

**Royal Mail Group**

# **Review of Network Business Support Centre Processes**

**Post Office Limited /**

**Royal Mail Customer Services**

**Internal Audit & Risk Management**

**Report: 09/013**

**July 2009**



## Contents & Distribution

### Contents

<b>Executive Summary</b>	<b>Page</b>
<b>Overview</b>	3
<b>Control Assessment and Key Findings by Scope Area</b>	4
<b>Appendices</b>	
<b>Appendix A – Detailed Findings</b>	6

### Distribution

#### **Executive Summary & Appendices**

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#### **Executive Summary**

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### Review Team

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## Executive Summary: Overview

### Background

The Network Business Support Centre (NBSC) was established in 1999 to support the rollout of Horizon in the branch network. Today, the NBSC provides support to all Post Office Limited (POL) branches for all policy, procedure and product enquiries. It is operated on behalf of POL by Royal Mail Customer Services (RMCS) via Group Shared Services (GSS), who manage the interface. The NBSC is located on 2 sites – Dearne House in Barnsley and a smaller operation at Doxford in Sunderland. It employs around 60 staff and in 2008/9 handled 512k calls, around 1,600 a day, from the POL network.

In November 2007 a voice mailbox system was introduced for non-urgent (eg non-customer waiting) calls to smoothe peaks and troughs and allow prioritisation of inbound calls, whilst at the same time contributing almost £500k pa in cost savings. Live calls are subject to a grade of service (GoS) target of 80% of calls answered within 20 seconds. In 2008/9 reported performance was 84.3%. The target for voice mailbox calls (established during 2008/9) is that 97% of calls are returned within 24 hours. At period 2 in 2009/10 performance was running at 95%.

The NBSC is financed via an inter-business charge by RMCS to POL which, in 2008/9, was £2.8m.

### Objective and Scope

To perform an independent review of the processes deployed in the NBSC, specifically in order to determine whether:

- Effective policies and procedures exist, are deployed and are regularly reviewed to ensure the controls in place mitigate the risks;
- Management information is fit for the purposes of end users;
- Service provision is cost-effective and meets the requirements of current Service Level Agreements; and
- Effective business continuity and disaster recovery policies and procedures are in place, functioning appropriately and are tested regularly.

### Rating

**RISK TO GROUP:** The NBSC represents a **Low** risk to Royal Mail Group in terms of Group materiality, but a **Medium** risk to POL in view of the potential impact on its ability to transact business.

**CONTROL ENVIRONMENT: Some Improvement Required.** The arrangement between RMCS and POL is not supported by any signed contract or service level agreement (SLA), nor is service provision formally discussed between the parties. POL have concerns over the quantity and detail of the management information they receive and the GoS calculation contains a correction factor that is now inappropriate and artificially inflates the reported figure in some circumstances.

### Summary

The standard of service provided by RMCS has not been formally agreed with POL by means of a contract underpinned by a detailed SLA. GSS have drafted an SLA for general contact centre service provision and a further SLA covering voice mailbox calls, but these require augmenting with detailed key performance indicators before formal agreement with POL.

The management information provided to POL is limited to the GoS performance and a brief explanation where the target is missed. Greater transparency of reporting is required, especially of the GoS calculation and reasons for failure. POL does not currently receive wider service quality information, such as first time call resolution, cost per call or time taken to resolve referrals (where advisors are unable to answer queries immediately and so pass them on to a referrals team). POL's requirements of RMCS, in terms of the provision of management information, should be detailed in an SLA.

Consultants have reported previously that, in relation to external contact centre service providers, the NBSC offers a good overall service at a lower cost than comparable operations. Current performance is comparable to this benchmarked level however work is currently ongoing to establish if NBSC costs remain in line with industry standards.

The number of complaints about the NBSC from the network is low, averaging 1 for every 3,500 calls into the NBSC, indicating that branches and subpostmasters are generally satisfied with the service. GSS have initiated proactive calls to branches who either make no or excessive calls to the NBSC and work with subpostmasters directly to discuss and improve service provision.

Both sites are covered by crisis and continuity plans and external assurance has been provided on the ability to continue operations at an external backup site in the event of a major incident at Dearne House.

