.

3.2 Pin Entry Device (PED) Replacement Project

ZM spoke to the paper. BB queried the pricing. ZM replied, advising that benchmarking had been undertaken, and that the pricing was not unreasonable.

GE **RESOLVED** to **APPROVE** the onward forwarding of the PED Replacement Project paper to the Board.

4. July Board Away Day Update

Tim McInnes/ Jack Foden/ Martin Edwards/ Chrysanthi Pispinis

CP joined the meeting at 14:00 and JF joined the meeting at 14:04.

JF, CP and ME outlined key content proposed for the Board Away Days. Questions and discussion followed.

GE **RESOLVED** to **APPROVE** the onward forwarding of the July Board Away Day paper to the Board.

JF and CP left the meeting at 14:28.

5. Rebuilding Trust

SR, DW and GL joined the meeting at 14:30. BB left the meeting at 14:30. IR left the meeting at 14:35.

5.1 Inquiry Update

Diane Wills/ Gemma Ludgate

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Key discussion points were as follows:

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DW/ GL

5.2 Inquiry SteerCo – Governance Matters Diane Wills/ Gemma Ludgate



THE GE **RESOLVED** to **APPROVE** the paper for onward forwarding to the Board.

5.3 HMU Update Simon Recaldin

SR advised as follows:

- the proposed process to be followed in relation to the re-engagement of former POL employees in HMU was being progressed;
- A review of strategic issues ahead of the commencement of Phase 5 of the Inquiry was being undertaken;
- In relation to GLO disclosure, we still did not have a GLO disclosure agreement in place and continued to work at risk. In terms of the DSARs, Freeth's had indicated they would withdraw the DSARs if they could see progress was being made on disclosure;
- There existed an emerging operational risk in relation to the interim payment process where it appears some payments to HMRC have not been made;
- SR and NR continued to participate in the restorative justice process and had attended meetings last week in Northern Ireland. Further restorative justice meetings were scheduled for next week. NR spoke to the experience of the meetings last week in Northern Ireland: the stories were harrowing as was the impact across families and generations.

The GE **RESOLVED** to **APPROVE** the paper for onward forwarding to the Board.

5.4 HSS – Decisions - Wrongful Death Claims

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SR spoke to the paper which the GE **RESOLVED** to **NOTE** and **APPROVE** for onward forwarding to the Board.

DW, GL and SR left the meeting at 15:03.

6. Procurement Liam Carroll

LC joined the meeting at 15:03. LC spoke to the paper highlighting the requests in relation to the Peters and Peters contract, the Zunoma contract and the proposed short and long term sourcing strategy for NBIT Support and Development.

TM queried approvals in relation to RTP procurement and spend. LC advised that a paper on this could be included with the other procurement papers for the July Board meeting. **ACTION** GE requested that a proposed paper for the Board on RTP procurement and spent be brought to GE next week. **LC**

The GE **RESOLVED** that:

- (i) The onward forwarding of the paper to the Board be **APPROVED**; and
- (ii) The contract award for Creative Agency Service to the Krow Group with an initial term of 24 months and 3 x 12 month options to extend up to a maximum contract spend of £25m over the 60 month period be and is hereby **APPROVED**.

IR and BB re-joined the meeting at 15:15.

7. Common Issues Judgement (CIJ) Dashboard

The GE **RESOLVED** to **APPROVE** the paper for onward forwarding to the Board.

8. Approval Requests

8.1 Central Investigation Unit (CIU) Resourcing Sarah Gray/ John Bartlett

SG joined the meeting at 15:25 and JB at 15:27.

