



Post Office Limited (“POL”)

Quarterly Review

August 2012

RESTRICTED – POLICY & COMMERCIAL

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POL Quarterly Review – Current Themes

NETWORK TRANSFORMATION

POL must introduce 4,000 new "Main" POs and 2,000 PO Locals by March 2015

CROWN STRATEGY

POL must bring its network of Crown POs to break-even by March 2015

FRONT OFFICE FOR GOVERNMENT

POL must deliver £100m new HMG services revenues by March 2015

FINANCIAL SERVICES

A range of initiatives to grow in this market

- **Management remain confident that the Company is on track to meet its post office conversion targets for 2012/13 and future years**
 - >2,000 visits to post offices have already taken place, with the first on-site conversions expected to commence in September
- **Currently negotiating a MoU with Consumer Focus, who will monitor a community dialogue process for off-site relocations⁽¹⁾**
 - Management have assured us that the risk of this delaying the implementation of the NTP is low
- **ShEx has an active dialogue with POL in relation to the NTP and, as the programme progresses, this will develop further including:**
 - Monitoring the possible impacts of the NTP on POL's mutualisation process and its stakeholders; and
 - Understanding further the financial benefits of the NTP and how it can inform POL's future strategy
- **POL is developing a new strategy to eliminate Crown losses of c£50m pa (RM pay deal and TUPE concerns having forced a rethink)**
 - Five key areas: additional income; product renewals/retentions; lower staff cost; property savings; targeted franchising
- **Currently downside risk on new income growth with some (probably lesser) upside potential around property**
 - Contribution from income growth of c£20m builds on Bank of Ireland pricing renegotiation but may rely on too much volume growth
 - POL is reviewing its property portfolio and is in touch with the VOA (after the last quarterly review) – c£4m saving may be pessimistic
- **POL is currently working on a number of major initiatives to meet its strategic plan revenue growth forecast:**
 - DVLA: c.£60m pa framework tender in advanced stages (currently c.£30m pa) with announcement expected in September; open to OGDs
 - Identity Assurance: Result of first Cabinet Office digital delivery tender, IDA for Universal Credit, expected mid-September
 - LA Pathfinders: Programme run with 25 LAs has had some success but management believe that the LA opportunity is currently limited
 - Assisted Digital: Active dialogue with Cabinet Office regarding assisted digital; DVLA may look to launch a procurement soon
 - POCA / Universal Credit: Uncertainty around POCA given Universal Credit developments; DWP delaying making decision on way forward
- **New business development capability, led by a new sales director and a team of proposition developers / relationship managers**
- **On 4 August POL signed a new contract with Bol which collapses the existing Vetr Contract into a bilateral contractual relationship**
 - New terms include: more favourable commissions (up to £20m pa higher net income); an extension by 3 years to 2023; stronger termination rights; a commitment from Bol to a fixed marketing budget; and a commitment from POL to improve its sales capabilities
- **POL is also developing pilots (expected launch in October), for budgeting, standard, and premium transactional bank accounts**
 - Critical capability for POL to develop, given the role these may play in relation to securing Universal Credit work
- **ShEx has also been supporting POL to strengthen its engagement with HMT and BoE in relation to its Financial Services activities**

(1) Consumer Focus also need to be made aware of on-site conversions although they will be no community dialogue process in relation to these

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POL Quarterly Review – Current Themes (cont'd)

OTHER COMMERCIAL DEVELOPMENTS

- **Management continue to progress a number of strategic initiatives that formed part of the 2010 plan**
 - New telephony contract with Fujitsu enables POL to offer mobile (and potentially IPTV); sim-only offer expected to launch shortly
 - Competing product to Collect+ (service from Yodel and PayPoint), in collaboration with Royal Mail, scheduled to launch in 2013/14
 - A range of IT programmes, including improved management information reporting and an open-architecture ePOS system

STRATEGY PLANNING AND “KPI DASHBOARD”

- **POL is expected to initiate the development phase for its new strategic plan in September**
 - ShEx will work closely with management, to ensure POL is developing a credible plan aligned to the needs of the Spending Review and State Aid processes (e.g. outstanding NTP and Crown deliverables, and assessing alternative approaches to targeting funding)
- **As discussed in the last review, the ShEx team has also been working with management to develop a series of “Dashboards”. Appendix 2 sets out the Business Scorecard and Appendix 3 an example of an underlying programme dashboard (for NTP)**

MUTUALISATION

HMG’s consultation response has been published. Must now build consensus around POL’s purpose, define financial stability and foster cultural change

- **The Government’s 4 July consultation response received a broadly positive reception from stakeholders**
 - However some concerns were also raised following publication, including: the need for POL to be financially sustainable; the balance of representation in a mutual POL’s membership; and the lack of a firm mutualisation roadmap
- **BIS Select Committee’s July report on the Network Transformation Programme (“NTP”) echoed similar concerns**
 - NTP may impact the ownership-mix across POL’s network, with implications for an “appropriate” mutualisation model
 - It also called for a “clear road-map for change”
- **The ShEx team is engaging with POL on next steps, with a first meeting of the POL Stakeholder Forum expected in September**
 - This will seek to define POL’s “Public Benefit Purpose” and will also engage stakeholders’ concerns on other workstreams (e.g. governance, financial stability) being progressed over the summer.

