



# Investment Committee

07<sup>th</sup> December 2020

V1.0

## AGENDA (1/2)

Agenda Item	Action	Purpose	Lead	Timing
<b>1</b>	<b>Update on Prioritisation, Financials and Reporting</b>			
<b>1.1</b>	<b>FY21/22 Prioritisation</b>	Information	Details of current FY21/22 forecast	<b>Michael Brown, Max Jacobi</b> 13:00 – 13:20
<b>2</b>	<b>Project Funding Requests &amp; Updates</b>			
<b>2.1</b>	<b>Branch Hub</b>	Decision	Seeking guidance on next steps	<b>Tim Perkins, Amanda Jones, Nikki James</b> 13:20 – 13:35
<b>2.2</b>	<b>Supply Chain Strategy</b>	Decision	Requesting an additional £319k to continue the confidential market engagement conversations and continue working on complex areas that need to be resolved, in advance of moving to an RFP	<b>Gayle Peacock, Russell Hancock, Nikki James</b> 13:35 – 13:50
				<b>Matt Keeffe, Laurence O'Neill, Ben Foat</b> 13:50 – 14:00
<b>2.4</b>	<b>Telco Strategy</b>	Decision	Approve funding to support the final stages of the Sale of the telco business, through to completion of the transaction, expected by 31st Dec.	<b>Meredith Sharples, Kathy Togher, Matt Keeffe, Ben Foat</b> 14:00 – 14:10
<b>2.5</b>	<b>Telecoms Campaigns &amp; Reg. Changes</b>	Decision	Requesting £1.363m OpEx To fund and bring the annual campaigns, BAU product change and regulatory change under Change governance.	<b>Lloyd Houghton, Matt Keeffe</b> 14:10 – 14:20
<b>2.6</b>	<b>Mails PUDO</b>	Decision	Seeking approval of the first of a multi-phased Business Case for £2.6m to fund PUDO team from January 2021 to June 2021	<b>Tom Wasilewski, Matt Keeffe (+ Zdravko Mladenov)</b> 14:20 – 14:35
<b>2.7</b>	<b>Strategic Platform Modernisation (SPM)</b>	Decision	The programme seeks a new overall approval level of £1.32m and a change of strategy for programmatic support	<b>Gareth Clark, Zdravko Mladenov</b> 14:35 – 14:45
<b>2.8</b>	<b>Belfast Exit</b>	Decision	Formally recording a change in the forecast benefits	<b>Ian Sage, Rob Wilkins, Gareth Clark</b> 14:45 – 14:55



# I.0 FY21/22 Prioritisation

## FY20-21 Change Investment Prioritisation Discussion – Summary of current forecasts

<ul style="list-style-type: none"> <li>Total 7+5 forecasted spend for FY21-22 is currently £262m</li> <li>We have no guarantee funding after next year, yet have continuing Change funding needs.</li> <li>We have to agree to stop, delay, slow down or reduce spending on projects now to ensure we maintain suitable levels of Security Headroom and ensure continued spend in FY22-23.</li> <li>We have set a notional target spend of £200m for FY21-22, but we may need to identify possibilities to reduce this to £175m or £150m as precautionary measures against further impacts from Covid, Brexit or escalating HSS costs.</li> </ul>	Target 21-22 Change Spend	Reduction in 21-22 Required
	£200m	–£62m
	£175m	–£87m
	£150m	–£112m

### 20-21

- Given the 7+5 investment spend and the recently projected £26m of profit, we would exit the year at £29m of security head room, which is lower than we would usually feel comfortable.

### 21-22

- £227m Government funding confirmed
- The 7+5 Change spend forecast stands at £206m, which does not include £36m of HMBU costs and £20m settlement costs which must be funded from POL profits, not Government funding
- Regardless of sources of funding, at this level of investment, and assuming the 4YP profit levels of £81m for 21-22, we would expect to close the year around £65m of Security Headroom.
- Given the large swings we can see from market shocks, we have previously discussed £100m of Security Headroom being a suitable level to maintain, which would require us **to reduce investment spend by at least £35m.**
- However, we have visibility of some changes to this outlook, which net to **a potential further £20m of reduction requirements:**
  - We are likely to have to fund the first £20m HMBU settlement costs in 21-22.
  - Profit this year is likely to be higher than £26m, however, this will likely be offset by a lower profit number than 4YP next year.
- In addition, as we have no guarantee of additional Government funding – Grant or NSP (though signals are for lower NSP as shown on the table to the right) – we must create a reserve for next years change spend. We have suggested **a potential further £10-£60m reduction**
- Therefore we should target total investment spend for FY21-22 to between £197m and £147m which would maintain adequate headroom.
- We have obvious “spend handbrake projects” to slow/stop spending and stay within targets. These will be for discussion following an updated 8+4 forecast (e.g., DMB<sup>^</sup>, Network Strategy, SPM, PUDO, etc).
- Today IC need to provide the business with direction decisions on other project spend lines to be included in 8+4. Outcome of further prioritisation used in 9+3 ready for Jan Board.

Available Funding	21-22 £m	22-23 £m	23-24 £m	total 3 years
NSP	50	45	40	135
Grant	177			177
<b>Funding Total</b>	<b>227</b>	<b>45</b>	<b>40</b>	<b>312</b>

Forecast Profit from previous year	21-22 £m	22-23 £m	23-24 £m	total 3 years
<b>Estimate *</b>	26	81	142	249

7+5 Investment Forecast	21-22 £m	22-23 £m	23-24 £m	total 3 years
Change Spend	-206	-116	-113	-435
HMBU settlement	-20	0	0	-20
HMBU prog	-36	-18	-13	-67
<b>Total</b>	<b>-262</b>	<b>-134</b>	<b>-126</b>	<b>-522</b>

\* POL forecasted profit futures are being updated and 22-23 onwards are only estimates at this stage

### 22-23 & 23-34

- Cannot assume government funding beyond NSP, and NSP may be pushed to diminish over time.
- Additional £260m spend forecasted, however, we should also see recovering profits.

<sup>^</sup> DMB investment is high, political, and creates many downstream implications if we change the forecast often (see final slide)

In strictest Confidence

## Summary of 7+5 21-22 Investment Spend Forecast through a categorised lens

**£94m** is currently forecasted for the following programmes (less choice, more need to be financially conservative):

- **HMBU £56m** (£36m programme costs and £20m settlement costs\*)
- **Completing Large IT Programmes £18m** (Belfast Exit, EUC [multiple projects], PCI)
- **Completing smaller projects £1m** (e.g. Identity Platform Modernisation and finance process improvement projects)
- **Legal, Regulatory, Contractual and Equipment £19m** \*\*See list in footnote

*Need to control spend and updated forecast due in 8+4*

**£136m** for our strategic focus areas:

- **4 key Strategic Pillar Programmes £105m** (SPM, ATM/Cash Automation/BF3, MDA2/PUDO, DMB/HTP/Network)
- **Our Focus on our Postmaster £4m** (Branch Hub, Purpose & Culture, Postmaster Service Improvement) currently comparatively small, should grow as we continually improve our focus on postmasters
- **Cost Reduction Opportunities £27m** (POM21)

*There are several "spend handbrakes" to slow/stop spend e.g. SPM, DMB, Network Strategy, PUDO, Cash Automation roll-out and POM. Options on these strategic focus areas will be discussed using the latest 8+4 forecast*

**£29m** for 'Other' activity which hasn't started and we have choices over\*\*\*

- Given the size of the savings needed decisions are required at IC to agree if these activities should be 'in plan' for next year
- The outcome of the decisions will be included in the 8+4 forecast
- Details of activities shown on following slide

\*It is assumed that our shareholder will require us to spend £20m in settlement costs in FY21-22

\*\* Legal, Regulatory, Contractual and Equipment includes: Property Cat1 (£3m), Test Environments (£2.3m), Stamp Stock Management (£2.1m), Security (£1.8m), Risk & Resilience (£1.6m), FJ Extension (£1.2m), Fogging (£1.2m), DDS Gap (£1m), Eagle (£1m), CVIT Vehicles (£1m), Compliance Controls Framework (£500k) and several other smaller items

\*\*\*It is assumed Telco Capex in 21-22 will not be needed (C.£7m for telco routers and FJ extension in 7+5 baseline forecast) situation to be reviewed and removed at 9+3

N.B. Totals include known material changes to 7+5

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## Review of 21-22 ‘Other’ Activities

- There is then **£29m** forecasted for ‘Other’ activity which hasn’t started and we have choices over. These also consume time and effort across the business
- Given the size of the savings needed decisions are required at IC to agree if these activities should be ‘in plan’ for next year
- Options
  - Move to Backlog
  - Defer by X number of months
  - Reduce spend/scope

Project Name	Portfolio	Change Spend Only					Tangible Benefits	
		7+5 Forecast 21-22 £k					7+5 forecast £k	
		Q1	Q2	Q3	Q4	FY21	21-22	22-23
Telco Telephony Routers 2020	Mails, Travel, FS & Other	1,396	1,396	1,396	1,396	5,583	0	0
Cash Transformation - Dynamic Scheduling	Supply Chain	0	3,300	0	0	3,300	281	375
POL Data Platform (PDP)	IT Platform Enablement	777	850	824	794	3,245	0	0
Cash Transformation - Accenture Forecasting	Supply Chain	690	1,090	690	690	3,160	113	150
Travel & Home Insurance CI Programme II	Mails, Travel, FS & Other	750	750	750	750	3,000	750	1,500
Cash Transformation - Lean Cash	Supply Chain	238	1,238	238	238	1,950	604	805
Central Change team FY20	Shared Services	456	456	456	456	1,825	0	0
Future of Stock	Supply Chain	1,370	0	0	0	1,370	350	350
Supply Chain Cash Utility	Supply Chain	505	505	0	0	1,010	0	0
HR Successfactor	IT Platform Enablement	250	250	250	250	1,000	0	0
Supply Chain PDA Replacements	Supply Chain	420	420	0	0	840	30	30
MDM System	IT Platform Enablement	69	183	298	179	729	0	0
Payzone XAC Devices	Banking, Payments & Other	0	310	155	155	620	0	0
Forgerock/Broadleaf upgrades	IT Platform Enablement	107	107	36	0	250	0	2,350
Counter printer replacement	IT Platform Enablement	75	75	75	25	250	0	0
Insurance Data Project II	Mails, Travel, FS & Other	50	50	50	50	200	0	0
Batch messaging and Consolidation (PODG)	IT Platform Enablement	13	45	68	68	194	0	0
Future of the Workplace	Organisational Effectiveness	80	80	0	0	159	0	0
Cheque Scanning in Branch	Banking, Payments & Other	150	0	0	0	150	0	2,208
Payzone Terminal Management System	Banking, Payments & Other	0	50	50	50	150	0	0
C1 marketing service migration	Mails, Travel, FS & Other	0	75	25	0	100	0	0
Text to apply in branch service	Mails, Travel, FS & Other	0	60	25	0	85	0	0
MSEG Switches	IT Platform Enablement	25	25	0	0	50	0	0
CWC Test Environment	IT Platform Enablement	17	17	6	0	40	0	0

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## DMB Budgeting 21/22 – Delivering a successful DMB Programme Budget

### *A request for awareness and understanding from the DMB team*

Currently the budget for 21/22 is assuming all 114 remaining DMBs will be exited in 21/22. However there are significant risks and wider dependencies to the delivery of this target.

