

BUSINESS CASE (WATERFALL)

Operational Excellence – Note Counters

Change Excellence Framework

Strictly Confidential



1. Name and Sponsorship

Initiative Name	Operational Excellence – Note Counters
Business Sponsor	Melanie Parks
Decision Required by	05/03/2024

2. Executive Summary

Following on from the 40 branch Note Counter trial activities, this new business case specifically requests authority to purchase and deploy new note counters with counterfeit note detection to an additional 2,782 Post Office branches. The overall project cost is [IRRELEVANT] in FY24/25 [IRRELEVANT] Capex / [IRRELEVANT] Opex). This business case does not include any scope from the Operational Excellence programme.

Reducing the volume and value of discrepancies and counterfeit bank notes (that are increasingly sophisticated and difficult to detect) in the network, helping our Postmasters run operationally robust and sustainable businesses and in turn reducing the cost impact of losses, is one of our key Retail objectives..

The benefits resulting from this business case which broadly fall into three main categories:

1. The savings to POL from reduced losses arising from branch discrepancies and counterfeit notes (net of maintenance Opex) estimated at [IRRELEVANT] pa recurring (see table at section 10 for a breakdown of these savings).
2. Postmaster profitability: Time saving when transferring cash from the till to the safe. Time savings when accepting deposits from the customer. Preparing cash pouches – preparing the pouches will be quicker and more accurate. Estimated at [IRRELEVANT] recurring.
3. Banking Framework 4 ('BF4') negotiations: [IRRELEVANT]

IRRELEVANT

The rationale for bringing forward this business case now rather than waiting for further date from the 40-device trial is threefold:

1. We are announcing the launch of the new Operational Excellence Incentives in March (for implementation in August) and based on extensive postmaster feedback note counters are viewed as a critical component of this package, ensuring branches have the basic tools to process cash accurately and efficiently.
2. As noted above, [IRRELEVANT]
3. As part of the wider push to close the 2024/25 budget gap, a savings opportunity has now been incorporated into the Retail budget – this figure is only achievable if we are able to place the order for [IRRELEVANT] note counters in March, given the [IRRELEVANT] lead in times.

While waiting for further data from the trial would have provided a more robust evidence base, we believe there is adequate relevant data from the note counters deployed to date and the Tele Cash Recyclers (TCRs) trial to support the estimated benefits, and the view from the relevant subject matter experts is that the benefits stated in this business case are likely to be on the cautious side (i.e. understated).

3. Proposal detail

This business case requests authority to purchase and deploy new note counters with counterfeit note detection to an additional [IRRELEVANT] Post Office branches (taking total branches with new Note Counters (GFS220) to [IRRELEVANT]). Deployment will be undertaken within [IRRELEVANT] period from Business Case approval (subject to hardware purchase/delivery lead time assumptions of [IRRELEVANT]). The overall project cost is [IRRELEVANT] in FY24/25 [IRRELEVANT] Capex / [IRRELEVANT] Opex). POL Supply Chain Director has confirmed that there will be no additional costs for transport/install as these will be undertaken through existing BAU teams.

The branches have been identified based on the highest return against POL direct benefits and therefore largest potential risk (e.g. most significant volume of branch discrepancies and acceptance of counterfeit notes).

Post-deployment, the project will continue to monitor both counterfeit and discrepancy reporting at branch level for a period of [IRRELEVANT] to assure the new equipment usage and business processes is being complied with, in addition to any unexpected technical issues that require rapid response with the supplier.

4. Scope

The following is a list of in-scope activities/outputs for this project, anything not explicitly listed here shall be deemed out of scope:

- Purchase of 2,782 Note Counters (GFS220) for “high cash” branches.
- Note Counter supplier (“Glory”) will produce training videos as additional collateral to support full roll out.
- Creation and application of bespoke asset tags to each Note Counter device (POL property equipment team).
- Support process documented and communicated.
- Branch visit by POL BAU field team to prepare PM for new equipment delivery.
- Note Counter installation by POL Supply Chain resources.
- Provide a starter kit for each device which includes a cleaning kit.
- Counterfeit note detection packs issued including updated RBS counterfeit detection collateral, genuine all denom bank note packs allowing branches to compare suspected fake notes against those issued by central banks.
- Branch summary reports to be shared with programme team weekly.
- KPI's will be tracked via a monthly dashboard including metrics for, Cash transaction corrections, Branch discrepancies, Cash pouch errors, Counterfeits and excess cash.
- Project KPI's to be summarised and shared monthly as part of both project SteerCo and onwards to Operational Excellence SteerCo.
- Project completion report and statistics to be shared at IADG / benefits monitoring.
- Analysis and change request (additional funding) to support future enhancement to Note Counters that extends functionality for branches with ATMs and associated benefits to both branches and POL supply chain. The Note Counters being purchased fully support this enhancement / future benefit.

