



POST OFFICE LIMITED BOARD REPORT

Title:	IDG Update	Meeting Date:	12 th July 2022
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Input Sought: Noting

The Board are asked to note:

- i. Progress made and priorities for operational, cultural and Horizon improvements as tracked through the IDG in preparation for the Inquiry.

Previous Governance Oversight

- IDG Updates to Board on 29 May 2022, 3 June 2021, 6 May 2021, 25 March 2021
- IDG updates in CEO Report to Board

Executive Summary

Since the last IDG Board update, we have increased the number of tracked improvements by 1.7% (total of **525** items), all of which are potential detriment issues. Overall 89% of items are reporting closed, with 65% verified through IA. Of the remaining **56** items IDG is tracking to complete, over 70% are for CIJ, and of those about half are "Red/Oxblood Red" in terms of impact, primarily around detriment or aged balances which are managed by HMU.

The priority CIJ areas are around detriment, aged balances and established losses. The priority for HIJ is to review work to date, in terms of sustained conformance against the HIJ, to identify any urgent gaps. In addition, it is hoped that further progress will be made on remote/privileged access and linkages with Branch Hub (a data reporting suite for self-service and accessing Branch Hub from a Horizon terminal).

The business is now turning to tracking the impact of improvements made to ensure continuous improvement and effective implementation of improvements. Thus, most functions are moving to new ways of working in BAU to support HIJ and CIJ improvements. Given the sheer number of improvements across CIJ, the **Reading Room** has a structured (across 8 themes and 9 CIJ areas) and grouped list of all improvements as a reference guide.

Questions addressed

1. What is the latest position on tracked improvement items since March Board?
2. What CIJ improvements have been recently completed and what is the focus going forward?
3. What HIJ improvements have been recently completed and what is the focus going forward?
4. How do we measure and assure sufficient progress is being made and embedded?



Report

What is the latest position on tracked improvement items since March Board?

5. As last reported to Board on 29 March 2022, IDG was tracking **516** improvement items (which includes parts/stages of improvements), of which 87% (**449** items) had be "closed as completed" by programmes and 62% (**318** items) had been verified through IA.
6. Given significant progress of the tracked list of improvement, most activity has now been moved into BAU teams' continuous improvement plans (aligned with our focus on Postmasters and current investment budgets). As such, only **9** additional items are being tracked, all are around potential Postmaster Detriment (CIJ).
7. As of 29 June 2022, IDG is reporting **525** total improvement items, of which **89% (469)** items) had be "closed as completed" by programmes and 65 % (**343** items) of the items had been verified through IA. This means programmes have completed **20** additional items in the last 3 months and verified an additional **25** items through IA.
8. Of the remaining 11% of tracked items (**56** items) that are not currently completed, **40** are for CIJ and **16** are for HIJ, specifically:

For CIJ (in priority order):

- a. Half of all CIJ items are either "Red/Oxblood Red" in terms of impact, all of which fall into the first three bullets below (except 2 items as noted in the paper).
- b. **13** items are for potential Postmaster Detriment. Additional information is found in the next section on this topic and in **Appendix 1**.
- c. **6** are items related to Aged Balances, with more information in the next section.
- d. **1** item on Established Losses is due to complete this summer and more detail can be found in this report and in the **Reading Room** on this topic.
- e. **6** CIJ items linked to our Cultural Improvement programme to embed a service mindset across POL, more detail can be found in the next section (1 item is "Red").
- f. **3** items due to complete imminently, pending governance approval, specifically: Auditor's title; NFSP GFA update completion; Branch Hub onboarding changes.
- g. **2** items to be completed in H2: Stock management training; Strategic Partner guide for "how to run your branch" relevant to specific SPs
- h. **8** CIJ items "On Hold" pending funding decisions, all of which are either Branch Hub or Supply Chain items, which do not *cause, or have potential to cause, Postmaster detriment or significant reputational risk*.
- i. There is **1** item suggested by Deloitte ("Entire IT Systems landscape review with a single PM View delivered") "On Hold" which *may* have potential to cause harm ("Red" impact rating) as our systems are not all connected. IDG took a view to keep on hold given amount of IT change currently and lack of funding to execute.