BOARD AND REMUNERATION

POL’s Board is nearly complete and pay discussions are in progress

- **POL is currently appointing the final non-Executive Director to its Board**
 - a candidate with financial services experience has been identified (via ShEx - he has recently been appointed to Land Registry)
 - He is meeting ShEx officials on 16 August, following which we hope to recommend his appointment to Ministers.
- **We are also developing the executive remuneration framework – discussions focus on quantum with broad agreement on metrics**
 - Base pay: Norman Lamb has written to POL’s Chair suggesting this be held while execs demonstrate a track record post-independence
 - LTIP: Metrics for POL MD’s current LTIP are being changed from RM ones to POL ones. Discussions continue over LTIP from 2012.
 - STIP: Discussions over potential payouts for 2012 continue.

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POL Quarterly Review – Update on Current Trading

	YTD Actual	YTD Budget	% Variance	YTD Prior Year	% Variance	2011/12 FY Actual	2012/13 FY Budget	2013/14 FY Forecast
Mails & Retail	100.0	92.2	8.5%	93.2	7.3%	387.5	403.8	407.2
Financial Services	64.5	68.1	(5.2%)	63.4	1.7%	261.5	274.7	262.4
Government Services	36.2	36.1	0.3%	36.0	0.4%	135.7	139.9	151.7
Telephony	11.2	11.2	0.3%	10.3	8.5%	41.4	45.7	53.7
Other	10.0	8.3	20.7%	9.2	8.8%	39.3	33.8	40.2
POL Net Income	221.9	215.8	2.8%	212.3	4.6%	865.3	897.9	915.3

General

- Year to date Net Income performance is currently tracking c.3 per cent. ahead of budget for the year to June 2012 (i.e. first three months) and c.5 per cent. ahead of prior year
- The main driver of performance compared to both budget and prior year has been the strong results in Mail & Retail and Other (i.e. High Value Mail, Cash in Transit and “Swindon Stores”). Telephony has performed broadly in line with budget, however it is performing much stronger than prior year

Mails & Retail (£7.8m ahead of budget)

- c.50 per cent. of the outperformance to budget was driven by 1st and 2nd Class stamps, which benefitted from the April price increases as customers “stockpiled”. This is expected to unwind during the course of the year, with management expecting the main impact to be seen in the run up to Christmas
- Labels, Special Delivery and Parcels also benefitted from higher than expected volumes, as did retail which experienced a higher than normal number of Lottery rollovers during the period and strong demand for Jubilee and Olympic collectibles

Financial Services (£3.6m behind budget)

- The delay to the signing of Project Eagle has been the main contributor to the underperformance of Financial Services compared to budget, although with this now signed, BoI will be making a settlement payment to POL which is expected to make up much of the year-to-date net income shortfall
- A small number of other areas also underperformed (e.g. ATM Withdrawals, Moneygram and Postal Orders) although these were more than offset by strong results across much of the rest of the portfolio – and in particular in Bill Payments, Counter Withdrawals and Insurance

Government Services (£0.1m ahead of budget)

- Broadly trading in line with budget and prior year although this masks a mix-effect where strong performances in Motoring Services (benefitting from an early price increase) and Passports (which have seen strong volumes) have been offset by weakness in POCA (due to a fall in the number of accounts compared to budget) and AEI (where weak DVLA volumes are triggering minimum payments under POL's contract)
- However, despite weakness in the current year, AEI is still trading c.28 per cent. ahead of 2011/12

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POL Quarterly Review – Update on Current Trading (cont'd)

	YTD Actual	YTD Budget	% Variance	YTD Prior Year	% Variance	2011/12 FY Actual	2012/13 FY Budget	2013/14 FY Forecast
POL Net Income	221.9	215.8	2.8%	212.3	4.6%	865.3	897.9	915.3
Staff Costs	(62.6)	(67.5)	(7.3%)	(61.4)	1.8%	(251.3)	(268.9)	(265.5)
Agents Costs	(120.3)	(117.4)	2.5%	(122.2)	(1.5%)	(482.9)	(482.8)	(489.4)
Non-Staff Costs	(36.0)	(38.4)	(6.3%)	(38.1)	(5.6%)	(149.2)	(166.2)	(184.9)
Interbusiness Expenditure	(19.9)	(20.5)	(2.7%)	(20.8)	(4.4%)	(84.9)	(83.3)	(83.8)
Depreciation	(0.2)	(0.2)	19.9%	(0.1)	150.4%	(0.4)	(0.8)	(0.5)
Group Overhead allocations	(3.7)	(3.7)	2.5%	(5.1)	(26.5%)	(19.6)	(16.8)	(15.0)
POL Operating Profit	(20.9)	(31.8)	n.m.	(35.5)	n.m.	(123.0)	(120.9)	(123.9)
Financial Services JVs	9.0	9.2	(2.1%)	7.9	12.9%	30.8	32.6	38.0
Group Operating Profit (pre-POOC)	(11.9)	(22.7)	n.m.	(27.6)	n.m.	(92.2)	(88.3)	(85.9)
Project One-Off Costs	(11.2)	(4.6)	141.4%	(1.2)	797.1%	(26.5)	(37.7)	(22.1)
Group Operating Profit (post-POOC)	(23.0)	(27.3)	n.m.	(28.8)	n.m.	(118.7)	(126.0)	(108.0)
Network Subsidy Payment	51.5	51.5	0.0%	45.0	14.5%	180.0	210.0	200.0
Group Operating Profit (post-NSP)	28.5	24.2	17.5%	16.2	75.9%	61.3	84.0	92.0
Memo: Net Income (incl. NSP)	273.4	267.3	2.3%	257.3	14.5%	1,045.3	1,107.9	1,115.3

General

- Year-to-date Group Operating Profit (post-NSP) performance is currently tracking c.18 per cent. ahead of budget for the year to June 2012 (i.e. first three months) and c.75 per cent. ahead of prior year (excluding the c.£7m increase in the NSP, it is tracking c.25 per cent. ahead of prior year)
- Compared to budget, this performance is due to a combination of higher than expected sales, and costs coming in below budget, partially offset by high levels of Project Costs