5. Learnings from Prove Stage

The recent Note Counters trial is in process and the initial learnings are noted below:

Activity Description	Expected Outcome	Measured outcome	Conclusion
Perform trial of new Note Counters at 40 branches	Reduce the P&L impact of losses on branches in the pilot by IRRELEVANT	Trial evidenced an average IRRELEVANT reduction in transaction corrections.	Trial not concluded however it is believed that the IRRELEVANT benefit modelled in this case remains conservative.

Comments from Postmasters during the trial so far have included:

- “It is already saving time as branch have a high volume of cash deposits.”
- “Counter easy to use and speeds up the process of counting & bagging up cash to REM out.”
- “The machine has been used constantly since being delivered the branch takes in lots of business cash deposits as it is set in a busy shopping mall and the machine makes cash deposits so much quicker and easier.”

Other learnings:

- Branch Hub page now live with links to all online documentation to support the face-to-face training and hard copy guidance sent with the note counters.
- Glory have received 2 calls to their helpline and both queries were resolved over the phone (and training materials updated to avoid any further confusion).
- A software update following the new counterfeit variant, will be implemented in the trial branches by Glory engineers who will also be able to support with any queries regarding functionality.
- During the trial period, two different Note Counter models were considered. **IRRELEVANT**
IRRELEVANT
IRRELEVANT The second device (GFS220) was consistently reliable and well received by all bar one Postmaster.
- Two branches returned / declined the Note Counters during the trial, one already had their own device and the other advised that they believed it was increasing their workload (this is under investigation).
- The GFS220 device does **IRRELEVANT** enables the Postmasters to process notes that can be used in **IRRELEVANT** ATMs. As we only have **IRRELEVANT** branches with ATMs across the network then this feature is only useful for a proportion of our branches. Future considerations are:
 - Would having fitness sorting enable CIT deliveries to be reduced and thus drive financial savings?
 - Would there be benefits from the NCR scheme? nothing has been formally agreed at this point, so benefits are uncertain.

6. Impact on Postmasters

IRRELEVANT branches anticipated to benefit from having a note counter that drives three areas of staff savings:

- Time savings when accepting deposits from the customer – relatively small for smaller deposits, exponentially greater saving as the amount increases.

- Time saving when transferring cash from the till to the safe – this is likely the greatest level of saving, as the cash is in higher amounts.
- Preparing cash pouches – if the cash to the safe has been counted by the machine, preparing the rem pouches will be quicker (no second check) and more accurate.

Our time savings calculations are based on synthetic (perfect) timings. For many branches where cash is counted twice, or are slower at counting, the savings will be higher (i.e. our estimates are likely to be conservative for some branches), as evidenced by the back-office time & motion study we performed in 14 branches last year.

7. Financials

Specify Cost Centre codes to be used for OpEx : 112816

Is this Client Funded YES/NO?

Explanation for the amount requested in this drawdown

24/25 OPEX for maintenance (IRRELEVANT) highlighted as a risk in commercial - banking budget. Required to generate benefits
24/25 Remaining costs OPEX costs to be covered by utilising existing budgeted PM support where possible but otherwise will be additional OPEX risk looked to be covered internally where possible.
CAPEX identified and held for 24/25 as part of the change stack
Recurring Opex support/maintenance has been agreed to be within the Commercial / Banking budget submission covering FY25/26 onwards.

Given the delay to implementation, the (IRRELEVANT) inclusion for 24/25 should be considered to be reduced to (IRRELEVANT) to reflect this business case submission.