For HIJ:

- j. All of the HIJ items remaining are rated "Red" in terms of impact, although these have been self-rated by the team and are under review at the moment.
- k. All but one are showing a "Red" status or delayed status.
- l. The team is in process of reviewing the plan for future work, in agreement with the Operations (in terms of change capacity), Commercial (in terms of product planning) and Change (in terms of available investment spend).



What CIJ improvements have been recently completed and what is the focus going forward?

Postmaster Detriment

9. As a result of 1) GLO training, greater awareness of possible detriment caused by processes, 2) improvements being delivered and 3) focus from IDG, various parts of the business have raised to IDG and HMU possible areas of potential postmaster detriment.
10. The total possible and known detriment list of 13 items (with one of them just awaiting final assurance given it has been completed), does not include suspension payments, the strategy of which has been completed and is almost complete in terms of all data.
11. Suspension payment detriment is now awaiting shareholder funding approval and once complete, HMU will start sending letters out to affected postmasters to make payments.
12. A list of the current 13 items being tracked by IDG can be found in **Appendix 1**. While



13. It is the responsibility of the business to ensure improvements are made to any product or process that legally causes detriment if it has not already done so.
14. The HM team is responsible for remedying any detriment. This could include a wider disclosure statement, via the POL website, inviting all current and former Postmasters to contact POL should they wish to dispute any shortfall due to an identified detriment.
15. The IDG will continue to monitor the progress of all potential detriment areas and these will be reported back in detail via the HM team.

Aged Balances

16. Most recent focus on Aged Balances has been to understand the legal position and options available to POL. A paper has been circulated through appropriate governance forums (HMC, GE, HRC) to approve a course of action, before creating a business case with the shareholder to ensure appropriate support as required.
17. The simple issue at hand is about recovery of any in-process outstanding/aged balance. POL cannot make recoveries on outstanding balances without proper disclosure and investigation. As such, POL must cease all recovery until a full investigation takes place.
18. Consideration was given to differentiate between former and current postmasters as well as for previous payments collected. All issues and options are considered in a separate paper within appropriate governance forums, while being tracked by the IDG.
19. There are ~£22m¹ in outstanding balances, relating to ~1,800 current and former Postmasters (of which there are ~182² are currently making payment), for any balance before April 2021 (when the Review/Dispute button was introduced).

Established Losses

20. Recovering an established loss, after a full investigation, is a significant step forward in moving forward from CIJ. Before doing so, we must be fully CIJ/HIJ conformant. Thus we are not in a position yet to recover established losses through civil proceedings.

¹this value is an estimate and will fluctuate depending on Postmaster repayments made; further analysis required to determine exact amount

²this value is not static and will fluctuate daily depending on Postmaster repayments.



21. We are, however, required to [REDACTED]
[REDACTED]
(according to NRF). This process is happening now and should be complete this summer. Please see **Reading Room** materials on established losses for more process details.

Cultural Improvements

22. In addition to these 3 priorities, maintaining momentum and innovation in our overall, multi-year cultural change programme is critical.
23. In the last 3 months, the team has been focusing on expanding our highly successful training programmes including: 1) enrolling all GE members and 25 High Potential colleagues in *Leading to Serve*. Phase 2 of this programme is about to begin (this is the only culture "Red" impact item); 2) increasing Supply Chain *Service Mindset* completion rate to 85% (from 60% in March); 3) completing 4 *Service Mindset* courses for HMU, given their interface with current and former Postmasters.
24. In addition to targeted interventions, the team reached our entire colleague population through the April 2022 Colleague Conference. The purpose was to align colleagues around strategic priorities and relaunch POL's *Ways of Working*.
25. Most importantly, a recognition programme for PO colleagues was introduced to recognise positive behaviours and deeply embed our values into the organization through thank you cards, recognition boards at all locations, lanyards, etc.
26. These sorts of cultural interventions will continue for the next 12 months to further embed the Ways of Working and needed cultural changes aligned to the CIJ.

