

Post Office Limited – Strictly Confidential

POLB(12)2nd
POLB12/018-27

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

Present:

Alice Perkins	Chairman, Post Office Ltd (excluding item POLB 12/25)
Neil McCausland	Senior Independent Director, Post Office Ltd
Les Owen	Non Executive Director, Post Office Ltd
Paula Vennells	Managing Director, Post Office Ltd
Chris Day	Chief Financial Officer, Post Office Ltd

In attendance:

Alwen Lyons	Company Secretary, Post Office Ltd
Kevin Seller	Head of Government Innovation (Item POLB12/18)
Nick Kennett	Financial Services Director (Item POLB 12/24)

POLB12/18

FRONT OFFICE OF GOVERNMENT (FOoG)

- (a) Kevin Seller circulated a paper (attached as Appendix A to the minutes) showing the estimated contribution for known FOoG opportunities. The Board noted the relative importance of winning the DVLA and Passport contracts. Les Owen asked if Network capacity planning had been undertaken to ensure the business could cope with all the initiatives. Kevin Seller explained that detailed capacity planning was underway, but that many of the new propositions did not use traditional counter time. The Chairman asked how the tensions between Network Transformation and the introduction of new products were being managed. Paula Vennells assured the Board that the Network Director and Commercial Director were both involved in the respective Steering Groups set up to ensure these issues were aligned.
- (b) In Neil McCausland's view the biggest commercial opportunity lay in continuing to develop identity checking services and he suggested that the Business should focus on this area as a core strength. He asked why the commercial returns for new contracts were significantly lower than those which were already in place. Kevin Seller explained that the historic contracts with returns of circa 75% were not won through competitive tendering and were not sustainable. He pointed out that the paper POLB(12)17 showed forecast returns from new contracts with a 25% contribution. In reality POL is winning new contracts at between 30 and 40% contribution. Chris Day said that pricing was key to winning these contracts and that although the recent contract wins were small, they would be used to showcase the Business to different Government departments.

The Chairman stressed the importance of presenting opportunities to Government departments which facilitated cost savings and assisted digital inclusion.

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- (c) DVLA Tender
Kevin Seller assured the Board of the strong relationship with DVLA and explained that the main competitor for the tender was likely to be a consortium, possibly with Capita, and Paypoint as its network provider. There seemed to be little appetite for the work from the major banks or supermarkets despite the fact that the competitor analysis showed them as being the most credible network partners.

ACTION:
Kevin Seller

The Chairman asked how the Board could support the tender process. Paula Vennells suggested that the tender stakeholder communications plan be circulated to the Board highlighting the Ministers and Officials involved in the decision making processes and detailing how the Board could support this.

ACTION:
Kevin Seller

- (d) Neil McCausland asked for a more detailed DVLA project plan and resource plan and the incentives in place for the team. Kevin Seller was asked to organise a meeting with Neil McCausland to take him through the FOoG communications plan.

ACTION:
Paula Vennells

- (e) The Chairman informed the Board that the DVLA tender would return to the July Board meeting but if any significant changes arose in the interim they would be reported to the Board.

POLB12/19

MINUTES OF PREVIOUS MEETINGS

- (a) The minutes of the meeting of 12th January 2012 were agreed;
(b) the minutes of the Health & Safety Sub-Committee (POLBSC-HS(12)1st) were noted.

POLB12/20

MATTERS ARISING – Status Report

- (a) No. 5d (POLB12/02/(b))
Chris Day explained that the red status in the Midasgrange Board Minutes related to the migration of MI databases. The status was currently amber, moving to green as the majority of products had now been successfully migrated. ACTION CLOSED

ACTION:
Chris Day
April

- (b) No 5e (POLB12/06(a))
Chris Day confirmed that POL's Going Concern status would be covered within the RMG consolidation for this year, and that a paper would be provided to the Board in due course on the proposed Going Concern process/external audit for FY 12/13.

ACTION:
Pauline Holroyd

- (c) No 6b (POLB12/01(c))
Les Owen acknowledged the rigour applied to the PDR scoring system. Chris Day commented that he had also been impressed by the process used by the Business. Paula Vennells stressed that the Post Office was a very honest organisation but that the scores highlighted a concern with the low number of high achievers. Les Owen explained that he was used to a two-dimensional matrix rating performance and potential. Paula Vennells suggested the inclusion of potential ratings for the Top Team in the succession planning paper at the April Board (subsequently changed to May).

