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POST OFFICE LIMITED BOARD
Status Report

<u>No.</u>	<u>REFERENCE</u>	<u>ACTION</u>	<u>BY WHOM</u>	<u>STATUS</u>
		1. Network Transformation and Crown Offices		
1a	October 2013 POLB 13/100(b)	Provide an analysis of the 50% of Crown branches that would still be loss making to show the current state key cost drivers and the projected costs post network transformation	Sharon Bull	Note attached at Appendix A.
1b	October 2013 POLB 13/100(c)	Provide a note on the testing and deployment of the new automated machines, including where they will be able to visit.	Harry Clarke	User acceptance testing of the new NCR kiosk and associated functionality has completed. This enabled the kiosk to be deployed in the Branch Model Office at 148 Old Street on 1 st November and it is able to be visited at most times during the working day. The kiosk has progressed since then with live proving, and as at 19/11/13, no significant issues have yet been encountered. The programme is now working with Royal Mail to gain their concurrences to the technical quality of stamps printed by the kiosk, and the processes for mails segregation. These concurrences are all expected to be in place by the end of January 2014. The rollout plan shows c240 kiosks will have been installed and switched on in branches by end of Q4

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				2014.
1c	October 2013 POLB 13/100(d)	Consider more radical options post-2015 to drive automation and further reduce the property requirement.	Harry Clarke	The CTP programme, together with the Crowns network team, will review the post-2015 Crowns strategy once detailed planning for FY14/15 is finalised, and report back in Q4. An update will be provided to the February Board.
1d	October 2013 POLB 13/100(e)	Provide an update on the development of the Retail Offer available in Crown branches, including the possibility of introducing a third party offer or renting out the space.	Martin George	Update to the January Board
1e	November 2013 POLB 13/134(b)	Consider contingency plans for Supply Chain if long term strikes undertaken.	Kevin Gilliland	
		2. Finance		
2a	July 2013 POLB 13/48(g)	Produce analysis to explain economics of the Crown and agents network models and set up a workshop for those NEDs who would find it helpful.	Chris Day	Crown Complete (October Board). Agents – a workshop will be scheduled for Q4 (date tbc).
2b	October 2013 POLB 13/106(b)	Provide a detailed report as part of the financial report tracking the second half of the year with more detail on costs.	CFO	The report is being developed and will be included in the January Board pack.
2c	October 2013 POLB 13/106(f)	A detailed budget debate to come to the January Board.	CFO	An interim view will be provided at the January Board meeting; this will give as full a picture as possible at this stage in the budget process. A Board Budget briefing session will be booked ahead of the March Board meeting.
2d	November 2013 POLB 13/127(c)	Prepare plan for consideration on Operating Model and Strategic Cost Reduction.	Lesley Sewell	February Board
2e	November 2013 POLB 13/135(b)	Detailed paper on revenue generation, including performance against plan, and new initiatives.	Martin George/ Nick Kennett/	January Board

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			Kevin Gilliland	
2f	November 2013 POLB 13/135(c)	Include in CFO report revenue position in the current month compared to the previous month and the effect of the changes on the full year forecast.	Chris Day	January Board
		3. Strategy		
3a	September 2013 POLB 13/87(e) & October 2013 POLB 13/104(e)	Provide a paper for January Board covering the opportunities in the Energy market.	Martin George	January Board
3b	October 2013 POLB 13/103(c)	Provide an update on the effect of Universal Credit on the Business.	Martin George	Completed
3c	November 2013 POLB 13/130(c)	Provide note to clarify detail of 'voice of the customer' measure.	Nick Kennett	Note Circulated
3d	November 2013 POLB 13/130(g)	Circulate external benchmarking of proposed FS incentive scheme, together with a table showing the percentage of salary the incentive would represent for each salary band.	Nick Kennett	Note Circulated
3e	November 2013 POLB 13/131(c)	Produce a 5 and 7 year plan setting out the transformation, highlighting the milestones and commitments.	Sue Barton	January Board
3f	November 2013 POLB 13/131(d)	Meet with the Secretary of State (SoS) in 2014 to discuss progress made or if necessary the likelihood of needing to use the 'cliff'.	Alice Perkins	
3g	November 2013 POLB 13/131(e)	Collate all Board papers and minutes along with any correspondence with the SoS referring to the Funding Agreement to ensure they gave a fair reflection of the Board's position.	Alwen Lyons	
3h	November 2013 POLB 13/131(f)	Propose future Board agendas ensuring that they cover the Business Transformation and Risks.	Alwen Lyons	
		4. NFSP & Trade Association		
4a	May 2013 POLB 13/33	Present the detail of the subpostmaster engagement satisfaction measure when available.	Kevin Gilliland	January
4b	September 2013 POLB 13/81(f)	Continue negotiating the MoU between Post Office and the NFSP, taking into account the Board discussions and their desire to reduce the longevity of the deal or tie it to the timescales for funding with exit clauses if the services provided by the NFSP did not reach desired standards.	Sue Barton	Completed
4c	October 2013 POLB 13/98(c)	Ensure that the final legal framework agreement with the NFSP includes specific termination rights.	Sue Barton	End January 2014
4d	September 2013 POLB 13/81(c) & October 2013 POLB 13/98(e)	Draft and share with the Board a letter writing to the Secretary of State to explain the Board's position in relation to the NFSP MoU, Government funding, the strategic plan and the cliff in response to the Board's concern that in 2015 any new Government will reconsider the cliff's introduction.	Sue Barton/ Alice Perkins	Completed