Costs

- Year-to-date total costs are currently c.£5m below both budget and prior year, with performance compared to budget explained by lower Staff Costs (high number of vacancies in Central and “Strengthening”) and Non-Staff Costs (low Consumables, Legal and IT spend, partially offset by higher Consultancy and Contractor spend)
- The performance of Agents Costs compared to budget is mainly the result of higher contracted payments to sub-postmasters due to the strong performance in Mails & Retail

Project Costs

- Project Costs are currently materially ahead of budget, as momentum established behind a variety of initiatives during 2011/12 has continued into 2012/13. However, management are able to control this spending and have indicated that if it continues to track above budget, they are likely to put in place controls as the year progresses

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POL Quarterly Review – Crown Post Offices P&L

	YTD Actual	YTD Budget	% Variance	YTD Prior Year	% Variance	2011/12 FY Actual	2012/13 FY Budget	2013/14 FY Forecast
Attributable Variable Net Income	25.4	24.2	5.1%	22.3	13.7%	91.4	98.5	n.a.
Staff Costs	(29.3)	(29.6)	(1.0%)	(29.5)	(0.9%)	(119.2)	(117.5)	n.a.
Property Costs	(8.4)	(9.5)	(11.0%)	(8.9)	(5.1%)	(41.8)	(39.0)	n.a.
Non-Staff Costs	(1.4)	(1.7)	(18.3%)	(1.8)	(24.9%)	(6.3)	(6.8)	n.a.
Infrastructure Costs	(7.2)	(7.5)	(4.1%)	(5.1)	39.9%	(30.5)	(31.8)	n.a.
POL Crown Operating Profit	(20.8)	(24.0)	n.m.	(23.0)	n.m.	(106.4)	(96.6)	n.a.
Financial Services JV Income	2.3	2.4	(2.0%)	2.3	(0.6%)	9.2	9.8	n.a.
Group Crown Operating Profit	(18.5)	(21.7)	n.m.	(20.7)	n.m.	(97.2)	(86.8)	n.a.
Total Allocated Costs	1.4	3.0	(52.2%)	0.7	98.7%	(3.5)	11.4	n.a.
Other Allocation of Non-Transactional Income	7.3	6.7	9.7%	10.1	(27.6%)	40.2	30.0	n.a.
Retention Income	1.4	1.4	1.6%	0.8	82.4%	12.6	5.1	n.a.
Group Crown Operating Profit (pre-POOC, exceps.)	(8.4)	(10.6)	n.m.	(9.1)	n.m.	(47.9)	(40.3)	n.a.

General

- Year-to-date Group Crown Operating Profit (pre-POOC, exceps.) performance is currently tracking c.£2m ahead of budget for the year to June 2012 (i.e. first three months) and £1m ahead of prior year (*Note: No NSP allocation is made to the Crown P&L*)
- Attributable Variable Net Income (i.e. excluding allocation of Allocated Fixed Net Income, which is accounted for at POL level) is stronger year-on-year, mainly due to a shift between Allocated Fixed Net Income – which forms part of Other Allocation of Non-Transactional Income – and Attributable Variable Net Income. This shift has mostly come about due to the terms of the new contract between POL and Royal Mail, which has increased emphasis on variable earnings
- Excluding this shift, Crown Net Income was essentially flat year-on-year, with growth driven by stronger Mails & Retail revenue. Compared to budget, the performance of Crown Net Income (i.e. Attributable Variable and Allocated Fixed Net Income) is broadly in line with POL Group performance (i.e. c.5 per cent. ahead of budget)
- Costs have been managed carefully with all key categories (including both direct and allocated costs) coming in under budget. With the exception of higher Infrastructure spend (due to a marked increase in Network Equipment and Helpdesk Contact costs) costs were also below the level at the same time in 2011/12

New Crown Strategy

- ShEx is working closely with POL to develop its strategy to bring the Crown network to break-even before March 2015. The developing strategy focuses on 5 key areas: new income generation (c£19m); product retentions/renewals (c£5m); staff cost savings (c£18m); property savings (c£4m); and targeted franchising (c£6m).

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POL Quarterly Review – Traffic Light Analysis

Shareholder Relationship	There is a good and constructive relationship with the new Chair, and a strong relationship with the CEO who has demonstrated her clear commitment to POL's strategic plan. The new NEDs are challenging management, and this relationship will deepen further once the current recruitment process for a new NED with financial services experience is complete.
Implementation of Shareholder Model	Generally strong application of a shareholder model, with appropriate monitoring structures in place – this includes frequent dialogue with management. However, policy and shareholder roles are combined.
Quality of Management Team & Board	- POL's management team have a strong track record of defending revenues and managing costs. However, in order to meet the business plan targets, they will need to deliver a transformational strategy, at scale, which also includes generating considerable new revenues. It is not clear yet whether they have the right skillsets / capabilities to achieve this. - ShEx are working closely with management to monitor the performance of the business, and provide support where appropriate / possible. Also, a succession plan is currently being developed by Paula Vennels for areas of POL where there is no clear replacement for senior management.
Strategy	- HMG requires that POL maintains a network of 11,500 outlets - significantly in excess of what it would maintain on a commercial basis - which means that the business has to rely on Government subsidy. Without this external funding, and in its current form, POL would not be a going concern. - POL's strategy is credible but extremely ambitious, both in terms of its scale (e.g. transformation of the Network) and focus (e.g. growth in new revenues). However ShEx is monitoring the business closely, and is also working with management where appropriate to ensure that it has best possible chance of succeeding.
Financial Performance	- The obligations placed on POL by HMG mean that the business is loss making at a net profit level (it is also loss making at an operating profit level, pre-subsidy). As a result it is not considered to be a going concern, ex-subsidy. - POL's financial performance is monitored closely by ShEx on a monthly basis, and sessions are held with divisional management (both revenue and cost) to understand current trading and near term outlook in more detail.
Balance Sheet and Risk	POL has a business plan in place, and it is funded to deliver this strategy. However POL is only a going concern due to Government subsidy, and makes losses which means it is unable to pay dividends (both today, and likely in the medium term also). ShEx monitors the business closely to ensure that it is meeting its targets and that any issues are identified and addressed early on.