The DMB benefits for activity in 21/22 will need to be overlaid into BAU budgets affected (Staff costs, Postmaster Remuneration, Revenue Loss and Property costs) – a process that takes time and relies upon trust in the programme.

#### **Keys to Success:**

- **Starting with a target that can be delivered**

- The BAU budget process does not lend itself to frequent re-iteration. Continuous updates create significant additional work and lose goodwill built up within teams. #
- BAU budget holders may refuse to accept the impact of the programme in their submissions if they disagree with achievability or logic.

- **Profit Gap Avoidance**

- The DMB programme will usually generate a material positive benefit to the BAU P&L.
- Any reduction in planned activity between budget submissions (between January and March boards) may create a profit gap to be covered – the recent OE exercise and non-staff cost reductions may limit our ability to fill a profit gap at short notice.

- It is requested that the DMB Programme approve a budget submission pre Christmas for January Board that is challenging yet achievable – minimising the need for material changes to be made to the budget between the January and March boards.

## 2.0 Project Funding & Updates

## 2.1 Branch Hub (1/2)

### Background / Commentary:

1. Recently Branch Hub has changed GE and Business Sponsorship who have been reviewing the history and purpose of BH.
2. The programme has also had a recent internal audit which found several areas of improvements; tighter governance of SteerCo and decisions but it also found that "Branch Hub has now demonstrated that it can deliver and that its underlying platform and delivery model are sound".
3. However, all of these recent reviews have identified 2 critical required changes: 1) the need to develop a clear strategy for Branch Hub and 2) the need for this live product to be moved into a BAU, including the creation of an IT support model.
4. The rationale for these 2 critical required changes includes risks such as:
  - features being developed that do not align to a wider Postmaster service strategy,
  - delaying or complicating a transition to a supported IT model,
  - high programme spend rate (c. £400k per month)
5. A new, full Postmaster service strategy will be presented to GE & Board in Jan which will include the role Branch Hub will play as part of the wider set of Postmaster support channels.
6. Thus the conclusion drawn by the team was an immediate need to embed current features and drive adoption as part of a BAU live, fully serviced product. And then progress with significant development after an agreed Postmaster service strategy.

#### Service and Support Vision and Strategy:

- A focus on delivering enhanced service to Postmasters at lower cost, ensuring that Postmasters are clear on where to go for which services or support and what level of service they can expect to receive.
- This strategy will include the role of Branch Hub as one of the channels for services and support to be delivered to Postmasters.
- We will be clear on the priority features that need developing on Branch Hub and be able to clearly link these to business benefits.
- We will also be clear on the data and insight benefits that can be driven from the use of the Branch Hub channel.

#### Support model:

- We need to operationalise Branch Hub into a service model supported by POL BAU IT, under Digital Operations Team
- We need to build the internal BAU capabilities (e.g., a Dev Ops model) to make Branch Hub develop a more cost effective delivery model, relying less on Accenture. This will enable us to be more reactive to small change and enhancements
- Future large feature sets will require a clearly articulated Business Case, including the full cost to deliver, benefits and the full IT costs to support the additions. They will formally be requested via PRB/IC.

#### Current State of Branch Hub

- While we slowdown to align our strategy, we plan to focus on embedding and driving adoption of:
  - Stock - already adopted by over 5300 branches. Need to focus on adoption with multiple partners and driving behavioural change.
  - Coin and planned orders - in pilot with 1300 branches Need to focus on delivering the roll-out plan following change freeze on 4<sup>th</sup> Jan- end Jan.
  - Continue to support the adoption of Christmas Trading hour changes and using 'We're Listening' to log complaints and feedback.
  - All contract and Accenture resource have been stood down or are working notice to support the current 'pause'.

## Branch Hub (2/2)

### Next Steps:

- Following change freeze we plan to:
  - Recommence with the roll-out plan of coin and planned orders to the remaining stock branches
  - Commence adoption for 'multiple partners' for stock, coin and planned orders
  - Deliver the F&P feature to aid annual declarations starting in mid Jan
  - Transition to IT BAU
- We will also create our plan to:
  - Increase and embed adoption into BAU teams
  - Create a clear vision for Postmaster service
  - Review cost effective/value for money options for the future development of Branch Hub (Dev ops model, Accenture models)
  - Prioritise the current feature backlog
  - Integrate into the culture change and service strategy

## IC guidance required:

- We want to be transparent and financially recognise that the programme will have cost £15.47m to deliver benefit equivalent to 28 FTE\* (£0.85m recurring steady state benefit) and the successful transition a 'live' service by the end of January (approved budget is £15.3m and f/c to end Jan is £15.47m (within the 2% tolerance)).
- We also want to be transparent that the forecasted £0.16m of ongoing run costs to support this in live is within the current assumptions in BAU for FY21. We will finalise this assumption before end Jan 21.
- In consulting with IA, SPO and Change Risk Assurance, we suggest that we should close this programme once we have a clear plan of how we move forward with adoption, support and embedding what we have developed (target end Jan).
- In order to minimise the costs whilst we close we have reduced the programme team down to minimum resources to support the embedding, service transition and vision (c£200k until end Jan) from the original plan of £2.1m for delivery of IC3 (£590k benefit) Dec-Mar
- We will come back to IC following Board in Feb with a clear business case, built on the strategy that supports Postmaster service and delivers clear benefits.
- If approved, we will also create a clear communication to postmasters about BH to provide confidence that we view Branch Hub as a critical support channel and will continue to offer appropriate services through it.

\*28 FTE were agency/vacancies that were retained in BAU forecasts to support the Branch Hub case and were not a saving as a result of Branch Hub delivery.

## 2.2 Supply Chain Strategy FY20/21 - PROVE

### Decisions:

1. This Change Request is for an additional £319k to continue the confidential market engagement conversations and continue working on complex areas that need to be resolved, in advance of moving to an RFP. The areas of scope are:
  - Confirming with Treasury the requirement for balance sheet funding relief and agreeing the mechanisms from Finance and IT for achieving this.
  - Agreeing the procurement approach and the plan to deliver with Legal Services and Procurement, balancing the need for pace whilst minimising the risk to Post Office. This includes confirming the VAT implications and ensuring potential contracts can be constructed in a way that is VAT efficient for Post Office.
  - Prioritising and resolving the approach to the solution requirements that need to be confirmed before progressing to the RFP stage.
  - Working with IT to define the possible system solutions for the remaining bureau de change operation in Hemel, should cash processing be outsourced
  - On-boarding communication support to draft communications strategy and approach, and help with stakeholder and shareholder engagement

Working on these areas now will prevent any slippage to timescales to launch an RFP, should approval be given in January 2021.

The project was underspent by £25.5k, resulting in the total cost for the next phase of work being £319k. £33.6k has been committed at risk prior to PRB/IC approval in order to retain project momentum.

2. IC should consider our people, postmasters, brand and political impacts if we do this along with other major projects next year
3. The total cost of the enablement of the RFP is £3.17m (Aug 20 - Sept 21)

## Background

1. Exceptional funding of £467k was approved to set up a project with the purpose to identify whether there was market interest in outsourcing some or all cash processing and CVIT elements of Supply Chain. The outcome was to outline the costs, benefits, risks and the procurement approach with progressing to an outsource model, making a recommendation with business case to GE and Board in November 2020.
2. The RFI exercise established there was clear market interest from at least two suppliers for a full national outsource. Potential annual savings of at least £14m were identified. Transition costs were identified as £46m, including £37m of settlement costs for impacted Post Office colleagues.
3. The findings were presented to the GE in November who saw the benefits of moving to an outsource model. However, they confirmed that the project will not be able to progress unless a different mechanism for funding the change can be identified.
4. The additional funding of £319k enables the project to continue with the confidential market engagement sessions to answer the question regarding funding. It will also allow the team to start resolving the complex areas (procurement, VAT treatment and balance sheet relief) before progressing to a RFP.
5. The £319k funds the project until the 12<sup>th</sup> February 2021. This assumes approval to proceed to RFP at the end of January, with a return to PRB and IC in February for the full implementation business case. This request brings the total spend to date to £786k. If it is identified in conversations with suppliers that they are unwilling, or unable to support Post Office in alternative methods of funding the change, then the project will cease activity and PA will be stood down (cost of circa £188K if stopped after GE in Jan [total prove phase would total £655.5k]).
6. The current assumption is that the full business case will be presented to IC in February outlining how the £46m will be funded, with an immediate request for funds to run the RFP, which is currently estimated at £2.38m (move from Prove to Delivery phase)

## Background (continued)

- Additional funding is required to continue the momentum and to enable the project team to complete the required work in order to present to GE and then Board in January 2021.
- There is only a limited opportunity to outsource at the pricing outlined, given that the market are making plans to right-size their operations against the backdrop of declining cash and the issues associated with the formation of a wholesale cash utility.
- The market have invested heavily in responding to the RFI and have been very co-operative so far in answering questions. Whilst they are keen to progress, if we stop dialogue now there is a real risk it will reduce Post Office's credibility.
- PA Consulting have provided expertise in procurement and finance, helping frame potential options for amortisation of severance costs, leading cross functional discussions with Legal Services and Procurement to agree a compliant procurement approach that balances the need for pace whilst minimising the risks to Post Office. They are leading investigation into VAT implications from outsourcing cash processing and ensuring any potential contracts can be constructed in a way that is VAT efficient.
- PA brought professionalism to the conversations with suppliers; it has demonstrated to the market how serious we are and shows we are willing to invest. Pausing the conversations now makes it unlikely that suppliers will return, and further effort and cost will be required to re-engage new resources at later stage.
- Any procurement process needs to be as quick as possible for everyone involved. We are progressing resolving key areas of complexity, that would otherwise be included in the RFP process, thus shortening the length of time required to negotiate with suppliers during the public engagement.
- If approval is given to proceed to RFP in January, there is only a short window of opportunity to launch and complete the procurement process in advance of Christmas 2021.
- There is a programme issue that our internal teams (procurement/legal/Finance) are overstretched and therefore PA are backfilling these skill sin order to progress at pace and to minimise the impact of the short timescales.

