



## POST OFFICE LIMITED GROUP EXECUTIVE REPORT

<b>Title:</b>	Operational Excellence Programme Update	<b>Meeting Date:</b>	31 <sup>st</sup> January 2024
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### Input Sought: Noting

Following commencement of the Operational Excellence Programme in June 2023 and the first GE update in November 2023, GE is asked to note the further progress made on both the network wide projects and business as usual activity and planned next steps to improve operational robustness in the network and in turn reduce the risk of loss for Postmasters, Strategic Partners and Post Office.

### Executive Summary

Identifying and implementing a plan to reduce the volume and value of discrepancies in the network is a key business priority in half 2 of 2023/24 and into 2024/25. The Operational Excellence Programme was established in June 2023, its objective being to review the end to end Postmaster Journey and identify and implement improvements. The Programme Governance is reporting across 2 workstreams, both of which include a number of projects that together will deliver a significant improvement in the operational robustness of branches and as such the volume and value of discrepancies:

1. Monitoring the network wide projects being driven by other teams, including:
  - Note Counter Trial and roll out
  - Auto Stock Rem in
  - Operational Excellence Incentive
  - Lottery Exit
2. Delivering the business as usual improvement activity, including:
  - Operations Manual Review
  - 0-6 months branch support framework
  - Operational Excellence visits
  - Branch level management Information
  - End to end reporting of discrepancies
  - Loss Recovery

The GE is asked to note:

1. The year to date discrepancy and loss position as at period 9
2. Progress made on both the network wide projects and business as usual activities
3. Next steps and timelines



## Report

### Current Financial Position as at P9

1. The period 9 year to date charge for Postmaster losses is **IRRELEVANT** (adverse to budget). The amount provisioned for balances on postmaster accounts currently totals **IRRELEVANT** (current postmasters and **IRRELEVANT** former postmaster).
2. A single branch loss of **IRRELEVANT** was provisioned in P7 and continues to remain provided for while under police investigation. Excluding this one-off postmaster loss, **the underlying variance to budget on current and former losses is IRRELEVANT favourable to budget.**
3. The overall net **IRRELEVANT** favourable variance in Postmaster account losses is however offset by **IRRELEVANT** position on counterfeit note and Royal Mail Special Delivery losses, and **IRRELEVANT** adverse from increase in missing cheques, personal banking errors and cash assurance activities within the network.

### Networkwide initiatives

4. **Note Counters:** 40 branches have been confirmed for the Glory 220 Note Counter trial, and delivery of note counters, training material and counterfeit note detection guidance is complete. Field trainers will visit branches to ensure the note counters have been set up correctly and all branch colleagues are confident in their correct use. The trial will run from 1<sup>st</sup> February 2024 until end of July 2024 and benefits will be tracked and reported to the monthly Steerco. Funding for further roll out of note counters, pending a successful trial outcome, has been allocated in the 2024/25 budget. Providing note counters to high risk branches will support the ongoing Banking Framework 4 negotiations.
5. **Auto Stock Rem in:** Fujitsu delivery dates have slipped by **IRRELEVANT** with the current plan targeting **IRRELEVANT** for the pilot, and full deployment in **IRRELEVANT**. Additional funding has been requested to support this delay. Other considerations linked to landing this project currently being worked through are:
  - **IRRELEVANT**
6. **Operational Excellence Incentive:** to ensure branches are set up to take full advantage of this remuneration payment, several other activities (operations manual and training review) need to be rolled out and embedded in the network prior to the incentive going live. To allow for this, and to release funding for the roll out of note counters pending a successful pilot, the launch date has been postponed, with first payment due to be made in September relating to data recorded in September.



7. **Lottery Exit:** is progressing well and work is underway to ensure branches are prepared for exit on the 31<sup>st</sup> January. Branch preparation for exit has been the subject of field operational excellence visits for a number of months and the detailed communication plan commenced at the beginning of January. The volume of related calls into the BSC and new discrepancy cases suggest branches are engaging with this activity, however the exit on January 31<sup>st</sup> will likely cause additional activity across all teams, which will be managed through the additional resource recruited to support the project.