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Supporting Financial Information

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POL Quarterly Review – Net Income Breakdown

Mail & Retail	YTD Actual	YTD Budget	% Variance	YTD Prior Year	% Variance	2011/12 FY Actual	2012/13 FY Budget	2013/14 FY Forecast
Parcelforce	4.3	3.9	11.1%	4.2	3.9%	18.3	17.2	<i>n.a.</i>
Special Delivery	12.9	12.2	6.1%	13.0	(0.5%)	53.3	50.5	<i>n.a.</i>
International Priority & Standard	8.4	8.4	(0.9%)	7.0	19.6%	29.9	36.6	<i>n.a.</i>
Stamps (1st & 2nd Class)	11.7	7.6	54.0%	6.9	68.1%	31.8	35.4	<i>n.a.</i>
Labels (1st & 2nd Class)	24.9	23.7	5.1%	20.2	23.4%	83.9	100.4	<i>n.a.</i>
RM Mail Fixed	14.2	14.2	0.0%	22.0	(35.5%)	88.1	63.6	<i>n.a.</i>
Retail & Lottery	10.5	9.6	8.4%	10.7	(2.5%)	42.2	42.5	<i>n.a.</i>
Mails Other	13.2	12.5	5.1%	9.2	42.8%	39.9	57.6	<i>n.a.</i>
POL M&R Net Income	100.0	92.2	8.5%	93.2	7.3%	387.5	403.8	407.2

Government Services	YTD Actual	YTD Budget	% Variance	YTD Prior Year	% Variance	2011/12 FY Actual	2012/13 FY Budget	2013/14 FY Forecast
Motoring Services	8.9	7.5	17.7%	8.8	1.3%	32.3	29.6	16.4
Card Account	17.5	17.8	(1.6%)	17.7	(1.2%)	70.2	69.3	63.3
Passport	6.6	6.2	6.7%	6.2	7.4%	18.8	19.0	<i>in other</i>
AEI (DVLA & UKBA)	2.5	3.6	(30.2%)	2.0	27.6%	11.0	17.2	18.8
Other Government Services	0.7	1.0	(30.5%)	1.4	(52.6%)	3.4	4.9	53.2
POL GS Net Income	36.2	36.1	0.3%	36.0	0.4%	135.7	139.9	151.7

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POL Quarterly Review – Net Income Breakdown (cont'd)

Financial Services	YTD Actual	YTD Budget	% Variance	YTD Prior Year	% Variance	2011/12 FY Actual	2012/13 FY Budget	2013/14 FY Forecast
Bill Payment (incl Ticket & Travel)	9.8	9.1	7.1%	10.4	(5.6%)	40.5	37.7	35.9
Payout	0.1	0.2	(46.6%)	0.1	(2.9%)	0.2	0.9	<i>in bill paym.</i>
Postal Orders	5.7	6.0	(5.4%)	5.9	(2.8%)	25.6	23.8	24.3
Fin Servs opportunities and projects	0.0	0.3	(100.0%)	0.0	<i>n.a.</i>	0.0	1.2	0.0
MoneyGram	3.5	3.8	(6.4%)	3.6	(0.7%)	14.4	15.8	15.0
Gift Voucher	0.3	0.4	(13.8%)	0.2	40.4%	0.9	2.9	<i>in bill paym.</i>
Banking Services	7.2	6.3	15.0%	6.0	20.8%	25.3	25.9	24.7
DWP	1.1	0.9	20.0%	1.9	(42.2%)	7.9	2.7	0.0
NS&I	3.3	3.2	3.8%	4.0	(17.8%)	16.6	13.2	5.0
A&L Business Banking	8.6	8.6	(0.1%)	8.7	(1.7%)	34.2	34.3	26.0
ATM	7.4	7.9	(6.4%)	7.2	2.1%	29.3	32.4	32.0
Bureau (excl profit share)	6.3	6.2	1.9%	5.9	7.0%	24.1	23.7	27.3
Travel Insurance	3.5	2.8	26.9%	3.1	12.1%	8.9	8.5	14.9
POFS - Savings	3.0	8.8	(65.6%)	3.9	(22.3%)	15.7	37.2	<i>n.a.</i>
POFS - Insurance	1.1	0.9	24.7%	1.2	(4.1%)	4.6	4.2	<i>n.a.</i>
POFS - Lending	0.5	1.0	(52.8%)	0.4	10.0%	1.8	3.7	<i>n.a.</i>
POFS Other	2.1	0.6	238.6%	0.6	238.6%	0.0	2.5	52.3
Miscellaneous (A&L - CLS, Debit Card, Bureau kiosks)	0.9	1.0	(14.4%)	0.2	267.5%	11.5	4.0	5.0
POL FS Net Income	64.5	68.1	(5.2%)	63.4	1.7%	261.5	274.7	262.4

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POL Quarterly Review – Staff and Non-Staff Cost Profile

