



## High Level Blueprint

### Cheque Acceptance and Cheque Issue – End-To-End Operational Review

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Change Originator	Martin Box – Supply Chain Programme & Operational Efficiency – <span style="border: 1px solid black; padding: 2px;">GRO</span> <span style="border: 1px solid black; padding: 2px;">GRO</span>
Business Solutions Manager	Sukhi Kaur – <span style="border: 1px solid black; padding: 2px;">GRO</span>
Financial Analyst Assessed ?	Patricia O'Neill – <span style="border: 1px solid black; padding: 2px;">GRO</span>
Budget Code Assigned ?	2544163
Sponsoring Directorate	<span style="border: 1px solid black; padding: 2px;">Operations</span> <span style="border: 1px solid black; padding: 2px;">▼</span>

To be completed by the DIA Team following High Level Blueprint Assessment Forum

HLBP number : RS 1499

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<b>Date</b>	<b>: 06/02/08</b>
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## **1. SOURCE OF IDEA**

Is the Change?

Planned

Post Office Led

If the change is Strategic please identify the primary Strategic Initiative that this change is linked to. (To be completed in conjunction with the Strategic Programme Office)

**GRO**

Operational Efficiency

Please use dropdown box to indicate the alignment of this HLBP with the Strategic Plan and provide an explanation in the space below.

**3 - Strong link to, or key component of, one or more strategic initiative:**

## **2. BACKGROUND OF CHANGE**

Post Office LTD accepts cheques for payment of goods for many services over the Post Office counter. We spend £ms per annum supporting cheque processing, cheque error resolution, cheque losses/write off and resulting bank charges.

At a recent POL Conformance and Compliance workshop, Operational Efficiency & P&BA plans were reviewed. The working group endorsed Operational Efficiency and P&BA proposals that we should conduct a POL wide feasibility on cheque acceptance. The working group also endorsed that we looked at the cheque issuing from our Cash Centres to see if an alternative approach can be taken forward.

The working group acknowledged that there is currently silo-based activities taking place on cheque acceptance across the company, but this has not been brought together in one business wide activity. Areas such as Security, Product Teams, P&BA, Area Intervention are looking at isolated issues and incidents, but no holistic view is taking place, hence the need for a full feasibility study.

## **3. DESCRIPTION OF CHANGE**

Undertake a full feasibility study that ascertains the answers to the following questions [along with the points documented in section 5] and proposes resolutions where there are issues:-

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- Why Subpostmasters/branches do not comply with current cheque processes
- If our current Ops Manuals and initial training for cheque acceptance is fit for purpose.
- If we provide branches with confusing and/or contradictory instructions regarding cheque acceptance, such as differing acceptance rules from one product to another and cheques that can and can't be made payable to POL and/or to the Clients
- Whether there any Horizon Method Of Payments inconsistencies
- What the levels of handwritten cheque errors that are caused by human error
- What 'easy way round' Horizon there is for changing cheque data
- The levels and types of known fraud whether product, branch or customer
- The issues caused by a lack of a tracking system: from transaction at the branch; from despatch at the branch; to receipt and process at EDS. Assessment to include what reference data and/or APADC and/or APOP changes could be made to alleviate current issues
- What the full costs are for the cheque method of payment
- What the delays are to POL receiving credit and the financial impact this has on the company

#### **4. OBJECTIVE**

Production of a feasibility report that examines in detail all aspects of:-

- cheque acceptance at Post Office branches;
- impact of branch cheque acceptance within P&BA;
- cheque payments at both the branches and cash centres,
- completion of personal banking transactions and impacts on back end systems;
- impact of branch and cash centre cheque payments within P&BA.

#### **5. SCOPE**

In addition to the points within section 3, the Feasibility Report is to:-

- Assess the products we accept cheques for at Post Office Counters and supporting data analysis by client such as current volumes and costs

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- Assess the current levels and historical levels, including average values and levels of branch errors
- Document alternative payment methods such as Debit Card payment for goods purchased such as MVL discs, bill payments
- Assess the impact of change on Client contracts
- Assess the impact of change on the EDS contract
- Assess the feasibility of cheque writing at the counters for any remaining products. This is to include all advantages of printing cheques not just elimination of errors, such as the potential to capture transactional and/or customer details data on reverse of the cheque to aid recovery of unpaid cheque debt
- Consider the alternatives to current EDS clearing process
- Assess the full consideration as to whether alternative proposals will close down fraud issues or transfer the issue to remaining business processes
- Assess the impact on banking industry changes
- Document current, historical and potential future levels of Bank charges
- Document the current and historical levels of EDS charges
- Assess feasibility of data capture [MICR line or imaging] at POS. This could lead us to automating the icons on Horizon to stop personal banking being encashed against the wrong bank
- Assess whether we could or should consider charging for cheque acceptance. This might deter usage, but also enable us to cover our costs
- Make recommendations for improving in branch competencies
- Make recommendations for improving in branch controls
- Make recommendations for improve communications
- Make recommendations for how POL could carry out enforcement of any continued non-compliance for cheque acceptance, e.g. contractual 3 months notice of persistent offenders
- Assessment of personal banking transactions and the impacts on back end systems and processes
- Assess the products we make cheque payments for over the Post Office Counter
- Document potential alternative for making payments including costs and benefits
- Assess the products we make cheque payments for at Cash Centres, including volumes and costs

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- Assess the business implications of the cessation of cheque issuing from our cash centres

### What is the HLBP Forum being asked to approve?

#### Approval for a Feasibility Study

Operational efficiency, working closely with P&BA, will take the lead on this feasibility.