## Phases of funding and expected outcomes

Phase	Period	Cost	Outcomes
Prove Phase 1	08/11/20 to 20/11/20	£467,600	- Established market interest for a full national outsource. Presented business case outlining that a potential annual saving of £14m could be delivered. The investment costs to transition to an outsource model were c. £46m, whereby £37m of settlement cost was associated with exiting Post Office colleagues
Prove Phase 2 (Change Request)	23/11/20 to 12/02/21	£318,933	- Continue market engagement to identify options available for suppliers to fund our up-front settlement costs. - Start resolving key areas of complexity identified with an outsource in preparation to deliver a shortened RFP process, should approval be given in January
<b>Total</b>		<b>£786,533</b>	

If there is Board approval to proceed to an RFP at the end of January, we will have spent £786,533 with a request to spend a further £2.38m on launching the RFP. We will return to PRB and IC in February with this case. Its anticipated that future funding requests regarding the Procurement and Transition phases will include the following:

Phase	Period	Cost	Outcomes
Procurement Pre-RFP Preparation	15/02/21 to 23/04/21	1.10M	- Draft contract development complete - Requirements agreed and signed off - Production of Procurement documents - Development of tender evaluation approach
Procurement Launch RFP	25/04/21 to 10/09/21	1.28M	- Launch OJEU - Issue ITT and support responses - Evaluation of tenders - Gain approval for the tender - Prepare for award - Award contract
Transition One-Off costs	01/10/21 to 31/03/2023	43.6M	- Operating Model Design - Solution Development and testing - Transition to new operating model incl. people, systems, processes and policies
<b>Total</b>		<b>46M</b>	

## Appendix 1 - Minutes from GE meeting on 11th of November

### Supply Chain Strategy

Al Cameron/ Russell Hancock/ Gayle Peacock

Al Cameron provided the background and context for the current work on Supply Chain and whether we should consider outsourcing. We had rejected outsourcing in 2015-16 as we thought we could make efficiencies internally. We had explored working with external parties but the business cases had not generally been successful because of the redundancy costs. We were asking for permission to continue working on this rather than a decision to outsource. We had carried out a confidential RFI and had been encouraged by the responses. Third parties had put a lot of effort into their responses. The market was consolidating. The second stage RFI was proposed with the intend of having a short RFP which would be a public process. Changes would be likely to take a year or so to implement. We thought that a cash utility was a non-starter for us at the moment.

Russell Hancock reported that we had done some work pre-Covid and there was considerable industry interest at the preliminary discussion stage. We thought we could realise benefits of £14m plus and would have the ability to treat cash differently. Covid had affected CVIT processes. If we deferred a decision now we might not have the same opportunity in the future because the industry might by that stage have right sized itself. We could drive through more efficiencies and we needed to think about mitigating the risks of an outsourced supply change model but had managed a significant simplification of supply chain previously. We were asking for approval to continue honing the RFI process. Running the service for POL would give a third-party supplier network longevity and was therefore attractive. The figures included in the presentation were based on the worst case scenario but it was the reception to the change that would be challenging to navigate. Our relationship with the Bank of England (BoE) would change and we would need to navigate these changes with BEIS and BoE.

A number of points were raised, including:

- Dan Zinner asked what work remained before we could enter a public RFP. Russell Hancock noted that we needed certainty on the timescales for running the procurement process and the subsequent implementation of the plans. We needed to be clear on the scope of the services we required, the Postmaster relationships under the new arrangements and how we would handle disputes as well as the transition process, the integration with outsourced partners' systems and whether we could amortise the cost of transition

- Owen Woodley noted that the implementation costs were nearly £50m which was not included in our four-year plan and asked whether we could we find this money. Al Cameron explained that we would have to have confirmed that we could before entering an RFP process but this in part hinged on our ability to amortise our costs. Russell Hancock added that we would have to confront the Supply Chain issues at some point and would continue to make incremental changes with the backdrop of the demand for cash continuing to decline. We had to right size the Supply Chain function and some degree of restructuring would be inevitable. Al Cameron not that this was not necessarily in the next 3-4 years as bank closures continued but this liability existed and would have to be addressed in some form. Dan Zinner noted that this was the Government's liability and we should be leveraging this more. Al Cameron explained that the BoE were trying to create a supply chain utility for all the banks and for POL but the banks wanted to understand how they would fare in this process and at the moment these plans were not attractive for the banks or for us
- Jeff Smyth noted that we needed to make sure we didn't pay twice on the IT elements of this work through migrating to Horizon and then to newer systems. Russell Hancock explained that one of the questions we still needed to answer was whether migration to Horizon would be required
- Lisa Cherry noted that people had a legal right to TUPE and so the unions could be brought into the new business and asked how we had considered this as part of our plans. Russell Hancock reported that we had factored in severance costs and the costs of transferring people in. We had been upfront about the union position in our RFI conversations
- Ben Foot noted that we needed to make sure that we had addressed all the due diligence requirements such as the variation clauses and it had been helpful to see the risks and mitigations set out. BF asked whether we had a view on the type of procurement that would be best for us. Gayle Peacock explained that we had narrowed the choices down to restricted versus CPN and that the latter carried less risk of a contract that could not be changed at the end of the process. Al Cameron noted that Barbara Brannon, Procurement Director, was confident that would could work this through the procurement in a reasonable timescale
- Amanda Jones noted that 3PL was common in retail and set out clear service level agreements and whether this approach had been factored in. Russell Hancock explained that we had not got as far as building in complete optimisation and we needed to get the cost to serve right. Al Cameron noted that the exercise would force us to answer questions about the cost of supplying cash to branches and whether we needed to implement two-way standards with penalties linked to not supplying cash in the right way etc. moving to a much more formalised contractual basis for the supply of cash

- Dan Zinner asked when we intended to make the RFP public. Russell Hancock reported that this was planned for Q1 2021/22. The risks associated with this included the potential for industrial relations (IR). We would need to get communications and engagement right from the outset and have the right incentives in place. Al Cameron thought that this could be managed but the measure could cause anxiety if it was thought that by pulling back from owning the infrastructure this was lessening our commitment to providing access to cash; it would be critical for us to engage with stakeholders well and explain how this supporting Post Office supporting access to cash and not the reverse. Richard Taylor noted that this needed to link into our vision for the future. Al Cameron thought that if we could not made changes now on the back of the consequences of Covid it was not clear when we would be able to
- Dan Zinner asked whether investigating the outsourcing of supply change would hurt or help Banking Framework 3 negotiations. Al Cameron explained that this would depend on whether we were sharing the cost savings or not
- Nick Read asked how public the supply chain work was at this stage. NR was concerned about the funding requirements and whether they were affordable. There were also questions about the strategic timing for this work, the political narrative around the communications and the execution risks and he asked what we would we learn as the result of what we were asking now. Al Cameron explained that we were seeking agreement to carried on the work on the RFI under NDA with a view to bringing back a decision on whether or not to start an RFP process, probably in Q4. We had to review our strategic option but no decision had been made and that was what we would say in the event of a leak of the RFI and we should have our lines ready in case this occurred. NR noted that he would be interested in considering further the implications of cash.

Nick Read concluded that there were too many open-ended questions for the Supply Chain options to be discussed at the Board at this point. We needed first to work through more of the questions that had been raised today. Al Cameron would instead draft a paragraph for the CEO report. We also needed clarity on the outputs associated with the costs and how the pieces fitted together.

## Appendix 2 - Project Finance

The original prove plan had been approved for £467K and will now increase to £786,5K, following the request for an additional £319K of exceptional funding, covering the period from 23th of November through to the 12<sup>th</sup> of February.

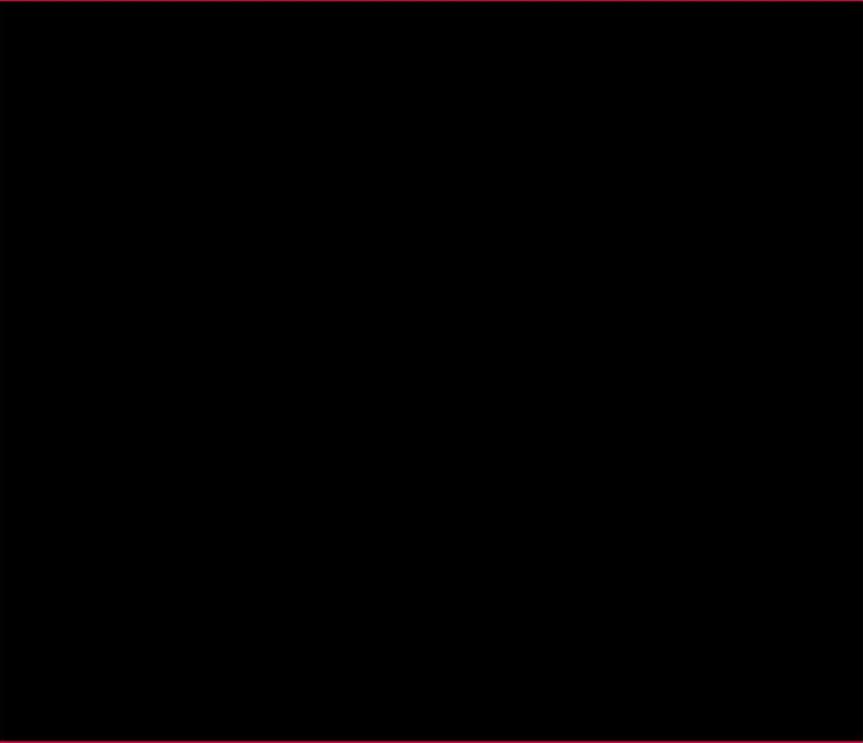
PA/PM contracts have been structured into stages enabling work to commence whilst setting up clear breakpoints. First breakpoint, on 14/12, can be triggered based on discussions with suppliers, and the second in January after the GE meeting, at which point the team can be stood down.