Staff Costs	YTD Actual	YTD Budget	% Variance	YTD Prior Year	% Variance	2011/12 FY Actual	2012/13 FY Budget	2013/14 FY Forecast
Central (inc MD's office and Strengthening)	(0.8)	(3.9)	(79.6%)	(1.1)	(29.4%)	(5.0)	(15.5)	n.a.
Commercial	(1.5)	(1.6)	(5.7%)	(1.2)	25.4%	(5.1)	(6.5)	n.a.
Finance	(2.4)	(2.5)	(3.4%)	(2.4)	1.0%	(9.3)	(9.9)	n.a.
Human Resources	(5.7)	(5.7)	(0.4%)	(5.2)	9.0%	(24.4)	(22.9)	n.a.
Legal	(1.2)	(1.4)	(17.1%)	(1.1)	7.8%	(4.1)	(5.7)	n.a.
Network	(47.1)	(47.8)	(1.6%)	(47.0)	0.1%	(189.1)	(190.5)	n.a.
Programme costs	0.1	0.0	n.a.	(0.0)	(565.0%)	(0.0)	0.0	n.a.
Financial Services	(0.5)	(1.2)	(61.3%)	(0.3)	43.1%	(1.6)	(4.7)	n.a.
Communications	(0.4)	(0.5)	(6.6%)	(0.1)	216.0%	(0.9)	(1.9)	n.a.
Strategy	(3.1)	(2.9)	8.5%	(2.9)	6.6%	(11.7)	(11.5)	n.a.
POL Staff Costs	(62.6)	(67.5)	(7.3%)	(61.4)	1.8%	(251.3)	(268.9)	(265.5)

Non-Staff Costs	YTD Actual	YTD Budget	% Variance	YTD Prior Year	% Variance	2011/12 FY Actual	2012/13 FY Budget	2013/14 FY Forecast
Computers & Telephones	(17.3)	(17.8)	(2.8%)	(20.4)	(15.2%)	(78.8)	(84.1)	n.a.
Other Operating Costs	(5.5)	(5.1)	7.3%	(5.1)	7.1%	(18.1)	(17.4)	n.a.
Consultancy, Marketing & Legal Fees	(4.1)	(4.5)	(10.1%)	(2.5)	61.3%	(13.5)	(18.5)	n.a.
Finance	(4.9)	(3.6)	36.6%	(5.0)	(1.1%)	(15.9)	(16.3)	n.a.
Property Facilities	(1.7)	(1.7)	4.5%	(1.1)	52.3%	(6.0)	(7.3)	n.a.
Property Maintenance	(1.5)	(1.3)	15.9%	(1.1)	41.8%	(4.1)	(5.2)	n.a.
Vehicles	(0.7)	(0.6)	14.6%	(0.4)	46.8%	(2.1)	(2.3)	n.a.
Compensation	(0.5)	(0.3)	109.6%	0.2	(385.5%)	2.3	(1.0)	n.a.
Collection, Delivery & Conveyance Charges	(0.2)	(0.2)	(1.5%)	(0.2)	12.4%	(1.0)	(0.6)	n.a.
Staff & Agent Related Costs & Consumables	0.4	(3.4)	(113.0%)	(2.4)	(117.9%)	(12.0)	(13.4)	n.a.
POL Non Staff Costs	(36.0)	(38.4)	(6.3%)	(38.1)	(5.6%)	(149.2)	(166.2)	(184.9)