Funding Overview (£'k)

	Prior Years Actuals	23/24	24/25	25/26	26/27	27/28	28/29	Total New Request	Total Project
Opex	-	-	-	-	-	-	-	-	-
Exceptional	-	-	-	-	-	-	-	-	-
Capex	-	-	-	-	-	-	-	-	-
Client Funded	-	-	-	-	-	-	-	-	-
Total Funding	-	-	-	-	-	-	-	-	-
Impact on EBITDAS (tangible benefits)	-	-	-	-	-	-	-	-	-
Intangible Benefits	-	-	-	-	-	-	-	-	-

IRRELEVANT

Net Present Value over 5 Yrs (£'k)
ROI - Undiscounted (£'k)
ROI 22/23 : ROI %
Payback Period 22/23 : Payback in month
Risk Factor

Including
Intangible Benefits
Tangible Benefits only
IRRELEVANT

Breakeven point in month

Business Case Financials (£'k)

	Prior Years Actuals	23/24	24/25	25/26	26/27	27/28	28/29	Total Project
Gross Income	-	-	-	-	-	-	-	-
Revenue Growth	-	-	-	-	-	-	-	-
Revenue Retention	-	-	-	-	-	-	-	-
Cost of Sales	-	-	-	-	-	-	-	-
Total Direct Contribution	-	-	-	-	-	-	-	-
Operating Expenses (OpEx)	-	-	-	-	-	-	-	-
Project Related	-	-	-	-	-	-	-	-
Recurring	-	-	-	-	-	-	-	-
Reduction	-	-	-	-	-	-	-	-
Postmaster Remuneration	-	-	-	-	-	-	-	-
Avoidance	-	-	-	-	-	-	-	-
Client Funded	-	-	-	-	-	-	-	-
Trading Profit	-	-	-	-	-	-	-	-
Trading Profit [%]	-	-	-	-	-	-	-	-
Capital Expenditure (CapEx)	-	-	-	-	-	-	-	-
Project Related	-	-	-	-	-	-	-	-
Recurring	-	-	-	-	-	-	-	-
Reduction	-	-	-	-	-	-	-	-
Avoidance	-	-	-	-	-	-	-	-
Exceptional Expenditure	-	-	-	-	-	-	-	-
Project Related	-	-	-	-	-	-	-	-
Net Cash Flow	-	-	-	-	-	-	-	-
Cumulative FCF	-	-	-	-	-	-	-	-
FCF without Avoidances	-	-	-	-	-	-	-	-
Cumulative FCF w/o Avoidance	-	-	-	-	-	-	-	-

IRRELEVANT

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COSTS

Cost/Benefit (Multiple Items) ▼

Copy and paste the below table into the business case submission

			Values					
POL Cost/ Benefit	Cost/Benefit Type	Organisation	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
Client Funded	Project - Resource	(blank)	IRRELEVANT					
Exceptional	Project - Resource	(blank)						
	Project - Other	Other						
One time Capex	Project - Resource	(blank)						
	Project - Other	POL - Permanent						
	Project - Other	Other						
	Project - Infrastructure	Other						
One time Opex	Project - Support / Maintenance and Hostin	Other						
	Project - Resource	(blank)						
		POL - Contractors						
	Project - Other	Other						
Recurring Capex Decrease	Project - Other	Other						
Recurring Capex Increase	Project - Other	Other						
(blank)	(blank)	(blank)						
Grand Total								

BENEFITS

Cost/Benefit (Multiple Items) ▼

Copy and paste the below table into the business case submission

			Values					
POL Cost/ Benefit	Cost/Benefit Type		FY23/24	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
Recurring Opex Decrease	Cost Red Non Staff	-	IRRELEVANT					
Recurring Opex Increase	New Rec Cost Non Staff	-						
(blank)	(blank)	-						
Grand Total		-						

All Business case submissions must be accompanied by the Business case model

2024																																											
FY 2023 / 2024					FY 2024 / 2025																																						
Q4					Q1										Q2										Q3																		
MARCH					APRIL				MAY				JUNE				JULY				AUGUST				SEPTEMBER				OCTOBER				NOVEMBER				DECEMBER						
26	4	11	18	25	1	8	15	22	29	6	13	20	27	3	10	17	24	1	8	15	22	29	5	12	19	26	2	9	16	23	30	7	14	21	28	4	11	18	25	2	9	16	23