Project Phase / Cost Item	Amount inc. VAT	Prove				Deliver	
		Cost from 08/10 to 20/11	Cost from 23/11 to 11/12	Cost from 14/12 to 13/01	Cost from 14/01 to 12/02	Costs from 15/02 to 23/04	Costs from 25/04 to 10/09
<b>Prove Phase 1</b>	<b>£467,600</b>	£467,600	-	-	-		
<b>Prove Phase 2 Estimated Costs</b>	<b>£344,443</b>		£59,160	£128,887	£156,396	<b>1.10M</b>	<b>1.28M</b>
PA Consulting Costs	£264,264		£53,410	£107,769	£103,085	0.56M	0.96M
Project Manager Costs	£28,750		£5,750	£4,600	£18,400		
POL Resources (includes backfilling all SME positions)	-	-	-	-	-	0.28M	0.22M
Legal expenses / External Resources	£20,000			£10,000	£10,000	0.26M	0.10M
Communications support	£10,000				£10,000		
Accenture review for bureau solution	£10,644				£10,644		
SPO / T&E Expenses	£10,785			£6,518	£4,267		
<b>Current Project Underspend</b>	<b>£25,510</b>						
<b>Project Cumulative Spend</b>		<b>£467,600</b>	<b>£526,760</b>	<b>£655,647</b>	<b>£786,533</b>	<b>1.89M</b>	<b>3.17M</b>

## 2.3 Project Starling - BUSINESS CASE

### Decisions

1.



### Background / Commentary

1.

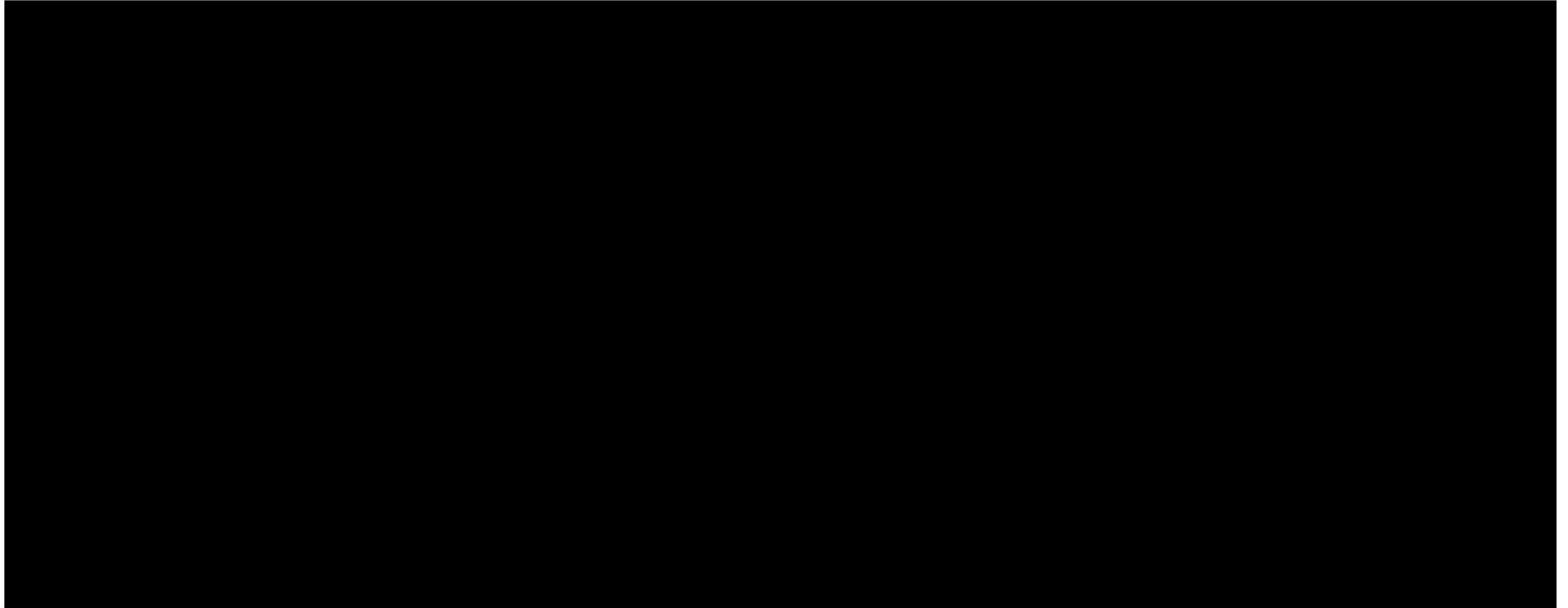


2.

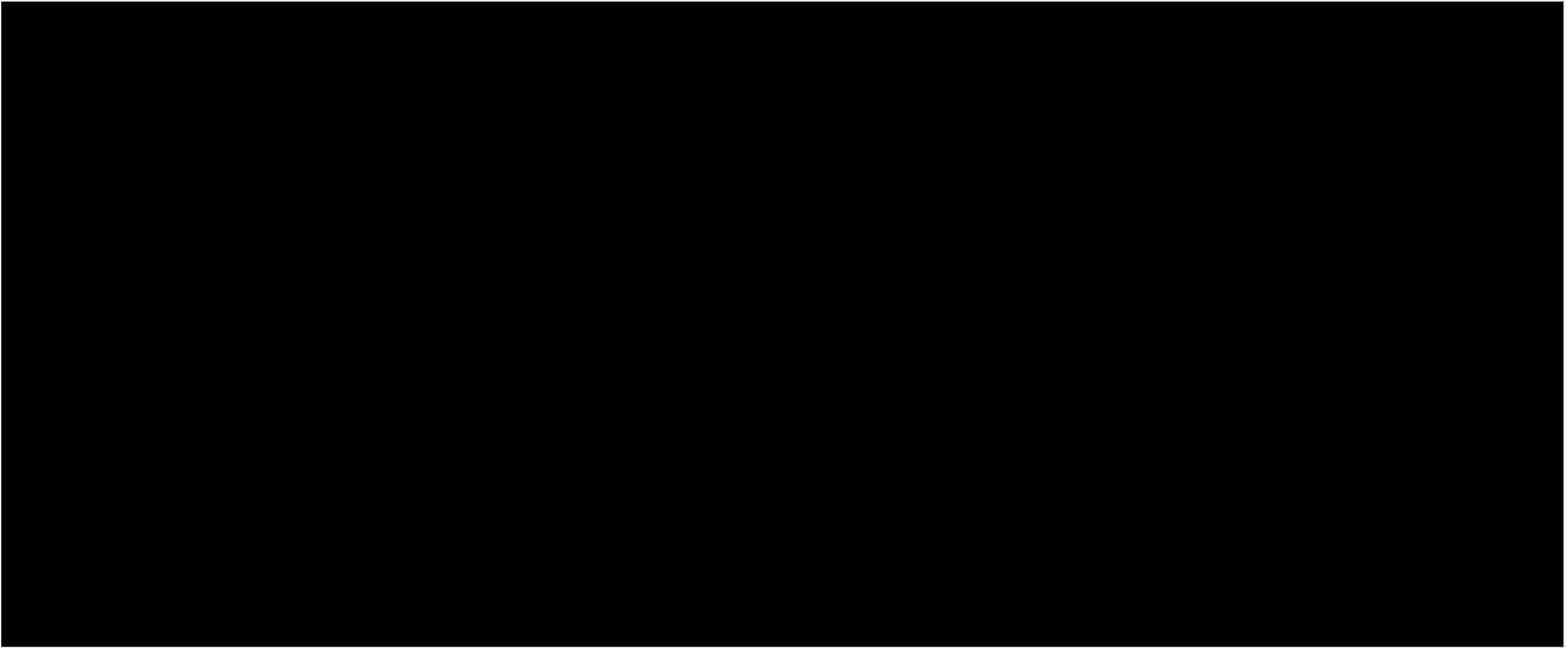
3.

4.

## Appendix 1 – Opportunities and Risks to control programme spend



## Appendix 2 - Legal Workstream Spend



## 2.4 Telecoms Supplier Strategy

1. Approve funding to support the final stages of the Sale of the telco business, through to completion of the transaction, expected by 31<sup>st</sup> Dec.
2. Approve Delegated Authority should further funding be required before the next formal IC meeting on 18<sup>th</sup> Jan.