RESTRICTED – POLICY & COMMERCIAL

A2

Front Office for Government Pipeline

RESTRICTED – POLICY & COMMERCIAL

POL Quarterly Review – Front Office for Government Pipeline

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW	AX	AY	AZ	BA	BB	BC	BD	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN	BO	BP	BQ	BR	BS	BT	BU	BV	BW	BX	BY	BZ	CA	CB	CC	CD	CE	CF	CG	CH	CI	CJ	CK	CL	CM	CN	CO	CP	CQ	CR	CS	CT	CU	CV	CW	CX	CY	CZ	DA	DB	DC	DD	DE	DF	DG	DH	DI	DJ	DK	DL	DM	DN	DO	DP	DQ	DR	DS	DT	DU	DV	DW	DX	DY	DZ	EA	EB	EC	ED	EE	EF	EG	EH	EI	EJ	EK	EL	EM	EN	EO	EP	EQ	ER	ES	ET	EU	EV	EW	EX	EY	EZ	FA	FB	FC	FD	FE	FF	FG	FH	FI	FJ	FK	FL	FM	FN	FO	FP	FQ	FR	FS	FT	FU	FV	FW	FX	FY	FZ	GA	GB	GC	GD	GE	GF	GG	GH	GI	GJ	GK	GL	GM	GN	GO	GP	GQ	GR	GS	GT	GU	GV	GW	GX	GY	GZ	HA	HB	HC	HD	HE	HF	HG	HH	HI	HJ	HK	HL	HM	HN	HO	HP	HQ	HR	HS	HT	HU	HV	HW	HX	HY	HZ	IA	IB	IC	ID	IE	IF	IG	IH	II	IJ	IK	IL	IM	IN	IO	IP	IQ	IR	IS	IT	IU	IV	IW	IX	IY	IZ	JA	JB	JC	JD	JE	JF	JG	JH	JI	IJ	JK	KL	KM	KN	KO	KP	KQ	KR	KS	KT	KU	KV	KW	KX	KY	KZ	LA	LB	LC	LD	LE	LF	LG	LH	LI	LJ	LK	LM	LN	LO	LP	LQ	LR	LS	LT	LU	LV	LW	LX	LY	LZ	MA	MB	MC	MD	ME	MF	MG	MH	MI	MJ	MK	ML	MM	MN	MO	MP	MQ	MR	MS	MT	MU	MV	MW	MX	MY	MZ	NA	NB	NC	ND	NE	NF	NG	NH	NI	NJ	NK	NL	NM	NN	NO	NP	NQ	NR	NS	NT	NU	NV	NW	NX	NY	NZ	OA	OB	OC	OD	OE	OF	OG	OH	OI	OJ	OK	OL	OM	ON	OO	OP	OQ	OR	OS	OT	OU	OV	OW	OX	OY	OZ	PA	PB	PC	PD	PE	PF	PG	PH	PI	PJ	PK	PL	PM	PN	PO	PP	PQ	PR	PS	PT	PU	PV	PW	PX	PY	PZ	QA	QB	QC	QD	QE	QF	QG	QH	QI	QJ	QK	QL	QM	QN	QO	QP	QQ	QR	QS	QT	QU	QV	QW	QX	QY	QZ	RA	RB	RC	RD	RE	RF	RG	RH	RI	RJ	RK	RL	RM	RN	RO	RP	RQ	RR	RS	RT	RU	RV	RW	RX	RY	RZ	SA	SB	SC	SD	SE	SF	SG	SH	SI	SJ	SK	SL	SM	SN	SO	SP	SQ	SR	SS	ST	SU	SV	SW	SX	SY	SZ	TA	TB	TC	TD	TE	TF	TG	TH	TI	TJ	TK	TL	TM	TN	TO	TP	TQ	TR	TS	TT	TU	TV	TW	TX	TY	TZ	UA	UB	UC	UD	UE	UF	UG	UH	UI	UJ	UK	UL	UM	UN	UO	UP	UQ	UR	US	UT	UU	UV	UW	UX	UY	UZ	VA	VB	VC	VD	VE	VF	VG	VH	VI	VJ	VK	VL	VM	VN	VO	VP	VQ	VR	VS	VT	VU	VV	VW	VX	VY	VZ	WA	WB	WC	WD	WE	WF	WG	WH	WI	WJ	WK	WL	WM	WN	WO	WP	WQ	WR	WS	WT	WU	WV	WW	WX	WY	WZ	XA	XB	XC	XD	XE	XF	YG	YH	YI	YJ	YK	YL	YM	YN	YO	YP	YQ	YR	YS	YT	YU	YV	YW	YX	YY	YZ	ZA	ZB	ZC	ZD	ZE	ZF	ZG	ZH	ZI	ZJ	ZK	ZL	ZM	ZN	ZO	ZP	ZQ	ZR	ZS	ZT	ZU	ZV	ZW	ZX	ZY	ZZ
Owner	Client Type	Opportunity	Organisation	Total contract value	Engagement start	End	Initial	Technical support	Support SLA (hours)	Performance	Adjustment 1	Adjustment 2	Penalty %	Weighted value	Performance %	Price per	Actual rate	Setup cost	Contingency cost	Contract length																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Agency Govt	Agency Govt	Secure BRP Check and Collect	UKBA	£9,000,000.00	Jan-14	31	25	25	25	25	25	25	25	£110,000.00	30.00	3	£1,500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Agency Govt	Agency Govt	FOS extensions - Overseas Biometric Visas	UKBA	£5,000,000.00	Jan-14	31	25	25	25	25	25	25	25	£300,000.00	20.00	10	£1,500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Agency Govt	Agency Govt	CQC - CRB Checks	NDPB	£500,000.00	Mar-12	31	25	25	25	25	25	25	25	£100,000.00	10.00	10	£500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Central Govt	Central Govt	IPS secure delivery	IPS	£2,500,000.00	Jan-12	31	25	25	25	25	25	25	25	£1,000,000.00	25.00	2	£500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Agency Govt	Agency Govt	IPS online passports applications (AEI)	IPS	£136,500,000.00	Jan-12	31	25	25	25	25	25	25	25	£14,000,000.00	1,000.00	10	£136,500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Agency Govt	Agency Govt	IPS Years Extension	IPS	£19,500,000.00	Jan-12	31	25	25	25	25	25	25	25	£1,500,000.00	1,000.00	20	£19,500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Central Govt	Central Govt	UC IDA checks	DWP	£120,000,000.00	Jan-12	31	25	25	25	25	25	25	25	£600,000.00	2,500.00	2	£120,000,000.00	£100,000.00	£50,000.00	4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Central Govt	Central Govt	Assisted Services benefits management	DWP	£6,000,000.00	Jan-12	31	25	25	25	25	25	25	25	£5,780,000.00	450.00	2	£6,000,000.00	£100,000.00	£10,000.00	4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Other	Other	GB group	GB Group	£13,500,000.00	Jan-12	31	25	25	25	25	25	25	25	£1,000,000.00	1,000.00	2	£13,500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Agency Govt	Agency Govt	Premium Postal	UKBA	£6,000,000.00	Jan-12	31	25	25	25	25	25	25	25	£410,000.00	400.00	2	£6,000,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Agency Govt	Agency Govt	Premium Postal Proof-of-Concept	UKBA	£90,000.00	Jan-12	31	25	25	25	25	25	25	25	£17,000.00	250.00	5	£90,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Local Govt	Local Govt	PCS sub in Future bidding for large strategic partnership	Unassigned - Local Authority	£21,000,000.00	May-12	31	25	25	25	25	25	25	25	£10,000,000.00	2,000.00	1	£14,000,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Local Govt	Local Govt	PCS sub in Future bidding for large strategic partnership	Unassigned - Local Authority	£21,000,000.00	May-12	31	25	25	25	25	25	25	25	£12,500,000.00	2,500.00	1	£14,000,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Other	Other	Proof of Concept	Unassigned - National	£1,200,000.00	Jun-12	31	25	25	25	25	25	25	25	£1,800,000.00	20,000.00	7.2	£1,440,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Other	Other	Proof of Concept	Unassigned - Other	£50,400.00	May-12	31	25	25	25	25	25	25	25	£50,400.00	700.00	7.2	£50,400.00	£0.00	£0.00	4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Other	Other	GB group	NDPB	£80,000.00	May-12	31	25	25	25	25	25	25	25	£80,000.00	2,000.00	10	£80,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Other	Other	GB group	NDPB	£1,500,000.00	May-12	31	25	25	25	25	25	25	25	£1,500,000.00	1,500.00	10	£1,500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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Other	Other	GB group	NDPB	£1,500,000.00	May-12	31	25	25	25	25	25	25	25	£1,500,000.00	1,500.00	10	£1,500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Other	Other	GB group	NDPB	£1,500,000.00	May-12	31	25	25	25	25	25	25	25	£1,500,000.00	1,500.00	10	£1,500,000.00			4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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RESTRICTED – POLICY & COMMERCIAL