IRRELEVANT

Innovate, Prove, Deliver: Business Case (Waterfall)**9. Assumptions**

Description	Owner	Accepted	Category	Priority	Impact
Funding will be approved for the purchase of [IRRELEVANT] note counters by [IRRELEVANT]	Melanie Parks / Martin Edwards	Y	Budget / Benefits	High	High
Hardware ordering lead time is no longer than [IRRELEVANT]	Wendy Masters	Y	Planning / Benefits	Medium	High
Delivery and installation to branches will be undertaken by POL Supply Chain resources without additional cost.	Russell Hancock	Y	Planning / Costs	Low	Medium

Innovate, Prove, Deliver: Business Case (Waterfall)**10. Benefits**

Driver	Benefit	Category	Owner	Starts	Ends	Value (£)
Time savings when: <ol style="list-style-type: none"> 1. Accepting deposits from the customer 2. Transferring cash from the till to the safe 3. Preparing cash pouches – if the cash to the safe has been counted by the machine, preparing the rem pouches will be quicker (no second check) and more accurate. 	Postmaster staffing / time savings and improved accuracy	Soft:Cost Avoidance Note: Time savings at branch level are staff related and therefore within the P&L of each branch and would require a conscious Postmaster decision as to whether these benefits will be realised, or staff members used elsewhere.	Martin Edwards	IRRELEVANT		
Direct savings to POL from reduced losses (net of maintenance opex) across Branch discrepancies, Cash pouch errors and Counterfeits <i>*see breakdown below this table</i>	Direct savings to POL IRRELEVANT reduction of current annual losses across these areas for IRRELEVANT branches	Hard: Cost Reduction	Melanie Parks			
Estimated reduction in transaction correction processing and TC generation to allow for improved focus on aged items and other operational effectiveness improvements <i>*see breakdown below this table</i>	POL Benefit: reduction in processing related activities	Soft:Cost Avoidance Note: Expectation is these staff remain within the business and not realised saving to utilise within network improvement activities	Melanie Parks			

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Innovate, Prove, Deliver: **Business Case (Waterfall)**



IRRELEVANT	Soft:Compliance/Reg/Contract	Ross Borkett	IRRELEVANT
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Innovate, Prove, Deliver: Business Case (Waterfall)**11. Risks**

Title	Owner	Current Likelihood	Current Impact	Current Score	Target Score	Mitigation Date
If the hardware delivery lead time exceeds July 2024, there will be a month-on-month reduction to net benefit of IRRELEVANT	Melanie Parks	3	3	9	2	30/06/24
The Note Counter trial of 40 branches was relatively limited in both scale and duration and actual benefit savings may not be accurate however, SME analysis suggests that the benefits are likely to be understated.	Melanie Parks	2	2	4	4	30/10/24
The Note Counter trial of 40 branches that was relatively limited in both scale and duration and there is a possibility that technical issues may not have materialised yet.	Russell Hancock	2	3	6	2	30/10/24
Postmasters may reject / return Note Counters resulting in an excess of purchased equipment and benefit realisation being reduced.	Russell Hancock	1	3	4	2	30/08/24

12. Dependencies

Item FROM this project	Item TO this project
Operational Excellence incentive is supported by the delivery of this project.	



13. Organisation

Organisational Impact

The annual staff savings estimate of **IRRELEVANT** relate to staff that are going to be utilised within the business in the short-term. It should be noted that we have path clearing activities (outside of this business case) which are due to commence from Jan-26, which will require roles over and above those to be reduced here for investigations, network monitoring, network development, BSC etc. Therefore, realisation of the savings would be inefficient to supporting the business delivering operational effectiveness and path clearing readiness.

The logistics and ownership of post-deployment support is set out, at a high level, below:

- The PO Property Branch Equipment Team will maintain the asset register and the POL Banking Team will also maintain this record (as the contract owners for the supplier, Glory)
- The PO Property Branch Equipment Team will manage the site visits / returns / replacements for Note Counters, with equipment returns transported through CVIT to avoid additional costs. Faulty equipment will aim to be swapped out within 24 hours. Engineer visits for issues with the Note Counter will be managed via Glory. The Postmaster will contact the Glory helpdesk for support and to log requests. POL will get a monthly service pack with Management Information to show performance.
- Should a branch decide they no longer want the Note Counter, this will be repatriated to Supply Chain Birmingham via CVIT where the PO Property Branch Equipment Team will undertake asset check etc. before reassigning.
- A process will be defined, documented, and communicated to advise Glory for maintenance.
- There are no additional costs anticipated for packaging/transportation of equipment that is transported via CVIT.