### Reminder of other Key Dates:

1. Completion of Sale – must be before 28<sup>th</sup> January (see below), though we are targeting 31<sup>st</sup> December

### RFP and BAU Contracts

Two “hard stop” dates exist:

1. 28<sup>th</sup> Jan 2021 – latest date we can choose to enact the RFP. If not enacted, the agreement falls away without penalty for either party.
2. 12<sup>th</sup> February 2021 – latest date we can give FJT notice for Termination for Convenience

## Background / Commentary

1. Phase I of the Sale process produced non-binding bids, and a decision to proceed to Phase II was made on 15<sup>th</sup> Sept
2. Phase II bids were received on 2<sup>nd</sup> Nov, but contained some conditionality, mainly related to the Fujitsu HPBB Agreement.
3. A detailed analysis of the alternative options to the Sale was produced, and presented in an exceptional board meeting on 9<sup>th</sup> Nov, alongside the analysis of Phase II bids. The board decided to continue with the Sale.
4. Due to the conditionality of the Phase II bids, an additional due diligence period was agreed (creating a Phase III), completing on 25<sup>th</sup> Nov, when revised bids were received.
5. Analysis of the Phase III bids was presented at an exceptional Board meeting held on 1<sup>st</sup> then again on the 2<sup>nd</sup> Dec.
6. The board decided to continue with the Sale and confirmed the selection of a preferred bidder.
7. POL will now progress into a period of Exclusivity with the preferred bidder – activities in the period include confirmatory due diligence, Fujitsu engagement, final contract negotiations, TUPE consultation and agreement of Transitional Services.
8. Target date for signing and completion of the transaction by 31<sup>st</sup> Dec

## Funding Request Summary

- 1) Request for £350k to complete the next phase – Exclusivity, Signing and Completion.
- 2) This is a draw-down on the board approved total of £1.6m for H2
- 3) Request Delegated Authority (Cathy Mayor) to approve further funds if needed before next IC on 18<sup>th</sup> Jan, up to the board approved limit

## Details:

- Final phase of the Sale process is a period of Exclusivity with the preferred bidder. Project Costs for this phase are made up of:
  - **Legal fees** (to support the contractual negotiations and execution of the transaction)
  - **Fujistu Support** of Due Diligence process – The structure of the sale transaction is based on a novation of the existing FJ agreement to the purchaser. In order for the bidder to agree to the novation, they must go through a due diligence process with FJ, with POL support. FJ have stood up a specialist team to assist.
  - **Financial Advisors** – support of Completion Accounts
  - **Consultancy** – Negotiation support, Subject Matter Experts in Transitional Services, Separation, Exit
  - **POL Resources** – Project team, IT Separation support, DP etc

**Please note:** to adhere to the agreed sale completion timetable, it may be necessary to incur costs originally planned to be deducted from the proceeds of the sale, but now incurred before the proceeds are received (for example, Customer Communications)

An exceptional process needs to be agreed to manage these costs in the period between costs being incurred and the proceeds of the sale being received. This is in progress with SPO and Finance teams.

## September Board Approval of £1.6m - Draw down Tracker

Draw Down on September Board Approval of £1.6m (k)	
Phase I - Funding Request (IC - 7th Sept)	175
Phase II - Funding Request (IC - 21st Sept)	468
Preferred Bidder - Funding Request (IC - 9th Nov)	326
Exclusivity Period, Signing and Completion (IC - 7th Dec)	350
Remaining Project Authority	327
	<b>1646</b>

### This Funding Request Breakdown

Category	£(k)
External Legal	200
Pre Exit Services (Fujitsu)	150
Financial Advisors - Vendor Assist (Grant Thornton)	55
SMEs (Exit, Transition, VDR)	39
Project Management, PMO	35
M&A Specialist - Deal Strategy	22
M&A Specialist - Finance	17
Financial Modelling & Analysis	10
POL SME Support (DPA, Compliance, Regulatory)	10
VDR - Additional Data Request (PhixFlow / Fujitsu)	6
SPO Charge	3
<b>Total Forecast Spend - December</b>	<b>547</b>
Less Underspend for November*	-197
<b>Request for Approval - IC 7th Dec</b>	<b>350</b>
<b>*Underspend in November was due to:</b>	
- Delayed spend - Legal (final negotiations not started)	
- Delayed spend - Fujitsu Disposal Assistance (preferred bidder not announced)	
- Reduction in Resources - CMC and POL	

## Total Project Authority

TELECOMS SUPPLIER STRATEGY - FUNDING APPROVAL TRACKER (£k)	
<b>FY 19/20</b>	
Initiation Proposal (6 March 2019)	338
CR (24 April 2019)	950
CR (28 August 2019)	553
CR (17 October 2019)	995
Interim Business Case (21 November 2019)	2579
<b>FY 19/20 (total)</b>	<b>5415</b>
<b>FY 20/21</b>	
CR (26th March 2020) H1 spend only	1293
CR (10th June 2020) H1 spend - to Accelerate Sale	480
Board Request 22nd Sept 2020 (with phased draw-down)	1646
<b>FY 20/21 (to date)</b>	<b>3419</b>
<b>Total Project Authority</b>	<b>8834</b>

## 2.5 Telecoms Campaign and Regulatory Change - Delivery

### Decisions

1. Request to bring under IC governance a spend of £459k in addition to £904k of sunk costs to date - total spend £1.363M OPEX

### Background / Commentary

1. To date the Telecoms Home Phone and Broadband Product has had an Operational (OPEX) Budget allocated annually to manage campaigns, product change and regulatory change.
2. Recently, Post Office Telecoms have been requested to present a business case to bring this budgeted programme of work into IC governance.
3. We are requesting to bring under IC governance a spend of £1.363M OPEX (£904k sunk costs + £459k spend) to fund the 12 month (April 20-March 21) Campaign, Product Change and Regulatory programme with a NPV of £341.8k.
4. The programme consists of 66 deliverables (47 are delivered; 4 are committed; and 15 are in delivery) which have benefits assigned to them.
5. We have assumed a Sale outcome of the Telecoms Strategy Project and all initiatives included in this business case are required (assuming that is the outcome).
6. 1<sup>st</sup> Dec PRB provided approval to proceed to IC.

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## 2.6 Mails PUDO Business Case - Phase I

### Decisions

- 1. Approve Business Case (Phase 1)** as the first of a multi-phased Business Case to fund PUDO team from January 2021 to June 2021
- 2. £2.6m is requested to fund:**
  - Programme/Technical Resources: £0.4m
  - Vendor support: £0.04m
  - Legal forecast: £0.11m
  - Consultancy forecast and T&E expenses: £2.05m
- 3. Phase 1 will complete:**
  - Product features and roadmap
  - Technical roadmap
  - Network analysis and client alignment
  - Multicarrier PUDO pre market engagement and Client engagement
- 4. Consultancy scope to support strategy including the following**  
*(deliverables will be defined following the workshop on 07/12/2020)*
  - Strategic governance
  - Operating model
  - Technology
  - External insight
  - Business Process
  - Product Ownership

### Background

- Developing an effective strategy to secure a share of the non-RM Pick Up and Drop Off (PUDO) is a strategic priority as it offers:
  - significant financial benefits to our Postmasters by attracting new customers, volume and income to our branches
  - Provides material new income to offset the risk to mails revenue from structural changes in RM revenue (loss of market share/move from in branch sale to online)
  - Positions Post Offices at the centre of growing e-commerce industry ensuring future relevance to clients and customers
- This strategy offers incremental income opportunity of £50m - £75m p.a. by 2025/26 at an estimated DPC of 50%
- The full PUDO proposition to work with other carriers requires a technical solution that integrates these carriers with Post Office back office infrastructure and a network of suitable branches.
- For beyond Phase 1 detail, the full Business Case estimate is detailed on the next slide

## Future drawdowns

1. A Phase 2 Gate to Deliver Business Case will be submitted in March 2021 focussing on deployment with a suitable technical solution, device and Product proposition for Postmasters.
2. Estimated costs for Phase 2 are to be refined but an estimated £19.28m will be required in future drawdowns (up to end FY 24/25) to cover:
  1. IT Hardware / Software: £9.4m (capex)
  2. Resources: £9.8m (opex)
3. Assumptions:
  1. The full PUDO Business Case will cover technology and device costs for PUDO requirements across 11k locations
  2. This will be a multi-phased approach with a number of draw downs over 5 years
  3. The funding request in Phase 1 does not contain build, device or deployment costs which need to be refined once solution design is complete, and will be submitted in a Phase 2 business case

### Cost summary – full business case:

- Current Drawdown: £2.6m
- Future Drawdown: £19.28m (*based on current estimates which will be further refined in Phase 1*)
- Full Business Case to end FY 24/25: £21.88m

### Benefits summary:

- NPV over 5 years £9m
- ROI £15m
- Payback in months 20.4

## Appendix: Mails PUDO Prove Case

The Investment Committee are asked to note the following approved changes to the Mails PUDO Prove Plan:

### Context

1. NDA Client advised they could not to proceed with the trial before the peak 'Black Friday' and Christmas periods.
2. Revised go live date earliest January 2021.

### The following approvals have been confirmed at PRB:

1. Revised milestones and costs have been approved at PRB
2. Cost impact £83k to complete the trail rollout by March 2021, and increase the number of branch rollouts from 100 to 200.
3. Full Prove Case therefore total of £264k due to extended project duration as a result of the MDA2 dependency and the NDA Client delay
4. Benefits case improved due to increase of number of branches to 200 (Based on POL income for trial at £29k)

## Background

Mails PUDO Prove Case is based on proving the following KPIs:

1. Delivery Scan rate – Target outcome 98%
  - Incremental targets of 75% in Month 1, 86% Month 2 , 91% Month 3
2. Agent satisfaction with their Click & Collect proposition – Target outcome 75%
  - Incremental target of 60% by Month 2
3. Customer Satisfaction – customer ease of doing business with POL – Target outcome 80%
  - Incremental targets of 60% Month 1, 70% Month 2, 80% Month 3

## 2.7 Strategic Platform Modernisation (SPM)

### Decision – approval sought – Prove Phase

#### The programme seeks a new overall approval level of £1.32M

This change request seeks to approve two components:

- The programme seeks approval for a change of strategy for programmatic support.**  
*Under the last approval the intent was to procure a strategic delivery partner, hence the case was built on the expected costs for such a partner. Having been through the commercial process and following a subsequent review, the Programme and GE members have made a decision to instead focus on a strategy of building an internal team.*
- Aligned with the above change, the programme is also seeking to realign and increase requested funds to meet the required pace set by SteerCo, GE and Board. In addition, the funds will allow the delivery of some early ‘no regret deliveries’.**

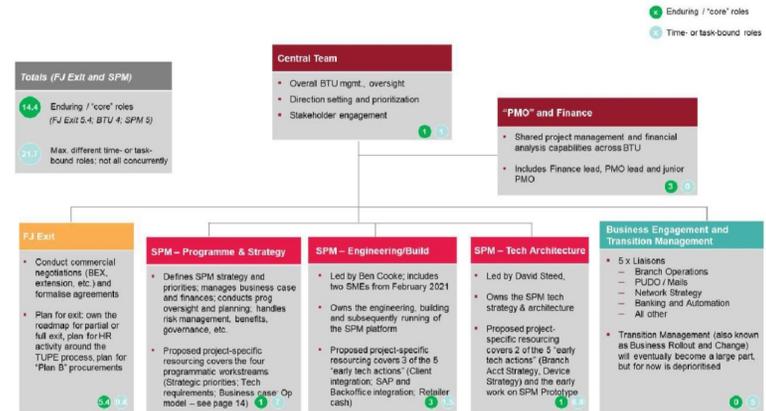
The above changes, and the proposed activity, align with the SteerCo direction from 17<sup>th</sup> Nov 2020. There have been some changes around final agreed rates, start dates and cross charging assumptions since SteerCo. This has resulted in an c.£50k additional funding being requested, although some recent delays to onboarding may see this reduce. There have been no changes to the overall roles required.