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Performance “Dashboards”

RESTRICTED – POLICY & COMMERCIAL

POL Quarterly Review – Key Performance Indicator “Dashboard”

Business Scorecard June 2012

Key Performance Indicators	Current Month			Year to Date			Prior Year	Full Year			2011-12 Outturn
	Act	Target	Var	Act	Target	Var		F'cast	Target	Var	
Growth											
Total Revenue (excluding NSP) £m (Bonus)	76.5	74.9	1.6	250.1	244.7	5.3	240.9	1,015.8	1,015.8	0.0	979.7
Total Net Income (excl NSP) £m	68.1	65.7	2.4	221.9	215.8	6.1	212.3	897.9	897.9	0.0	865.3
Operating profit £m (Bonus)	10.6	5.1	5.5	28.5	24.2	4.2	16.2	84.0	84.0	0.0	61.3
Free cashflow £m	(41.7)	(35.0)	(6.6)	390.1	351.3	38.7	79.9	(85.3)	(85.3)	0.0	(15.0)
Collections & Returns ability to serve RM (Milestones)	0	1	(1)	0	1	(1)	N/A	8	8	0.0	N/A
FOoG bid wins (value won) (Rev £m)	0.4	1.0	(0.6)	1.3	2.9	(1.6)	N/A	11.7	11.7	0.0	N/A
Customer											
Customer Satisfaction	85.0%	88.0%	(3.0)%	86.3%	88.0%	(1.7)%	85.1%	88.0%	88.0%	0.0%	86.9%
Queue time % < 5 minutes - Top 1k branches (Bonus)	70.8%	75.5%	(4.7)%	70.6%	75.8%	(5.2)%	74.3%	78.9%	78.9%	0.0%	77.8%
Welcome & Farewell - (mystery shopped) - Top 1k branches	87.3%	85.9%	1.4%	85.1%	85.9%	(0.8)%	80.5%	85.9%	85.9%	0.0%	81.5%
Call Centres 3D (Bonus)	103.1%	100.0%	3.1%	101.9%	100.0%	1.9%	100.4%	100.0%	100.0%	0.0%	105.5%
Retail Standards (actual) - Top 1k branches	90.4%	84.9%	5.5%	90.4%	84.9%	5.5%	82.5%	84.9%	84.9%	0.0%	84.1%
Horizon availability	99.9%	99.6%	0.3%	99.9%	99.6%	0.3%	99.8%	99.6%	99.6%	0.0%	99.5%
Branch - Compliance (new basket)	98.5%	95.0%	3.5%	97.6%	95.0%	2.6%	N/A	95.0%	95.0%	0.0%	N/A
Modernisation											
Crown Profit £m (Bonus)	(2.8)	(3.7)	1.0	(8.4)	(10.6)	2.3	N/A	(40.3)	(40.3)	0.0	(47.9)
Engagement Index % (Once a year)	64%	65%	(1.0)%	64%	65%	(1.0)%	58%	65%	65%	0.0%	64%
Network Conversions (Mains & Locals) (Bonus)	1	1	0	211	211	0	N/A	1200	1200	0	N/A
IT Transformation (Milestones)	2	2	0	5	7	(2)	N/A	12	12	0	N/A
Bonus worthy metrics											

RESTRICTED – POLICY & COMMERCIAL

POL Quarterly Review – Network Transformation “Dashboard”