Key discussion points were as follows:

- JB spoke to the paper outlining the request for additional resource to service the backlog of investigations (which was increasing) and also to bring in additional support ahead of the rollout of NBIT where there could be a number of referrals to CIU. Even if 1% of branches were identified as having potential issues there needed to be resource in place within CIU to attend to these cases;
- NR queried how would JB prioritise BAU work in his team. JB replied referencing the prioritisation as set out in the paper;
- KS clarified that the ask was an increase in budget. SG replied that it was, however outlined the potential financial payback in future years. JB noted this and shared his view financial savings should not be the basis for this decision, it was only one element. KS advised that whilst the Group Executive did not appear to disagree with the ask, that there needed to be understanding as to where this money would come from in the budget;



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- TM queried whether a scaled up CIU team was part of path clearing and NBIT preparation. ZM replied that the additional resource in the CIU team required for NBIT should be charged to NBIT. JB contributed that it was not simply an issue of scaling up the team, it was a matter of matching resource to task;
- JB raised a concern around fairness to Postmasters in relation to the capacity of CIU, for example, suspended Postmasters would remain suspended until CIU had capacity to address the case;
- **ACTION** KS noted similar requests for additional funding that had been and were coming to the Group Executive and advised that the Group Executive needed to devise a process to deal with these requests as the year went on. KS advised she was happy to take an action to think about the best way to process these requests.

The GE **RESOLVED**:

- that the priorities for CIU for FY23/24 and FY24/25 as set out in the paper be and are hereby **APPROVED**; and
- in order to prepare for and manage anticipated pre-NBIT rollout branch audit matters additional funding in the amount of £360k to provide the resource as set out in the paper be and is hereby **APPROVED**.

The GE declined to approve the other additional funding requests in the paper at this time.

SG and JB left the meeting at 15:47.

8.2 Project Darwin Drawdown

The GE **RESOLVED** to **APPROVE** the paper for onward forwarding to the Board.

8.3 Project Columbus

The GE **NOTED** the paper and **RESOLVED** to **APPROVE** the recommendation as set out in the paper.

8.4 Modern Slavery Act Statement

KS advised that there had been some issues raised on the proposed form of the Statement at RCC yesterday. **ACTION** NR requested that the proposed form of the Statement be returned to GE next week once the issues raised had been addressed. **S Kerrison**

8.5 Copper Stop Sell Zdravko Mladenov

Key discussion points were as follows:

- ZM spoke to the paper, advising that since project commencement a number of additional costs had been identified, which related to a set of known risks which had now crystallised;
- There was discussion regarding the need for sophisticated centralizing of information collected from this project, such as contact details for all Postmasters, which would also be relevant for the PED project and ultimately in relation to the NBIT rollout. ZM noted that Verizon was running the control centre and that there was a project to co-ordinate all this information;



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- TM noted the situation where an engineer was scheduled to visit a branch and the engineer was then turned away by the Postmaster on arrival. TM queried responsibility for the costs of this. ME replied that this was an issue;
- **ACTION** SG queried whether the contract would need to be varied given the proposed additional spend and asked whether LC had been engaged. KS advised that she would check these points. **KS**

9. Noting Items

9.1 Health & Safety Report

The Health and Safety Report was **NOTED**. SG advised that she had a query regarding the evacuation of less able people and would pick this up direct with M Hopcroft.

9.2 Monthly Whistleblowing MI

The Whistleblowing report was **NOTED**.

9.3 Freedom of Information tracker

The Freedom of Information tracker was **NOTED**. Key discussion points were as follows:

- TM commented on the form of the FOI tracker advising that it was not clear to TM as to which FOI requests were new. Also the tracker did not provide any information as to the risk profile around the FOI requests. TM shared his view that what the tracker needed to achieve was surfacing the FOI requests and responses that were material. **ACTION** SG **SG** advised that she would raise these points with the FOIA team and that a revised template would be returned to GE;
- KS advised that she would like some statistics on the number of requests and the requests that had been attended to, as well as details the themes that the requests related to;
- Capacity issues of the FOIA team were discussed.

9.4 Contractual Arrangements with POMS

The paper was **NOTED**.

9.5 Inhouse Legal Team Independence

SG spoke to the paper referencing lawyers regulatory duties and advising that it was likely that the SRA would issue revisions in the next 6 months.

The GE **APPROVED** the paper for onward forwarding to the Board.

9.6 Draft Board Agenda 11 July 2023

The draft Board Agenda was **NOTED** with some suggested amendments being provided to RS.

10. Governance Items

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Approval of the minutes was deferred to the next monthly GE meeting.

11. Any other Business

There being no further business the meeting closed at 16:13.

12. Date of next scheduled meeting

26 July 2023.