Project Resources

Role	FTE	Start Date	End Date	Cost (£)
Project Management	0.5	01/04/24	IRRELEVANT	
Project Support	0.5	01/04/24		



14. Governance History

This project is proceeding directly to Business Case.



Appendix A – Approvals

STAKEHOLDER GATING APPROVAL:

The PPMO has reviewed the Stakeholder Gating SharePoint site and confirms that all Stakeholders have given approval (or opted out) for Gate to Deliver. Guidelines provided [here](#).

Function	Role	Name	Date
SPO	PPMO	Sarah Amos	Insert Text Here

FINANCE APPROVAL:

Assuring the accuracy of the finances presented in this case (cost model), the affordability (tick one box below), the accounting treatment and impact on financial controls (Financial Control).

Function	Role	Name	Date
Finance	Finance Director or Head of Finance	Michelle Evans	26/02/2024
OpEx is: In Budget <input checked="" type="checkbox"/> OR If, unbudgeted, is BU funded <input type="checkbox"/> OR If, unbudgeted, is approved by OpEx Committee <input type="checkbox"/>			
Finance	Technical Finance	Daniel Ward	16/02/2024
Additional Comments			

SPONSOR APPROVAL:

Assuring this case has Business support and ownership:

Role	Name	Date
Sponsor	Melanie Parks (Martin Edwards & Russell Hancock on behalf of)	26/02/2024
Additional Comments		

PORTFOLIO APPROVAL:

Assuring this case has been reviewed and the project is set up correctly:

Function	Role	Name	Date
SPO	Portfolio Lead	Nikki James	Insert Text Here
Additional Comments			

All submissions must be sent to SPO via your local Portfolio Office.

Innovate, Prove, Deliver: Business Case (Waterfall)**Appendix B- Administrative Information**

The following information is mandated. Failure to supply it will cause delay.

Information	Response
Official name <small>40 characters max including spaces</small>	Operational Excellence – Note Counters
Business Sponsor <small>Should be GE-1</small>	Melanie Parks
Project Manager <small>Use Portfolio PMO if unknown</small>	Pete Hanley
NEW Snow Licence required?	YES/NO
Is the Project confidential	YES/NO
Should the PPMO be added to the Access list	YES/NO
Finance Business Partner	Charlotte Ukaigwe
Investment type	Cost Avoidance
Delivery Date <small>Estimated Final Go Live or End of Early Life Support</small>	30/11/2025
SPO have agreed Prog. or sub-project structure.	YES/NO
Project size (Gold etc)?	

Portfolio
Business Transformation Unit <input type="checkbox"/>
Commercial Products <input type="checkbox"/>
Legal, Remediation Unit & Inquiry <input type="checkbox"/>
Retail <input checked="" type="checkbox"/>
Shared Services <input type="checkbox"/>
Strategic Platform Modernisation (BTU) <input type="checkbox"/>
Supply Chain <input type="checkbox"/>
Technology <input type="checkbox"/>

Business Unit	
Banking, Payments and Transactional products <input type="checkbox"/>	Finance <input type="checkbox"/>
Central <input type="checkbox"/>	FS, IDS and POI <input type="checkbox"/>
Central Commercial <input type="checkbox"/>	Historical Matters <input type="checkbox"/>
CIO <input type="checkbox"/>	LCG <input type="checkbox"/>
Cmmrcl Plng & Strat <input type="checkbox"/>	Mails, PUDO, Retail & Branch Id. Services <input checked="" type="checkbox"/>
Communications <input type="checkbox"/>	People <input type="checkbox"/>
COO <input type="checkbox"/>	Property <input type="checkbox"/>
Customer Experience <input type="checkbox"/>	Supply Chain <input type="checkbox"/>

Mandated supporting documents		
Document	Checked By	Supplied
Business Case Model	Finance	<input type="checkbox"/>
PID	Portfolio Office	<input type="checkbox"/>