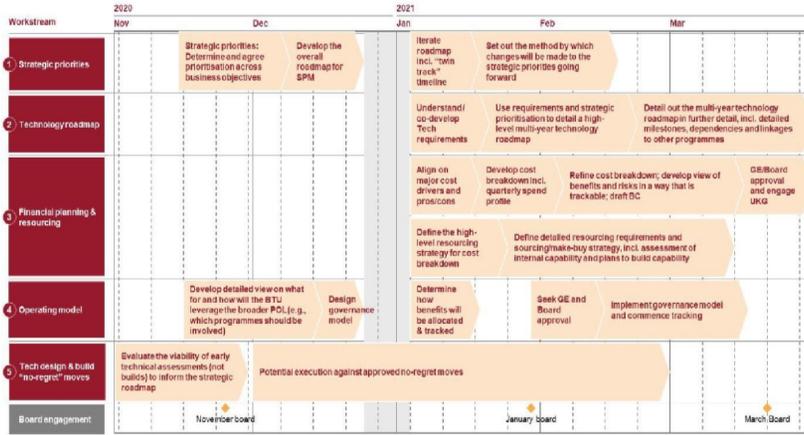
### Background

The previously approved prove plan was predicated on the procurement of a strategic support partner to assist with the programmatic elements. Alongside, funding was requested for key technical activities and early ‘no regret’ deliverables.

Having concluded the procurement for the strategic partner, and following a review of the overall SPM strategy, it has been decided that the programme would be better served (on numerous grounds) by instead focusing on the generation of an internal POL team. As a result the procurement has been abandoned and preparations have been made to hire the required skills and expertise directly from the market place on an individual by individual basis.

In the intervening period, further clarity and alignment has been obtained on the focus for early technical delivery work. This was a request from the last IC engagement where a partial approval was granted. This new clarity means that the programme is now able to more accurately forecast its resource requirements for the remainder of the FY, and this has been aligned with the key initiatives approved by SteerCo.





Official name	FTE	Area	Type	NOV	DEC	JAN	FEB	MAR
Programme Manager	1	SPM-P	Contract-Blend	-	15	20	20	20
Project Manager - Strategy and Req's	1	SPM-P	Contract-Blend	-	-	15	20	20
Analyst - Requirements	1	SPM-P	Contract-Blend	-	-	15	20	20
Analyst - Strategic priorities	1	SPM-P	Contract-Blend	-	15	20	20	20
Analyst - Operating Model	1	SPM-P	Contract-Blend	-	-	20	20	20
Project Manager - Business Case	1	SPM-P	Contract-Blend	-	-	15	20	20
Analyst - Business Case	1	SPM-P	Contract-Blend	-	-	15	20	20
Analyst - Business Case	1	SPM-P	Contract-Blend	-	-	15	20	20
Engineering Director	1	SPM-E	Perm (SLP)	20	15	20	20	20
Care Team Dev	1	SPM-E	Contract	-	15	20	20	20
Core Team Dev	1	SPM-E	Contract	-	15	20	20	20
Operational Process Design Lead	1	SPM-E	FTC (3a)	-	-	-	20	20
Part-time Finance analyst (backfill)	0.5	SPM-E	Contract	-	8	10	10	-
Accenture	0	SPM-E	Output based	-	-	-	-	-
Chief Technology Officer	1	SPM-CTO	Contract	10	15	20	20	20
Cash management SME	1	SPM-CTO	Contract	10	15	20	10	-
Technical Process Analyst	1	SPM-CTO	Contract	10	15	20	10	-
Part Time - UX designer	0.5	SPM-CTO	Contract	5	10	10	5	-
Part Time - AWS Solution Architect	0.1	SPM-CTO	Contract	1	2	2	1	-
Device Strategy Lead	1	SPM-CTO	Contract	10	15	20	10	-
Device Solution Architect	1	SPM-CTO	Contract	10	15	20	10	-
Part Time - Device Mock Ups	0.5	SPM-CTO	Contract	-	-	20	10	-
UX Designer	1	SPM-CTO	Contract	-	-	20	20	-
CX Designer	0.5	SPM-CTO	Contract	-	-	10	10	-
Designer	0.2	SPM-CTO	Contract	-	-	5	5	-
Network Strategy Liaison	1	BETM	Contract	-	-	20	20	20
PUDO and Mails Liaison	1	BETM	Contract	-	-	10	20	20
Banking Liaison	1	BETM	Contract	-	-	10	20	20
Branch Operations Liaison	1	BETM	Contract	-	-	-	-	20
All other commercial products Liaison	1	BETM	Contract	-	-	-	-	-
Business Transformation Unit Director	1	BTU	Contract	-	-	-	20	20
Transformation Strategy	1	BTU	Contract	-	-	-	20	20
Finance and Business Lead	1	BTU	Contract	-	-	10	20	20
BTU PMO	1	BTU	FTC-Blend	20	15	20	20	20
Junior PMO	1	BTU	FTC-Blend	-	-	-	20	20

Investment Committee - 07 December 2020-07/12/20

	Objective of initiative	SteerCo Approved
1	<b>Technical reference architecture</b> • High-level outline the of top level technical reference architecture for our future systems	✗
2	<b>Branch accounting strategy</b> • Define strategy and approach for POL to do branch accounting in the future (cash and stock management, data reconciliation, etc.)	✓
3	<b>Device and peripherals strategy</b> • Co-create the propositions POL will offer and which / how many devices will be required (incl. purpose, products sold and peripherals for each device)	✓
4	<b>Client integration</b> • Identify client integration touchpoints and document architectural patterns; propose high level approach for client integration, understanding client effort requirements	✓
5	<b>Back-office integration</b> • Determine integration points into back-office to ensure core processes (e.g., agent remuneration) can operate during Horizon coexistence and beyond	✓
6	<b>Retailer settlement</b> • Complete high-level end-to-end design for a retailer settlement (direct debit) process for retailers to operate with their own cash and payment technology	✓
7	<b>Branch and data location service</b> • Create a location service suitable for multi-carrier PUDO (no. of branches, dates & opening times, etc.) and define the requirements of the interface between the POL system and the PUDO provider's system	✗
8	<b>EPOS off-the-shelf options<sup>1</sup></b> • Assess EPOS off-the-shelf options, understanding the advantages, limitations, and financial implications of the options	✗

<sup>1</sup> Part of BAU resourcing

## 2.8 Belfast Exit: Benefits Reduction

- At July 2020 Board, as part of a funding drawdown, Benefits were reported as c£4m IT OPEX saving in FY21/22 and c£5.3m saving annually thereafter.
- That forecast has now reduced to a c£160k OPEX *increase* in FY21/22, followed by a c£4.9m OPEX saving in FY22/23 and c£7.4m annual OPEX saving thereafter.
- There are four key drivers for the change in benefits and these are summarised opposite.
- The first driver relates closely to the FJ Exit work which has been discussed previously with IC.
- The other three are less well known and hence are proposed to be the focus of today.

### Four Key Drivers for the reduced benefits:

1. Savings made by terminating Fujitsu *infrastructure services* will be partially offset by contractual charges to cover lost profit. The impact is estimated as 10% of the savings, or c£1.8m in lost benefit, all of it chargeable in October 2021.
2. Aligning the POL Cloud COE service with AWS and Fujitsu's ongoing *Application Support* service requires Fujitsu to acquire extra scope. Pending negotiation, the annual cost is estimated at 10% of the savings from terminating the *Infrastructure Support* service, or c£1.8m in lost benefit.
3. The cost of operating the POL Cloud Centre of Excellence (COE) has increased from an original estimate of £1m per annum to c£1.9m per annum, commencing April 2021.
4. To exit Belfast by 31/12/21 and avoid an estimated £4m Data Centre lease extension the project may migrate some components "within Fujitsu". As a result, a proportion of the Fujitsu *Infrastructure Support* may be retained until March 2023. Pending negotiation, the cost is estimated at 20% of the current service, or c£3.6m in lost benefits.

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## Belfast Exit: Benefits Reduction

Prior to its migration to AWS, all aspects of Horizon support were provided by Fujitsu. Their *Infrastructure Support* service covered hosting and maintenance. Their contract also includes an *Application Support* service.

The reported benefits have always comprised IT OPEX cost savings derived from replacing Fujitsu's *Infrastructure Support* service and replacing it with AWS (for hosting) and an in-house POL Cloud COE (for maintenance), while Fujitsu *Application Support* continued unchanged.

The POL Cloud COE operating cost has almost doubled. Also, their scope of operation has driven additional tasks and cost into the Fujitsu *Application Support* service.

Additionally, one Horizon component (PODG) may be migrated to an alternative Fujitsu data centre rather than straight to AWS. This will persist a proportion of the Fujitsu *Infrastructure Support* service until March 2023.

## POL Cloud COE costs and scope

1. The Cloud COE annual run cost was originally estimated at c£1m. It is now estimated at c£1.9m:

Cloud Centre of Excellence	FTE	Annual Cost
Cloud Team	15	£1.3m <sup>1</sup>
Cloud Security Team	3	£0.4m
Out of Hours support service	n/a	£0.2m

<sup>1</sup> Actual Cost £1.7m, but £0.4m is assumed to be DevOps project support, recoverable as CAPEX spend

2. Fujitsu *Application Support* will acquire scope (WINTEL and UNIX) to align with Cloud COE scope. Pending negotiation, annual cost is estimated as c£1.8m, or 10% of the current *Infrastructure Support* service.
3. Fujitsu *Infrastructure Support*, rather than terminating in Oct 2021, may be partially retained until Mar 2023 to host one application (PODG). Pending negotiation, the annual cost is estimated as 20% of the current service, or c£3.6m.
4. Migrating PODG "within Fujitsu" is a response to the lack of schedule contingency in the migration delivery plan. Even so, a lease extension (c£4m) may still be required.