## Executive Summary: Control Assessment and Key Findings by Scope Area

**Objective:** To provide an assessment of the processes deployed in the NBSC.

Scope Area	Key Findings	Rating & Reference
Effective policies and procedures exist, are deployed and are regularly reviewed to ensure the controls in place mitigate the risks.	There is no agreed contract or SLA defining the requirements and obligations of each party. Both POL and GSS have drafted SLAs, based largely on historically agreed KPIs, but neither has been agreed or signed bilaterally. Data to support analysis of the reasons for GoS failures is limited so failures are neither well understood nor well reported, hampering the identification of corrective actions.	1.1 1.2 1.3
Management information is fit for the purposes of end users.	POL receive a weekly report and a monthly summary covering all contact centres but do not consider that the management information they receive is adequate or meets their requirements. The reported GoS figure contains an outdated correction factor that means that under some circumstances it will be higher than the actual GoS. The reported GoS is further inflated by the inclusion of voice mailbox calls in the calculation and GoS is not calculated for queries that have to be passed to the referrals team. Exception reports are produced in the event of GoS failures but there is limited detail on reasons for failure.	2.1 2.2 2.3 2.4
Service provision is cost-effective and meets the requirements of current Service Level Agreements.	No SLA, defining service requirements, has been agreed but complaints about the NBSC from the network are very low, indicating postmasters are generally satisfied with the service they receive. Previous external benchmarking concluded that NBSC compared favourably with similar external contact centre service providers on both service and cost. GSS make proactive calls to branches who either make no or excessive calls to the NBSC and work with subpostmasters directly to discuss and improve service provision.	3.1 3.2 3.3
Effective business continuity and disaster recovery policies and procedures are in place, functioning appropriately and are tested regularly.	Crisis and business continuity plans exist for the Dearne House site (including NBSC) and are tested annually in the form of both a simulated (desktop) walkthrough and a physical disaster recovery test. Both tests were regarded as being successful when last run, with external assurance from CSC being provided on the capability to physically continue operations using the external backup site.	4

Ratings:

Satisfactory

Some Improvement Required

Not Satisfactory

Implementation timetable by quarter			
Importance	No of actions	Completed	By Dec 09
Priority 1	1	-	1
Priority 2	3	-	3

# Appendices



## Detailed Findings

## Appendix A

The following issues were identified during the review and the corrective action and timescale were agreed with the business. All of the actions shown are deemed important. However, a further ranking (1-2) has been provided to assist in prioritisation. Priority 1 relates to the higher risk issue.

Issue	Agreed Action Plan	Action Owner	Timing
<p><b>1. Policies and procedures</b></p> <p><b>1.1 Contract/SLA</b></p> <p>Although each party has drafted their own SLA, there is currently no jointly agreed contract or SLA in place. As a result POL's requirements of RMCS, including the provision of management information, are not defined, nor are RMCS' requirements of POL in relation to lead times for the notification of changes to the network that impact the NBSC. The contract/SLA should also be transparent in terms of the costing and pricing structure for current and potential future services provided. Both current and ongoing POL requirements should be channelled through a central coordinating contact.</p> <p><b>1.2 Grade of service failures</b></p> <p>Causes of GoS failures are neither well understood nor well reported. Potential reasons for failures such as late notification to RMCS of changes to the network or postmaster non-conformance (eg not reading promotional material) are not captured and no detailed variance analysis is carried out. Failures are not adequately explained by variations to forecast of call numbers received and very little detail is provided to POL.</p> <p><b>1.3 Voice mailbox volume forecasting</b></p> <p>The number of voice mailbox messages is not forecast. Forecasting these calls, which comprise around 20% of offered calls, would improve the accuracy of the overall forecast and so assist in staffing to workload.</p> <p><b>Business Impact:</b></p> <p><i>Without a detailed SLA between the parties, there is a risk that the NBSC does not meet the requirements of POL management or of the branches/subpostmasters – either because RMCS fails to provide the required grade of service to the network or because POL fails to meet its obligations to RMCS to facilitate this.</i></p>	<p>1. Co-ordinate the compilation and agreement of an SLA governing the standards of service, cost effectiveness and management information provided by the NBSC. All current and future POL requirements to be collected by and channelled through Dave Hulbert. <b>(Priority 1)</b></p> <p>2. Provide detailed reasons for GoS failures in line with the specification provided within the SLA and extend call forecasting to include voice mailbox calls. <b>(Priority 2)</b></p>	<p>Kendra Dickinson / Dave Hulbert</p> <p>Kendra Dickinson</p>	<p>Oct 09</p> <p>Dec 09</p>