### **Business as Usual Activity**

8. **Loss Recovery – works in branch:** this covers 2 areas:
  - *recovery of outstanding invoices* – signed agreement forms have been matched against 122 of the 141 outstanding invoices. A sample of 15 postmaster accounts are being reviewed to ensure no payment has been made against the outstanding invoices. Next steps are to develop the process/documents/conversation guides by which we could request payment once approval given by SEG to GE towards the end of February
  - *ensuring a robust process to enable recovery via a deduction from remuneration should a future invoice not be settled* - a review of the end to end project process is complete and improvements are underway. All associated documents are being reviewed to assure legal and CIJ compliance. This revised process will enable earlier recognition of outstanding invoices and if required, support an Auto deduct from rem process that will be presented to GE for approval at the end of February
9. **Network Support and Resolution Case Back log:** The additional Network Support resource has made good progress in reducing the number of outstanding discrepancy cases, **with period 9 ending at 588, the lowest for 12 months**. The number of cases awaiting triage has also **reduced to just over 1200**, the target being to have no case older than the 12 week process. Discussions are ongoing to utilise the BSC to support with outbound calls to PM's as part of the 12 week process.
10. **Area Manager Operational Excellence visits:** Almost 7500 visits have now been completed and data suggests that these visits are making a difference, with **an increase in successful cash declarations, a reduction in the volume of excess cash held in branches and a declining trend in the volume of discrepancies raised via 'review or dispute'**. Visits will continue, with the newly appointed Head of Operational Excellence reviewing the data provided, the support/training of Area Managers and proposed interventions process, to ensure these visits are focussed on driving positive outcomes. This review and any proposed changes are planned to be implemented before the end of March.
11. **Regional Training and Engagement Events:** The Retail Team has committed to deliver 4 Regional events which will include commercial and operational training and an opportunity for PM's to ask questions. These will take place within the next 2 months.
12. **Branch Assurance Visits:** The Head of Operational Excellence will review the visit process and understand if following a visit, and where appropriate, requests for operational support could be made. The reintroduction of 'unannounced' assurance visits,



based on the proposed governance framework previously approved by GE, is planned to be presented back to SEG for approval in March 2024.

13. **End to End discrepancy tracking:** has now been developed as part of the Dynamics refresh project which is due for delivery end Jan/ early Feb 2024. This will enable the teams to track and report all discrepancies created when a branch uses the 'Review or Dispute' button. This will provide greater insight on the root cause and outcome of each discrepancy and give clarity on the volume and value of cases at each stage of the process.
14. **Operating Manual Update:** Scope of work agreed at Retail Committee Nov 23 and work is ongoing to simplify the content, narrate each section and where appropriate link to more detailed training manuals. The Legal team will sign off the updated content once completed and plans are underway to ensure the communications for this, note counter roll out and the Operations Excellence Incentive are fully aligned.
15. **0-6 month Branch Support Framework:** High Level Framework produced and approved by key stakeholders Dec 23. Work is now in progress to agree what activities/competencies/data should be measured at each stage of the new framework and what team should be responsible for doing this. Dynamics cases will be created for all new Postmasters entering the 0-6 month framework to track and evidence the support they receive before being moved through to the BAU field team support.
16. **Tesco training intervention:** Branch colleague training started on 15th Jan and will run until 19th Feb. Branch assurance visits in are planned for 20 branches throughout Feb 2024, to baseline the cash and stock in branch, following which success of the training intervention can be assessed.
17. **Branch on a Page:** Outline functionality has been defined with relevant stakeholders and next steps will determine data availability and build timelines. Implementation will be phased to allow early release of base functionality that can be improved once in circulation.

## Next Steps and Timelines

18. The Operational Excellence Programme will continue to monitor and report on progress on the network wide projects and ensuring the business as usual process improvement activity is delivered via the monthly Steerco.
19. The impact is now being tracked using the KPI Dashboard which will also be reviewed at the monthly Steerco
20. Key business decisions required for the individual projects will continue to be taken to Retail Committee and/or Senior Executive Group (SEG) as appropriate.
21. A further Operational Excellence Programme Update will be provided to SEG in April.