What HIJ improvements have been recently completed and what is the focus going forward?

27. As the inquiry approaches, and significant amounts of improvements have been made to Horizon, the Horizon environment, and the overall system (which includes more than just an IT system), it is important for the team to take stock of what has been accomplished. As such the current focus is a review of work to date, in terms of sustained conformance against the HIJ, to identify any urgent gaps.
28. In addition, work is underway to obtain independent assurance on improvements. This includes updating and finalising the work that NRF started a year ago as well as obtaining independent assurance on specific areas within the Fujitsu (FJ) environment.
29. We have informed FJ that we are in process of creating the Terms of Reference for such an assurance project, specifically focusing on 2 areas: remote/privileged access and transactional integrity. Work is underway to select a 3rd party assurance partner using a PCR compliant framework. FJ have yet accept the proposed scope of the audit activity or indicate resourcing implications to execute the work.
30. At the last IDG Board update, we reported the main areas to progress were: BranchHub on Horizon; AppDynamics software pilot to monitor each branch's Horizon performance; a branch reporting suite of data available for self-service; and improvements to the testing process and environment for Horizon changes.
31. The HIJ remediation team have made progress on some items including:
- a. Successfully completing the AppDynamics software pilot launched across 107 branches in March 2022, providing the means to better track Horizon counter performance. Planning now in place to trial the solution more widely across the branch network as part of POL IT BAU operations subject to a final tool alignment between Horizon & NBIT and confirmation of investment funding availability.



- b. A National Lottery direct settlement proof of concept launched with 5 Tesco stores in May, with a further mid-tier QR scan pilot, scheduled to start in July.
 - c. An additional 5 User and Data Journeys have been completed
 - d. Additional remediation analysis, with recommendations, completed for both stock and cash replenishment and for loan and savings account products.
32. Thus, while the team is in process of reviewing the plan for future work (based on priorities and known funding limitations), it is believed that further progress in some areas already started can be funded, including:
- e. The Branch Reporting Suite: A prototype has already been developed with 250 Postmasters engaged through IT Working Group.
 - f. Branch Hub on Horizon: Project planning underway for pilots of Branch Hub on Horizon in August. This will also include enhancing the browser capability on Horizon so Postmasters can access these support tools more quickly and easily.
 - g. Remote/Privileged Access: Further implementation of limitations to FJ permissions is being planned

How do we measure and assure sufficient progress is being made and embedded?

- 33. As most improvement items have been delivered, the business has been moving to a new phase of embedding these improvements and ways to track and measure improvements.
- 34. Over the last 2 ½ years there has been a consistent drumbeat of communication focused on operational improvements to Postmasters. It is a challenge to reach 30,000+ people about improvements made on a consistent basis while being mindful of the competing priorities for Postmasters, including their main concerns around remuneration.
- 35. As a result, a measured and targeted approach to communication is being taken for any one given topic to ensure a balance. This utilises various tactics (email, video, WhatsApp, face to face conferences, etc), targeted audience communications and tracks against CIJ and HIJ issues. The results of this effort (as of May 2022) are shown in **Appendix 2**.
- 36. Many of the messages have clearly landed across the network given the positive change in perception from the January 2022 Postmaster survey, where the top 5 improvements were in operations and communications.
- 37. In addition to efforts to increase awareness and consideration of improvements made, functionally we are in process of setting up numerous operational metrics and dashboards to constantly monitor that our improvements are being embedded. An example of this is in Onboarding and Training, where there has been significant scrutiny through the CIJ.
- 38. The team is now investing in tracking metrics to provide insight on the impact the improvements are making. This is an early start, but is part of the embedding process of improvements. For example:
 - a. The onboarding process, which now regularly takes 5 months, is now measured in 5 phases. Data indicate issues in certain parts of the process (financial assessment and contract signing), so actions are set up to resolve this.
 - b. For training, the team are measuring both new starter training confidence levels as well as the outcomes of subject specific refresher course training to test effectiveness of the training.
 - c. Insights into the new ATM balance training course indicated a significantly better outcome for those who voluntarily took the training course (82% of the trained group had no TCs in 3 months following training against 50% for control).
 - d. However, analysis from Lottery refresher course did not indicate an impact on lowering TCs. Insight indicated that those taking the course were already good