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<p><b>2. Management information (MI)</b></p> <p><b>2.1 User requirements</b></p> <p>POL do not consider that the MI they receive is adequate or meets their requirements, particularly in relation to cost and quality of service provision. GSS collect more performance data than is reported to POL, who have yet to determine and agree their requirements with GSS by means of a formal contract or SLA.</p> <p><b>2.2 Grade of service calculation</b></p> <p>The reported GoS figure does not always reflect actual performance. A correction factor exists whereby if either the number of received calls or the workload (derived from the actual handling time associated with each call) are greater than 5% above the forecast values, then the reported GoS figure defaults to the 80% target. This adjustment dates back to when the forecast was provided to RMCS by POL but, since forecasting is now done by RMCS, is no longer valid as it may drive inappropriate behaviour. Additionally, voice mailbox calls, which are automatically answered within 20 seconds, are included in the calculation, artificially inflating it.</p> <p><b>2.3 Referrals</b></p> <p>GoS is not reported for referrals (where the adviser is unable to resolve the query and so passes it to a referrals team). No report is available detailing when a query was passed to the referrals team or when they resolved it.</p> <p><b>2.4 Logging of message broadcast system (MBS) code</b></p> <p>Causes of surges in call volumes are not captured or reported. Changes which require attention by branches are frequently notified to branches via the MBS facility on Horizon. These messages can result in surges in calls to the NBSC and so affect GoS, but the message reference number is not captured. As a result actual call volumes attributable to individual MBS are not known, hampering reporting in the case of GoS failures.</p> <p><b>Business Impact:</b></p> <p><i>Without accurate, comprehensive and timely management information, the identification and implementation of performance improvement activities is restricted.</i></p>	<p>See action 1 above.</p> <p>3. Cease the adjustment to reported GoS based on calls above forecast. <b>(Priority 2)</b></p> <p>See action 1 above.</p>	Kendra Dickinson	Dec 09

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<p><b>3. Service provision</b></p> <p><b>3.1 Meeting the requirements of the network</b></p> <p>The business requirements of the network have not been defined, documented or agreed within the context of a contract or SLA. As a result it is not possible to conclude whether the various service standards in place are appropriate or are driving appropriate behaviours. RMCS record incoming calls and use these for internal quality assurance and training purposes. Work is underway, via the Making Branch Life Easier initiative, to establish how service provision can be tailored to the requirements of the network (eg pro-actively contacting branches who either call the NBSC excessively or do not call at all and offering a “nursery group” for new subpostmasters). GSS have also been working with subpostmasters, both via presentations to the National Federation of Subpostmasters (NFSP) and a focus group of the NFSP. Although the NFSP has recently commenced a limited “mystery shopper” initiative, there is no direct measure of subpostmaster satisfaction with the service provided. Such a measure should be devised and incorporated into the SLA.</p> <p><b>3.2 Cost-effectiveness</b></p> <p>External consultants engaged by POL benchmarked the NBSC in 2004 and concluded it was “achieving good overall performance”. Available data suggests that NBSC's current performance is broadly in line with the benchmarked level, so it is reasonable to assume that a current comparison would be favourable, especially given that approximately £500k of costs were taken out of the NBSC in November 2007 with the introduction of the voice mailbox system. Work is currently ongoing to establish if NBSC costs remain in line with industry standards. Any potential savings identified from this activity will be discussed between POL and GSS.</p> <p><b>3.3 Complaints</b></p> <p>The volume of complaints concerning the NBSC from the network is very low. In 2008/9, 148 complaints were received arising from over 500k calls to the NBSC suggesting that postmasters and branches are generally satisfied with the service provided by the NBSC.</p> <p><b>Business Impact:</b> POL may not be getting value for money or getting the optimum balance of quality and cost.</p>	<p>See action 1 above.</p> <p>4. Conclude ongoing external analysis to verify that the annual cost of NBSC is in line with the industry standard and whether further savings potential exists. <b>(Priority 2)</b></p>	<p>Dave Hulbert</p>	<p>Dec 09</p>



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<p><b>4. Continuity and disaster recovery arrangements</b></p> <p>Crisis and business continuity plans exist for the Dearne House site in general and the NBSC in particular. These are tested annually in the form of both a simulated (desktop) walkthrough and a physical disaster recovery exercise in tests jointly administered by representatives from both POL and RMCS. Both were regarded as being successful when last run (in November and August 2008 respectively), with external assurance from CSC being provided on the capability to physically continue business as usual operations using the external Sungard backup site at Elland. However, there are doubts within POL over whether the cost of the Sungard site is justified. The November exercise resulted in a number of action points for GSS which still need to be discharged. A similar continuity plan also exists for the Doxford site, last updated in February 2008.</p> <p><b>Business Impact:</b></p> <p><i>Without robust, documented crisis and continuity plans in place that have been communicated and are regularly tested, the service is susceptible to disruption causing difficulties for subpostmasters and branches in transacting business.</i></p>			