2 suitably skilled business analysts are requested to work full time on the production of the feasibility report and the HLBP forum is requested to endorse this resource request.

### 6. CHANNELS IMPACTED

Channel	Details
Internet	Yes
Contact Centres	Yes
Crown Office	Yes
Commercial Agents	Yes
Community Agents	Yes

It should be noted that the following stakeholders will be consulted during the production of the feasibility report:-

- RM Group – Martin Humphries – Regulation, legal services,(Claire Wardle)
- Royal Mail
- ParcelForce
- Marketing – Client managers, RAPID
- Ian Sadler – POL Payment Policy
- Finance – including P&BA and audit
- Outlet support (including network and training team)
- Operations (change IS)
- Kevin Gilliland's team – agency business development eg NFSP liaison
- Supply chain

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- Ops control – commercial manager – EDS
- Security
- External PR
- Internal comms
- Sales (MI)

## **7. TIMESCALE**

Feasibility to be completed February 2008 through to September 2008.

## **8. KNOWN CONSTRAINTS AND RISKS**

- Social network responsibility. Can we / can't we do anything significant from a political point of view?
- Impact on sister businesses of change
- Impact on clients and client contracts
- Potential loss of customers
- Notice period of any change
- Current banking legislation
- Regulatory requirements
- Legal requirements
- Financial markets view on the long-term use of cheques
- Liquidity, i.e. the costs of delays in clearing
- HNGX development restrictions

## **9. FINANCIAL CASE**

£100k budget has been requested by Ops Efficiency Programme for 2008/09 to undertake this feasibility and any minor resulting system change costs. P&BA have requested activities to be completed for cheque initiatives during 2008/09. It is unclear if there has been budget provision agreed for the P&BA activities.

The feasibility may require external benchmarking costs and the use of bought in financial specialists to take this forward. This is to be assessed in the initial scoping phase for feasibility report production. If this is proven to be required, a business case will be produced.

The feasibility will provide the estimated costs of any business and/or system change.

It is also important to note that recent changes in the banking industry means that POL could be exposed by £27m loss due to "Certainty of Fate Funds" risk. POL accepts c. £9bn of cheques each year, with c. £100m being returned unpaid. Only 73% of cheques accepted in branches are adhering to the timescales. It is therefore imperative that we have identified all possible ways of reducing this risk.

The feasibility will also provide the benefits that maybe possible such as:-

- Reduction in EDS costs
- Reduction Bank charges
- Reduction in P&BA staff costs
- Reduction in error levels/write offs/Transaction Corrections
- Reduction in fraud levels
- Reduction in NBSC costs
- Potential reduction in Crown Office staff hours due to simplified branch processes
- Any potential impacts on Subpostmaster remuneration
- POL's reputation with clients (intangible)

In addition, please complete the following sections where known/relevant

<b>Has Funding provision been made within this year's budget?</b>	<input type="checkbox"/> <b>No</b>	<b>Please provide details</b>	However, £100k has been requested by Ops Efficiency for 08/09
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Does the change generate :-

<b>Additional Revenue Expenditure?</b>	<input type="checkbox"/> <b>No</b>	<b>Please provide details</b>	Not Applicable
<b>Additional Capital Expenditure?</b>	<input type="checkbox"/> <b>No</b>	<b>Please provide details</b>	Not Applicable
<b>Additional Income?</b>	<input type="checkbox"/> <b>No</b>	<b>Please provide details</b>	Not Applicable

<b>Will costs be recovered from 3<sup>rd</sup> parties (clients)?</b>	<input type="button" value="No"/> <input type="button" value="Yes"/>	<b>Please provide details</b>	Not Applicable
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<b>Are there any impacts if this change is not delivered?</b>	<input type="button" value="Yes"/> <input type="button" value="No"/>	<b>Please provide details</b>	The financial benefits will not be achieved and we do not mitigate our substantial financial risks. We do not move our business forward and significantly threatens Ops Efficiency 5to11 targets
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**10. IT STRATEGY IMPACT** (To be completed in conjunction with the Business Solutions Manager)

*Has this change been reviewed against the IT strategy?*

<input type="button" value="No"/> <input type="button" value="Yes"/>
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## High Level Blueprint Forum Assessment -

### 06/02/08

	Yes	No	N/A	Detail
HLBP has Strategic Fit	✓			
HLBP has IT Strategy Fit			✓	
HLBP has Finance Authorisation	✓			
HLBP has Forum Authorisation	✓			
HLBP requires IRF decision			✓	

	Feasibility	Pilot/Trial	PACE	PLC	Other
Forum authorisation for HLBP to	✓				

#### C&IS Resource required

Feasibility	Delivery	Resource
		Business Solutions Manager only
		Supplier / external resource for Feasibility Study
		Business Analyst
		Project Manager
		Business Change Manager
		DA
		Testing
		PMO
		Programme Manager
		External specialist resource ( <i>please specify</i> )

#### Additional Forum Notes

- Sukhi Kaur to invite Ann Clarke to a scoping meeting to discuss P&BA cheque activities e.g. Faster Payments.
- Analyst resource is an issue for this activity to be identified via the workshop.
- Engage Steve Simms, supply chain.
- Engage Richard Poulton, Ops Control.

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- Consider the impact on official mail budget costs.
- Engage Saunder Narayan, Design Authority.
- Engage Warren Dare, BSM Sales, over web impacts.
- Note: WHS Travel Kiosks do not accept cheques currently.