performers and thus the training team will work with the Area Managers and BSC to push those with highest TCs to the course and re-measure the impact.

39. However, functional area monitoring alone cannot prevent future issues. Thus, IDG has supported the development of a GE level Postmaster Support Dashboard, to ensure proper oversight on key policy and support areas. As Governance is an important improvement theme, this dashboard will reconcile emerging trends in one place and provide a more formal escalation route to flag any issues to GE via the commentary sections.
40. The data is based on the 12 postmaster support policy areas: training, onboarding, complaints, cash management, TCs, account discrepancies, account dispute resolution, network monitoring and the 4 contract policies (suspensions, reinstatements, terminations, and decision review outcomes).
41. In addition, it is important to create and update controls to monitor improvement compliance on a regular basis. A team is in place to map current controls back to the new processes and risks identified in the postmaster support policies while identifying gaps and removing controls that do not add value. As an example, originally the investigations process had 32 controls on a manual spreadsheet. After review and input into ServiceNow, there are 14 controls mapped to the actual process and risks for that policy.
42. There are currently 34 controls in ServiceNow for 2 areas of 8 postmaster support areas. A sequenced and resource team are in place to complete this work by the end of this year:

Area	Start	Review by	Training attesters by	ServiceNow live date
BSC and IRT	May 22	Jul 22	29 Jul 22	01 Aug 22
Network Monitoring and Support	Jul 22	Aug 22	30 Sep 22	01 Oct 22
Postmaster Account Support Team	Aug 22	Sep 22	N/A	01 Nov 22
Security	Jul 22	Oct 22	30 Nov 22	01 Dec 22
Service & Support Team / Knowledge	Oct 22	Nov 22	31 Dec 22	01 Jan 22
Audit Support	Oct 22	Dec 22	31 Jan 23	01 Feb 23
Branch Reconciliation Team	Jan 22	Mar 23	N/A	Live
Network Support and Resolution (Investigations)	Apr 22	May 22	01 Jul 22	Live

Next Steps & Timelines

43. The IDG will continue to track, prioritise and guide improvements to put postmasters at the heart of our business.
44. The IDG's work is most likely to be relevant to Phases 6 and 7 of the Inquiry. In the event that the Inquiry requests that a witness attend from POL to give evidence about the IDG's work, the Inquiry will first issue a Rule 9 request for a witness statement and, potentially, subsequently invite the statement maker to give oral evidence.
45. The Inquiry team is engaging with IDG to understand the information captured within the Master Tracker relating to each improvement and to collate documentation for evidence of work completed for each improvement recommendation. The Inquiry Team to HSF will use this information to assist POL's response to relevant Rule 9 requests concerning the IDG's work and to facilitate witness preparedness for any related Inquiry attendance.