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# 3.0 Items for Noting

## Items for Noting - Summary

- The following items have been included for Investment Committee **noting only**.
- These items have all been approved by the PRB and are below the £2m threshold so would not ordinarily be seen by the Investment Committee. However, as agreed several months ago, we are currently providing the Investment Committee with visibility of all project activity to ensure you have a holistic view of our project portfolio and how the Change budget is being spent.
- Summary of items to be noted:

<b>3.1</b>	Close Process – Prove plan	£50k OpEx funding to progress a Prove Plan exploring options for a Balance Sheet tool for Finance.
<b>3.2</b>	SAP Hierarchy – Prove plan	£20,500 OpEx for to bring in specialist SAP resource to redefine the chart of accounts, making SAP more efficient and easier to use.
<b>3.3</b>	Bill Payments VAT Treatment – Change Request	Request for an additional £41k of funding to be approved
<b>3.4</b>	DVLA Products on Tablets – Business Case	Requesting to move into Deliver stage with objective of implementing DVLA Driving Licence Ten Year Renewals (TYR), on to the tablet platform in 755 branches.
<b>3.5</b>	Dangerous Goods FY20/21	Requesting £49k OpEx to delivery Phase 1 - Horizon update
<b>3.6</b>	EUC Office 365 Upgrade – Closure	Requesting to Close having delivered successfully.
<b>3.7</b>	Paystation Refresh Retail - Closure	Requesting to Close having delivered successfully.

## 3.1 Close Process Solution - PROVE

### For IC noting: Approved at PRB

1. Request for £50k of funding to be approved (for a total estimated one off cost of £225k inc. prove funding, there would then be an annual software licence cost of c£168k).

### Background / Commentary

1. The requirement to acquire a Balance Sheet tool is driven by the need to continue the journey of strengthening our financial reporting control framework.
2. To date, we have implemented a series of changes across financial reporting to enhance the controls environment and meet the requirements for both external audit and internal governance purposes. However, we are now at a point where the changes made cannot be further enhanced, around our balance sheet controls, without the use of a tool.
3. The tool would mean that we will have a single system that provides visibility over the risk and opportunity across the entire balance sheet and a workflow driven process which is better for the business as it reduces the risk of write offs, provides assurance that the financials are not materially misstated and provides a more efficient process for reconciliations to be prepared.
4. The tool would address reoccurring internal and external findings around inaccuracies and lack of clear accountability / control around the balance sheet.

## 3.2 SAP Hierarchy – PROVE

### For IC noting: Approved at PRB

1. Request for £20.5k of funding to be approved (for a total estimated cost of £150k inc. prove funding).

### Background / Commentary

1. Our finance system is SAP, where all financial information and ledgers are held for the entire organisation. Within this system, there are various areas, the primary one being the General Ledger, within this there are GL codes, profit centres, cost centres, WBS codes and internal orders. This allows us to split revenue, costs and balance sheet figures by type and area.
2. Over time, the original structure that was set up has been gradually changed and is now at a point where it is no longer fit for purpose. This causes issues for finance staff, requisitioners, procurement (including issues paying suppliers) and business reporting.
3. This request is to initiate a project and bring in specialist SAP resource, who can help us redefine our chart of accounts, making it more efficient and easier to use in our modern Post Office environment. Once this has been defined, we can then request cost estimates required for the changes to the mapping of any source systems into SAP (£50k estimate included in the total funding figure of £150k).
4. The project will deliver more efficient processes and train individuals within Post Office so that we can keep the structures up to date going forwards and do not need to repeat this project.

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## 3.3 Bill Payments VAT Treatment – BUSINESS CASE

For IC noting: Approved at PRB

1. Request to move to Deliver
2. Request for an additional £41k of funding to be approved (for a total of £94k inc. prove funding).

### Background / Commentary

1. This project is driven by a HMRC ruling that the income we earn from processing post bill payments should be subject to VAT and not VAT exempt, as currently treated. HMRC have allowed POL/Payzone to choose a date to enact this change in VAT treatment.
2. Successful change will reduce our irrecoverable VAT bill with a resulting cost reduction benefit of c. £1m p.a. It also enables a historic claim going back for four years for a one-off cash refund of c. £3.5m – we are hopeful this will succeed, but not certain.
3. We have just concluded the prove phase and have confidently estimated we can deliver the project by end of Jan for £94k total project spend.
4. Deliverables across POL and PZ focus on implementing some IT change to amend client and agent self-billing and managing client impact (expected to be minimal as clients will be able to claim additional VAT back).
5. POLs IT change is reference data and minor, PZs is more extensive, hence:
6. The chief risk is a dependency on PZ delivery to time. The impact of delivery delays would be a delay in benefits and reduced chance to acquire a cash refund, if successful, in FY20/21.

## 3.4 DVLA Products on Tablets – BUSINESS CASE

For IC noting: Approved at PRB

1. Request to move to Deliver
2. Request for £583K Capex of funding to be approved (in addition to approved Prove £49.6K Opex).

### Executive Summary

Implementation of this phase of the Identity Modernisation programme will deliver DVLA Driving Licence Ten Year Renewals (TYR), on to the tablet platform now deployed in 755 branches supporting HMPO Passport Applications.

The project will deliver a digital capability that will enable the replacement of the current AEI network, improving customer accessibility to the Identity services product suite. In addition to TYR, the service will offer Vanity renewals – photograph & address changes, expanding the application types delivered digitally, removing the current dependency on the paper service & associated processing costs.

Delivery of this project in addition to the HMPO solution plus the final project delivering SIA transactions, act as enablers in removing the dependency on AEI functionality and the associated £4m p.a. service charges.

Timelines 2021:

Application Build: Jan – Mar

Pilot Deployment: Apr

Rollout: May

## 3.5 Dangerous Goods Tech Improvements 20/21 - Phase I

For IC noting: Approved at PRB

1. Investment Committee noting of £49k PRB approved funding to proceed with Phase 1 of Dangerous Goods Tech Improvements (screen flow improvements).

### Background / Commentary

1. Dangerous Goods compliance in Post Offices is a mandatory requirement of the agreement with Royal Mail and one which we constantly fail in mystery shopping. By making several technical changes POL intends to reduce the risk of large fines by the CAA and/or withdrawal of the ability to sell mails products.
2. We will change the Dangerous Goods transactions to become more system driven and thus reduce training/ possibility for confusion for Postmasters/counter staff.
3. This will begin in this phase by making some Horizon system changes to help simplify and streamline the transaction process. The Network field team is in place to deliver the behavioural changes needed to ensure the process improvements deliver the targeted benefits.
4. This phase will allow an Horizon menu-based alternative transaction route in parallel to the laminate scan in order to make it easier to use by branches, leading to an increase in conformance for both domestic and international compliance.

## 3.6 O365 Upgrade - CLOSURE

### For IC noting: Approved at PRB

1. Request to close the project having fully delivered in November 2020

### Background / Commentary:

1. The Office 365 upgrade was successfully deployed to the entire colleague estate (2,250 devices).
2. Upgrades were completed before the 13<sup>th</sup> of October 2020, which is when the Microsoft support for the older version of Office applications ceased. Not having upgraded, would have rendered colleagues in an unworkable state with the Office applications (Outlook, Excel, Word etc)
3. The following benefits were delivered (as outlined in the Business case);
  - a. Avoidance of additional cost to have dual licencing support for Microsoft Office (£590k p.a.)
  - b. Enhancement of Office features and tools for colleagues
4. The project spent £367k against the £393k approved budget in the Business case

## 3.7 Paystation Refresh IT - CLOSURE

### For IC noting: Approved at PRB

1. Request to close the project having delivered its scope in July 2019 and transferred the remaining Paystation upgrades to a new project Paystation Refresh Retail which completed its activities and closed in November 2020

### Background / Commentary

1. The project was started in Feb 2017 to replace failing or end of life Paystations with iCT250s until the Paystation strategy was agreed. In July 2019 this was handed over to Retail to complete the refresh of the remaining Paystations and roll into BAU.
2. This project replaced 5100 at a cost of £2.75M up to the end of June 2019 before handing over to Retail. Under Retail a further 4700 Paystations were replaced giving a total of 9800 Paystations replaced across the network.
3. The initial project team have moved onto to other projects but lessons learned were captured under the Retail project some of which would have been learnt over the entire delivery of the 2 projects.

# 4.0 AOB

## 4.1 Schedule for priority project KPI updates

As requested at the Investment Committee on 23<sup>rd</sup> November, the Priority Projects will be attending future sessions as below to provide more detail around deliverables and the KPIs being reported.