Network Transformation Programme Scorecard - Implementation
May 2012

Metric Sponsor	Key Performance Indicators	Act	Current Month Target	Var	Act	YTD Target	Var	Q1	Q2	Q3	Q4	F'cast	Full Year Target	Var	Notes
	Financials														
	Investment £m	0.0	(0.3)	0.3	0.0	(0.3)	0.3	(2.5)	(5.2)	(12.8)	(17.7)	(29.4)	(38.2)	8.8	£10k payment On-Site Mains re-classified
	Investment - Mains £m	0.0	(0.2)	0.2	0.0	(0.2)	0.2	(2.2)	(5.1)	(9.7)	(16.0)	(24.1)	(32.9)	8.8	
	Investment - Mains - Urban £m	0.0	n/a	n/a	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Investment - Mains - Rural £m	0.0	n/a	n/a	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Investment - Locals £m	0.0	(0.1)	0.1	0.0	(0.1)	0.1	(0.3)	(0.2)	(3.1)	(1.7)	(5.3)	(5.3)	0.0	
	Investment - Locals - Urban £m	0.0	n/a	n/a	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Investment - Locals - Rural £m	0.0	n/a	n/a	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Compensation £m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(4.8)	(25.6)	(28.7)	(68.0)	(59.1)	8.9	as Compensation from Investment
	Compensation - Mains £m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(4.2)	(9.9)	(17.8)	(40.7)	(31.9)	8.8	
	Compensation - Mains - Urban £m	0.0	n/a	n/a	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Compensation - Mains - Rural £m	0.0	n/a	n/a	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Compensation - Locals £m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.6)	(15.7)	(10.9)	(27.2)	(27.2)	0.0	
	Compensation - Locals - Urban £m	0.0	n/a	n/a	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Compensation - Locals - Rural £m	0.0	n/a	n/a	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Staff Costs £m	(0.8)	(1.3)	0.5	(2.0)	(2.6)	0.6	(4.0)	(4.4)	(4.3)	(4.3)	(17.1)	(17.1)	0.0	
	Total Programme Costs £m	(2.3)	(3.0)	0.6	(4.0)	(5.8)	1.8	(9.4)	(23.9)	(49.0)	(62.2)	(144.5)	(144.5)	0.0	YTD Variance caused by Legal, Staff & IT Costs
	Reduction in Core Tier Payments £m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5	0.0	
	Programme Performance - Rollout														
	Visit 1 - No. of branches	1,526	1,000	526	2,016	2,000	16	3,000	0	0	0	3,000	3,000	0.0	2,016 as at Thursday 14th June -includes Multiples.
	Visit 2 - No. of branches	0	0	0	0	0	0	0	0	0	0	0	0	0.0	No Visit 2's as yet
	No. of Branch Drop-outs	178	tbc	tbc	178	tbc	tbc	1,000	0	0	0	33%	33%	0.0	Expectation is 33% of Visits
	Drop-outs after Visit 1 - Mains	0	tbc	tbc	0	tbc	tbc	0	0	0	0	tbc	tbc	0.0	
	Drop-outs after Visit 1 - Locals	0	tbc	tbc	0	tbc	tbc	0	0	0	0	tbc	tbc	0.0	
	Drop-outs after Visit 2 - Mains	0	tbc	tbc	0	tbc	tbc	0	0	0	0	tbc	tbc	0.0	
	Drop-outs after Visit 2 - Locals	0	tbc	tbc	0	tbc	tbc	0	0	0	0	tbc	tbc	0.0	
	Approved Projects	0	0	0	0	0	0	0	0	0	0	1,345	1,345	0.0	Nil P2
	Total Implementations	0	tbc	tbc	211	tbc	tbc	0	0	0	0	1,200	1,200	0.0	Pilot Figures as at Friday 15th June
	Mains Implemented	0	tbc	tbc	29	tbc	tbc	0	0	0	0	400	400	0.0	Pilot Figures as at Friday 15th June
	Mains Implemented - Urban	0	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Mains Implemented - Rural	0	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Locals Implemented	0	tbc	tbc	182	tbc	tbc	0	0	0	0	800	800	0.0	Pilot Figures as at Friday 15th June
	Locals Implemented - Urban	0	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Locals Implemented - Rural	0	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Branch Performance														
	Average Increase in Opening Hours	89.3%	40.0%	49.3%	89.3%	40.0%	49.3%	n/a	n/a	n/a	n/a	40.0%	40.0%	0.0%	P2 Figures
	Average Increase in Opening Hours - Mains (Hrs)	41.0%	40.0%	1.0%	41.0%	40.0%	1.0%	n/a	n/a	n/a	n/a	40.0%	40.0%	0.0%	P2 Figures
	Average Increase in Opening Hours - Locals (Hrs)	97.0%	40.0%	57.0%	97.0%	40.0%	57.0%	n/a	n/a	n/a	n/a	40.0%	40.0%	0.0%	Data for P2
	Average Queuing Times Mains ≤ 5 minutes	2m 44s	≤ 5 mins	2m 16s	2m 44s	≤ 5 mins	2m 16s	n/a	n/a	n/a	n/a	≤ 5 mins	≤ 5 mins	0.0	Data for P2
	Average Queuing Times Locals ≤ 5 minutes	41s	≤ 5 mins	4m 19s	41s	≤ 5 mins	4m 19s	n/a	n/a	n/a	n/a	≤ 5 mins	≤ 5 mins	0.0	
	Customer Satisfaction - Locals/Mains ≥ 90%	95.0%	90.0%	5.0%	95.0%	90.0%	5.0%	n/a	n/a	n/a	n/a	90.0%	90.0%	0.0%	As at May 2012. 95% for both Mains & Locals
	No of Customer Complaints	0	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	No current year data
	Emergency Funding Request - Operator Self Funded	3	n/a	n/a	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	P2 & Cum figures - Relate to 2 Branches
	Emergency Funding Request - PO Funded	0	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Nil PO Funded requests YTD - P2
	Stakeholder														
	Operator Satisfaction with the Model	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	n/a	n/a	0.0%	0.0%	0.0%	Target T.B.C.
	Operator Satisfaction with the Conversion Process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	n/a	n/a	0.0%	0.0%	0.0%	Target T.B.C.
	No. of Consultations entered into (Off Site Conversions)	0	0	0	0	0	0	n/a	n/a	n/a	n/a	0	0	0	Nil P2
	No. of Consultations On-going	0	0	0	0	0	0	n/a	n/a	n/a	n/a	0	0	0	Nil P2
	No. of Consultations - Decision to progress	0	0	0	0	0	0	n/a	n/a	n/a	n/a	0	0	0	Nil P2
	No. of Consultations - Decision not to progress	0	0	0	0	0	0	n/a	n/a	n/a	n/a	0	0	0	Nil P2