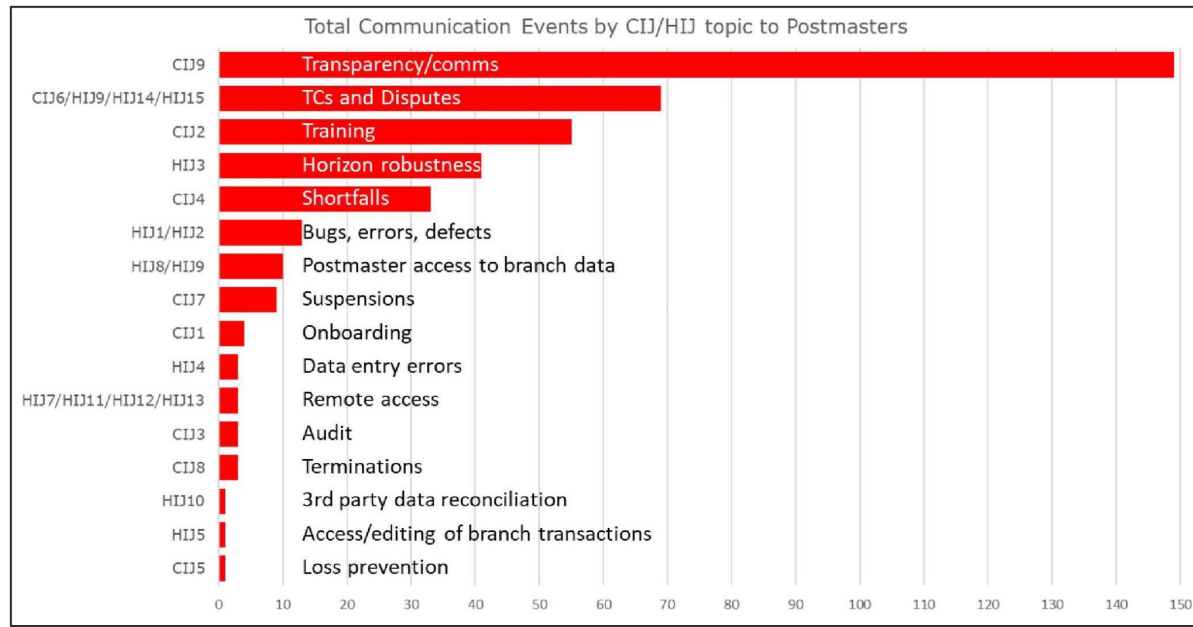


Appendix 1

Potential Detriment areas under analysis (not including suspension payments)

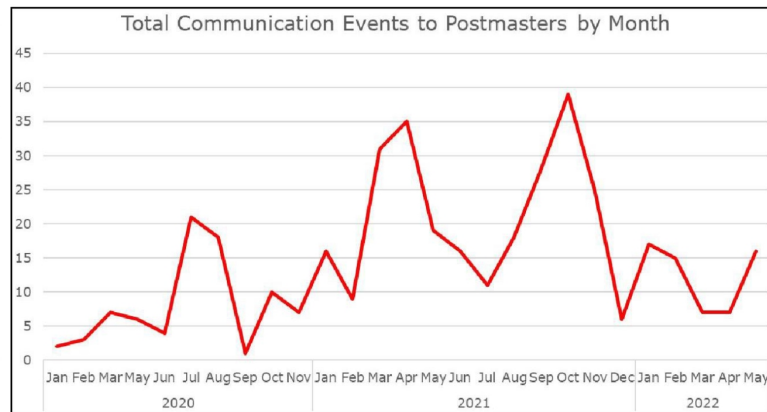
	Potential Detriment Area	Raised by	Raised on	Business Owner	Legal Status	Quantification Status	Disclosure Status	Target Completion (draft pack for legal review)
1	FX counterfeit and outmoded notes	Deloitte	~Feb 21	Mel Fischer	Reviewed	Quantified – await decision to disclose	No	Complete ~£1.6m
2	ATM Shortfall process	Deloitte	~Feb 21	Mel Fischer	Reviewed	Quantified – await decision to disclose	No	Complete ~£3.2m
3	Maintained Error Limits	Deloitte	Feb 21	Collette McAteer / Mel Fischer	Reviewed	Complete	Yes	Complete £0.8m
4	Savings Renumeration	Mel Fernandes	29/07/2021	Mel Fernandes	Reviewed	Impact Qualified, Quantification in progress	No	30/06/22
5	Counterfeit Sterling	NED	17/08/21	SCIP / Russell Hancock	Not Yet Started	Qualification analysis Complete (draft to Legal by 01/07)	No	01/07/22
6	Obsolete Stock	SCIP	11/08/21	SCIP (TBC)	Reviewed	Qualification analysis Complete (findings to IDG in July)	No	01/07/22
7	FX BAU Issue	Nick Boden	22/02/2022	Nick Boden	Not Yet Started	Qualification – In Progress	No	29/07/22
8	Postal Orders	Deloitte / KPMG	09/08/21	Carol King / Kay Wilson (TBC)	Not Yet Started	Qualification analysis Complete (draft to Legal by 01/07)	No	08/07/22
9	Paystation	Deloitte / KPMG	09/08/21	TBC	Not Yet Started	Qualification – In Progress	No	05/08/22
10	SmartPost	SCIP	12/04/22	SCIP / Russell Hancock	Not Yet Started	Qualification – In Progress	No	12/08/22
11	MoneyGram	Deloitte / KPMG	28/09/21	TBC	Not Yet Started	Triage Started	No	31/08/22
12	Lottery trx /scratch cards	SCIP	03/08/21	SCIP / Russell Hancock	Not Yet Started	Triage Started	No	31/08/22
13	Branch Closures	SCIP	12/08/21	SCIP / Russell Hancock	Not Yet Started	Triage Started	No	31/08/22