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POLB12/21

MANAGING DIRECTOR'S REPORT

- (a) Pay Review
Paula Vennells reported that RMG are working with the Communications Workers Union (CWU) on a 3-year profit share payment in return for a no strike deal. She highlighted the CWU's expectation for a similar offer from POL and the potential risk to the plan. Chris Day emphasised that the financial headroom this year did offer an opportunity to the Business if it wanted to offer a payment to help deliver the plan which assumed a pay freeze over the next 3 years. However, such headroom would not be available in FY 12/13. The Chairman challenged whether there was time to negotiate a deal. Neil McCausland stressed that the Business was still under an obligation to get the Crowns back to break-even, so any solution needed to be sustainable.

ACTION:
Kevin Gilliland

Kevin Gilliland would be asked to provide a cost benefit analysis paper to cover all the options available on Crown pay and their associated risks.

ACTION:
Alwen Lyons

An additional Board meeting may be required to consider the pay mandate in detail.

- (b) Budget Meeting – 8th March
The Chairman asked that the pre-reading for the meeting should start from the requirements for achieving the strategic plan; highlighting areas where there is scope to exceed the plan; documenting the risks and assumptions in order to demonstrate that the targets have sufficient rigour and stretch.

ACTION:
Chris Day

Chris Day explained that work had already taken place to reconcile the original strategic plan back to the budget and that he would be using the meeting to get agreement that the plan contained the appropriate stretch and risk. The Chairman asked that key elements in the plan be highlighted such as Mails and methodology of approach explained.

- (c) Quarterly Performance Reviews
Paula Vennells reported to the Board that Quarterly Performance Reviews were being introduced with individual Directors.

ACTION:
Martin Moran

- (d) Stamp Pricing
Paula Vennells explained that RMG were planning a significant increase in stamp prices. She assured the Board that Alana Renner, the Acting Communications Director, was working closely with her counterpart in RM to deal with any adverse PR. Martin Moran to circulate a note covering the effects of the RM price increases on Post Office revenues and margin.

- (e) Collections and Returns
Paula Vennells reported that a joint presentation had been made at RMH Board which had been very well received.

Post Office Limited – Strictly Confidential**POLB12/22****HEALTH AND SAFETY UPDATE**

- (a) The Health & Safety Update (POLB(12)20) was noted.

POLB12/23**FINANCE/PERFORMANCE REPORT**

- (a) Chris Day reported the strong performance in Period 9 had continued in Period 10. He assured the Board that the investment-spend was now on track and that he was ensuring it was being spent appropriately. He explained that a provision of circa £6m may be made in this year to cover the General Insurance Policies in Force risk.

**ACTION:
Chris Day**

Neil McCausland requested a change to the presentation of the Insurance Policies data to make the trend information clearer.

POLB12/24**EAGLE UPDATE**

- (a) Nick Kennett explained the twelve workstreams in place to ensure Eagle is achieved. The most challenging of these being: the valuation of Midasgrange; ensuring the correct termination terms are enshrined in the contract and the wider HR effects of the change. He has a target date of early March for signing the contract and will bring the final agreement to the March Board.

**ACTION:
Nick Kennett**

- (b) Insurance
Nick Kennett presented the negotiations mandate to the Board. The Chairman asked how far the proposal would reduce the bureaucracy inherent in the current relationship. Nick Kennett agreed that the current proposal had not been his initial desired outcome but was confident it would work. Les Owen urged the Business to retain as much control as possible over product design and marketing. Paula Vennells explained that the relationships between the two businesses would be very important.

**ACTION:
Alwen Lyons**

Nick Kennett said that Government concurrence to the contract extension had not been received. Les Owen expressed concern at the potential impact on signing Eagle. Nick Kennett did not anticipate any issues but confirmed that the delay in BIS sign-off risked the achievement of the critical path as the Bank would not proceed on other matters until the extension was confirmed.

POLB12/25**PERSONAL INJURY REFERRAL FEES**

The Chairman left the meeting due to conflicts.

Minutes shown at Appendix B.

The Chairman rejoined the meeting.

POLB12/26**ANY OTHER BUSINESS**

- (a) The issue of aggravated robbery and burglary had been raised at RMH Board and the Chairman asked that future Health & Safety reports include a report on any incidents.

**ACTION:
Alwen Lyons**

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The risk would also be raised with the Audit, Risk and Compliance Committee for future monitoring.