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5. Information Security				
5a	July 2013 POLB 13/51(g) September 2013 POLB 13/95(b)	Review of Second Sight report to be provided to ARC explaining how we awarded and managed the contract and include an internal 'lessons learned' review for Project Sparrow.	Belinda Crow/Alwen Lyons	Lessons learned review to take place October/November. Interim report to ARC by correspondence.
5b	September 2013 POLB 13/93(b)	Produce a noting paper to clarify whether any claims on the Business from the Horizon work would be covered by Professional Indemnity or Directors & Officers insurance and whether we had alerted our underwriters. Ensure that the appropriate notifications are made.	CFO/Alasdair Marnoch	Appropriate notification to underwriters has been made. Work assessing claims is on-going, with an update due end December after claims for mediation received.
5c	November 2013 POLB 13/126(a)	Provide analysis of the financial implications of <ul style="list-style-type: none"> The different risks of crystallising Additional resource costs to the Business of the increased number of cases. 	Chris Aujard	
5d	November 2013 POLB 13/126(b)	Provide regular update, within the CEO's report, showing cases received, where they are in the process and overall costs attached to the claims where possible.	Chris Aujard	
5e	November 2013 POLB 13/126(e)	Consider future approach to prosecutions alongside the improved support processes for sub-postmasters.	Chris Aujard/ Angela V-D-Bogerd	
5f	November 2013 POLB 13/126(f)	Provide explanatory note of who was named in past prosecutions and the liability for the Business and individual Board members, and include information on both Professional Indemnity and Directors & Officers insurance cover.	Chris Aujard	
6. Board Effectiveness				
6a	July 2013 POLB 13/48(i)	Advise Board members of dates of SLT Quarterly Business Updates	Alwen Lyons	Dates will be circulated once finalised.
7. Risk				
7a	November 2013 POLB 13/128(a)	Circulate ARC paper on Risks and Internal Audit – IT Audit Report.	Alwen Lyons	Done
7b	November 2013 POLB 13/128(d)	Provide update of mitigation of risk of delivering poor customer outcomes through FS mis-selling. Consider at FS Sub Committee meeting in January.	Chris Aujard/ Nick Kennett	
7c	November 2013 POLB 13/128(f)	ARC to review the top 6+4 risks at its February meeting. Include in Board agenda for March meeting.	Alasdair Marnoch/ Alwen Lyons	
8. Mutualisation				
8a	November 2013 POLB 13/133(a)	Public Purpose Statement to be submitted to the January Board.	Sue Barton	

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8b	November 2013 POLB 13/133(c)	Input views on 'Why does the Post Office do what we do' – Sue Barton to facilitate by circulating a video link and question.	Sue Barton	
		9. Other		
9a	September 2013 POLB 13/95(a)	Consider the wider effect of the RMG transaction on the Post Office and our lines of defence for any dispute, and specifically any direct obligations contained in the MSA/MDA.	CFO/Hugh Flemington	On-going, no material new obligations identified to date.

APPENDIX A

Following the completion of CTP at March 2015, it is envisaged that c50% of the remaining 292 Crown branches will still be loss making. The main reasons for this are:-

- High staffing levels in relation to income – a result of smaller branches that require minimum staffing levels
- High property costs in relation to income – a result of high lease costs, either driven by size or location of branch
- Combination of the high staffing levels and high property costs

The average cost to income ratios for the branches that are anticipated to be profitable are:-

- 0.78 for staff cost to income (£0.78 of staff costs for every £1.00 of transactional income)
- 0.23 for property cost to income (£0.23 of property costs for every £1.00 of transactional income)

Note: The net position of non-transactional income and other business wide costs is positive, hence profitable branches.

Using these ratios as a benchmark, the branches that are expected to be loss making fall into the following categories:-

- 20% due to high staffing levels
- 6% due to high property costs
- 74% due to a combination of both

A branch by branch review of each loss making branch is planned for Q4, to establish the best route to profitability post March 2015 (or earlier). The review will follow the current VR exercise that will provide a more accurate view of the staffing levels in each branch.