Appendix 2

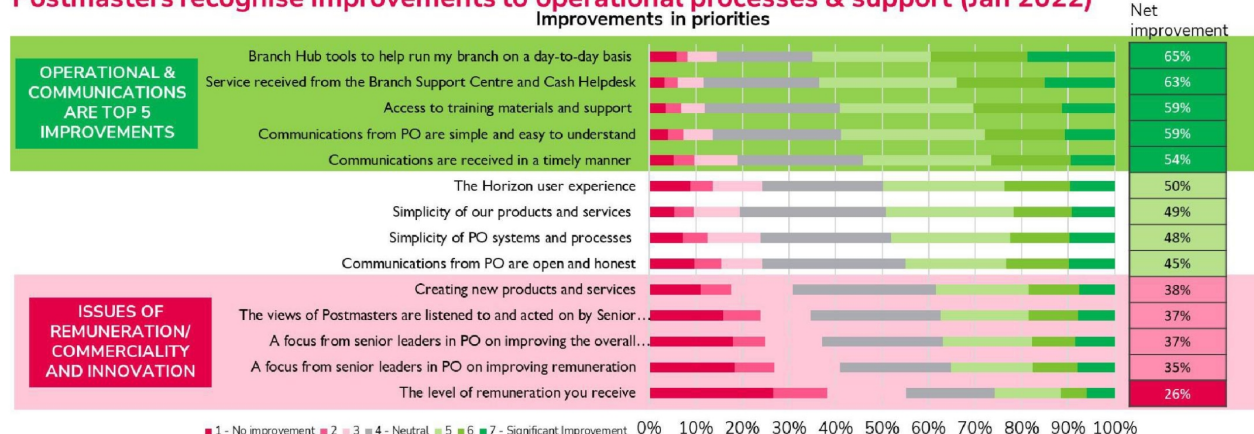


Channel/tactic	Sum of Communication Events
One website	146
Weekly email	143
Branch Focus	55
Postmaster Conference	26
Postmaster Support Guide	15
Standalone email	6
Letter	5
External media advertising	1
Contract restatement	1
Grand Total	398

*to Postmasters only



Postmasters recognise improvements to operational processes & support (Jan 2022)



E2a Thinking about the priorities highlighted in the last research, to what extent have there been improvements in each of the areas listed in the last 12 months? Base wave 2.1313