- (b) Separation
The Chairman updated the Board on the likely agreed structure for the Group post separation. POL would sit as a sister company to Royal Mail Group under a very thin TopCo consisting of the Chairmen of both Companies. Responsibility for the businesses would sit with the respective Boards.
- (c) The Chairman informed the Board of several Non-Executive Director candidates under consideration and three possible candidates for the Chair of Audit.

POLB12/26

NOTING PAPERS

- (a) • Significant Litigation Report (POLB(12)23) was noted.
(b) • Post Office Sealings (POLB(12)24) was noted.
(c) • Communication Action Group Minutes (POLB(12)25) were noted.
(d) • Project Alaska (POLB(12)26) was noted.

POLB12/27

CLOSE

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

Alice Perkins

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POLB(12)2nd Appendix A

Annual net income and estimated contribution percentage for all known Front Office of Government propositions

Contract	Expected Timescales	Net Income12/13 £m	Net Income13/14 £m	Net Income14/15 £m	Net Income15/16 £m	Net Income16/17 £m	Est Cont (target 25%)	Probability	Weighted income
London PSN	Aug-12	0.1	0.1	0.1	0.1	0.1	32%	100%	0.1
Westminster	Live	0.1	0.1	0.1	0.1	0.1	25%	100%	0.1
TfL Public Carriage Office	Live	0.1	0.1	0.1	0.1	0.1	64%	100%	0.1
Student Loans	tbc	0.1	0.4	0.4	0.4	0.4	75%	100%	0.4
Skills Funding Agency	Jun-12	0.4	0.2	0.2	0.2	0.2	49%	100%	0.2
Care Quality Commission	Mar-12	0.9	0.6	0.6	0.6	0.6	70%	100%	0.6
UKBA	Mar-12	6.7	6.7	6.7	6.7	6.7	53%	100%	6.7
DVLA tender (incremental)	Oct-12	1.0	21.0	25.0	35.0	35.0	30%	90%	31.5
IPS Passports	Sep-13	19.0	27.0	35.0	35.0	35.0	40%	90%	31.5
DSA	Mar-13				30.0	30.0	30%	30%	9.0
Identity Services UC	2012/13			8.0	11.0	11.0	30%	75%	8.3
Identity Services HMRC	2012/13			5.0	5.0	5.0	30%	75%	3.8
Identity Services GB	2012	3.0	7.0	7.0	7.0	7.0	35%	90%	6.3
Identity Services Other e.g. Land Registry	2013/14			4.5	9.0	9.0	30%	60%	5.4
Universal credit (Asst Applications)	2014/15				5.0	10.0	30%	75%	7.5
HMRC (Asst Applications)	2013/14				1.0	5.0	30%	75%	3.8
Security Industry Authority	Oct-12	0.1	1.0	1.0	1.0	1.0	35%	75%	0.8
Local Authorities	Ongoing	1.0	2.0	5.0	7.0	12.0	25%	80%	9.6
CRB	2014/15				5.0	10.0	25%	50%	5.0
HMCTS (Court Services)	2012	0.1	2.0	5.0	10.0	10.0	25%	75%	7.5
HMRC network	2013/14		1.0	1.0	1.0	1.0	25%	50%	0.5
London PSN (extension to others)	Ongoing		3.0	5.0	10.0	10.0	35%	75%	7.5
Scottish Govt	2012/13		1.0	2.0	4.0	4.0	30%	50%	2.0
Scottish LA	2012/13	0.1	0.5	1.0	2.5	2.5	30%	50%	1.3
TfL contactless	2012	1.0	2.5	2.5	2.5	2.5	30%	25%	0.6
Total		33.7	76.2	115.2	189.2	208.2			149.9

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POLB(12)2nd Appendix B

POLB12/25

PERSONAL INJURY REFERRAL FEES (POLB(12)18)

- ACTION:**
Nick Kennett
- (a) Les Owen challenged the statement made at the January Board that POL could be certain it was not involved with any injury referral fees. Paula Vennells explained that data was only passed to a third party if the customer asked for this action to be taken. Les Owen explained he had two fundamental issues that we should be mindful of; TCF in a growing FS Business, and also the possible bad PR if we are shown to be involved in referral fees.
- ACTION:**
Nick Kennett
- (b) Paula Vennells asked for a formal referrals policy to be agreed with Junction ensuring no active encouragement of personal injury referrals unless requested by the customer. This would be copied to the Board as a future noting paper.
- (c) Nick Kennett would also investigate the flow of fees to ensure that there is no inducement for wrong behaviours.