7 <sup>th</sup> Dec	<b>Mails PUDO</b>	Mails, Travel, FS & Other
	<b>Branch Hub</b>	Postmaster & Network
18 <sup>th</sup> Jan	<b>PCI Compliance</b>	IT Platform Enablement
	<b>Belfast Exit</b>	
	<b>POM</b>	Organisational Effectiveness
	<b>PM Engagement</b>	Postmaster & Network
	<b>ATM Banking Strategy</b>	Banking, Payments & Other
	<b>Cash Automation Pilots</b>	
	<b>POca Conversion</b>	
<b>POca Exit</b>		
8 <sup>th</sup> Feb	<b>DMB Strategy</b>	Postmaster & Network
	<b>Network Strategy</b>	
22 <sup>nd</sup> Feb	<b>SPM</b>	IT Platform Enablement
	<b>FJ Exit</b>	
	<b>Mails Strategy</b>	Mails, Travel, FS & Other
	<b>Telco Strategy</b>	

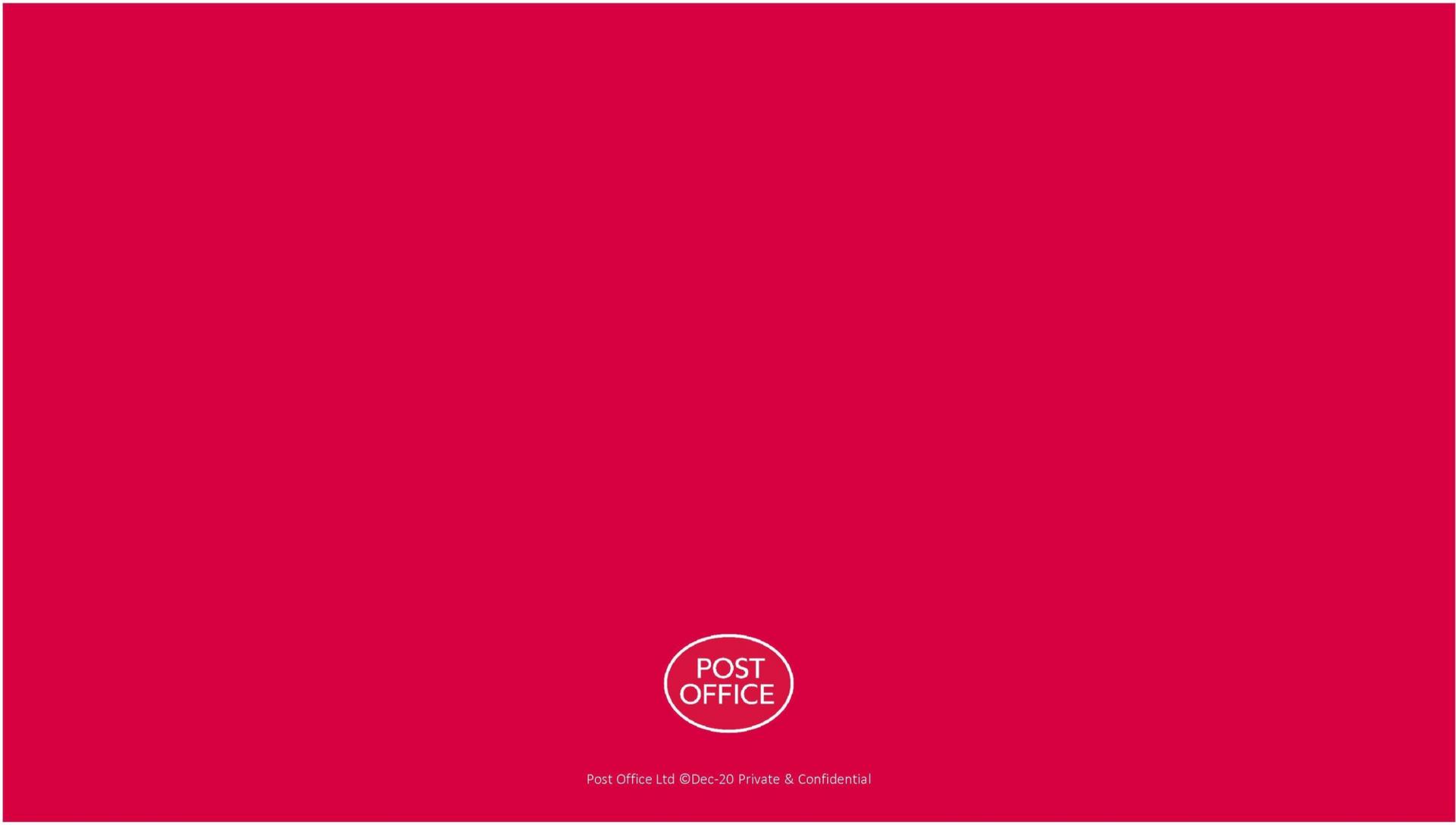
## 4.2 Open Actions

Action ID	Action	Owner	Update	Due Date
319	Workshop to be scheduled with Business Sponsors, Benefit Owners and finance teams to reiterate the finance and governance processes and controls.	Saira Burwood / Michael Brown	<b>19/11/20:</b> Work underway to confirm roles & responsibilities of change related activities across the wider business. Workshops to be scheduled by business area / portfolio to provide an overview of the Change function and clarification on R&Rs.	In progress
490	To return to the IC with prototype report on project metrics populated with information	Saira Burwood	<b>02/12/20:</b> KPI report format agreed, visibility of priority projects covered by action 502.	CLOSED
495	Decision roadmap to be defined (including Telco) to provide a pictorial holistic view with the different points of interactions and what really matters in the negotiation so that we ensure that all items are covered off and we are happy with any trade-offs.	Gareth Clark	<b>02/12/20:</b> Gareth Clark has provided roadmap – sent to IC members with the IC papers	CLOSED
498	Controls Framework: Dan Zinner asked that the Project investigate recovering costs from Verizon for failure to prove the contracted service.	Mark Baldock	<b>02/12/20:</b> Mark Baldock has asked Steve Rosser to contact VZ about this – SPO team will track this offline	CLOSED
501	Michael Brown to provide some historical examples of spend which has required retrospective approval	Michael Brown	<b>02/12/20:</b> Michael Brown has provided examples, see 4.3	CLOSED
502	Saira/Shreya to work with HoTPs to identify a suitable timeframe for the projects/portfolios to attend either the IC or a separate session for an in-depth discussion on key indicators/benefits drivers	Saira Burwood	<b>02/12/20:</b> slide showing dates when priority projects will attend IC is included, see 4.1	CLOSED



## 4.3 Examples of Previous Retrospective Governance Approval for Change Spend

- **Budget owners approving Opex spend for change activity which changes to Capex or Exceptional**
  - Telco Strategy
  - Starling
  - Smaller IT projects
  - GLO
  - Supply Chain Utilities
  - Payzone element of VAT project
- **Business Sponsors giving approval to start, with formal governance following later:**
  - Supply Chain Strategy
  - Portsmouth Relocation
  - Property CAT 1
  - Purpose & Culture comms
  - Various involving Legal suppliers



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A large graphic on the left side of the page, composed of several overlapping diamond shapes. The top-left diamond shows a pie chart with segments labeled "5.8%", "20%", and "50%". The middle diamond shows a hand holding a pen over a document with the word "Fin" visible. The bottom diamond shows a hand writing on a document. The right side of the graphic is a solid red rectangle containing the text "Supply Chain Strategy FY20/21 PROJECT CHANGE REQUEST".

**Supply Chain Strategy FY20/21  
PROJECT CHANGE REQUEST**

**Innovate, Prove, Deliver: Project Change Request****2.2****1. SUMMARY**

<b>SNow Id</b>	PRJ0027622			
<b>Project Name</b>	Supply Chain Strategy FY20/21			
<b>Project Manager</b>	Priscila Carvalho			
<b>Impact on funding</b>	<input type="checkbox"/> Zero	<input type="checkbox"/> £0 - £25,000	<input type="checkbox"/> £25,000 - £50,000	<input checked="" type="checkbox"/> Over £50,000
<b>Funding source</b>	<input type="checkbox"/> Proposed change can be funded from existing approvals <input checked="" type="checkbox"/> Proposed change will require additional approval <input type="checkbox"/> Request to <b>drawdown</b> existing approved funds			
<b>Impact on benefits</b>	<input checked="" type="checkbox"/> Zero	<input type="checkbox"/> 0% to 15%	<input type="checkbox"/> 15% to 50%	<input type="checkbox"/> Over 50%
<b>Impact on schedule*</b>	<input type="checkbox"/> Zero	<input type="checkbox"/> 0 - 2 weeks' slippage	<input type="checkbox"/> 2 - 4 weeks' slippage	<input checked="" type="checkbox"/> More than 4 weeks' slippage
<b>Impact on scope</b>	<input type="checkbox"/> Zero	<input type="checkbox"/> Small changes to scope or quality of deliverables	<input checked="" type="checkbox"/> Medium impact changes to scope or quality of deliverables	<input type="checkbox"/> High impact changes to scope or quality of deliverables

**2. DETAIL****2.1. Decision required by**

A decision is required by close of play 1<sup>st</sup> December 2020 in order to meet the timescales for submission (2<sup>nd</sup> December 2020) to the Investment Committee on the 7<sup>th</sup> December 2020.

**2.2. Proposed change or drawdown**

The project team presented the outputs of the RFI and subsequent business case regarding the option to outsource supply chain to the Group Executive (GE) in November. The Chief Executive and GE members have requested that key areas of complexity are explored further, and for the project to return to GE to provide an update in January.

A change to the project scope is required to incorporate the request and align the relevant milestones. The original prove plan had been approved for £467K, will now increase to £786,5K with the request for an additional £319K of exceptional funding to deliver this change.

The estimated project cost is £344,4K, however, the project is currently underspent by £25.5K, we ask that this amount should be re-purposed towards this change and ask for an additional £319k of exceptional funding.

## Innovate, Prove, Deliver: Project Change Request



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Due to time constraints created by furlough and Christmas period, the project team has already started working on planning and delivery of the request prior to funding approval. PA Consulting has commenced work on 23<sup>rd</sup> of November and £33,6K has been committed at risk.

### 2.3. Reason for change or drawdown

The project was initiated to explore the opportunities of outsourcing the cash processing and Cash and Valuables in Transit (CVIT) elements of Supply Chain. Exceptional funding of £467k was approved in September 2020, and PA Consulting were on-boarded to run a confidential Request for Information (RFI) process, develop the business case and present the outputs to the Group Executive and then Post Office Board in November 2020. The purpose was to identify whether there was market interest in outsourcing some or all cash processing and CVIT elements of Supply Chain, and outline the costs, benefits, risks and the procurement approach with progressing to an outsource model.

The RFI exercise was undertaken, establishing that there was clear market interest from at least two suppliers for a full national outsource. Costs were provided, and a business case was produced. The findings were presented to the Group Executive on the 11<sup>th</sup> November 2020 as planned, which outlined that a potential annual saving of £14m could be delivered. The investment costs to transition to an outsource model were c. £46m, whereby £37m of settlement cost was associated with exiting Post Office colleagues. In their responses, suppliers identified that whilst TUPE would apply, they would not need Post Office colleagues or assets.

The feedback from the Chief Executive and GE was positive, and they appreciated the benefits from moving to an outsource model both from a postmaster and business perspective. However, they provided guidance to the project that unless there was a different way to fund the cost to change, we would not be able to proceed. Therefore, the direction given was that a presentation would not be given to Board in November 2020. The Chief Executive gave a clear steer that this would be January 2021 at the earliest, and only on the basis if an alternative approach to funding can be identified.

### 2.4. Proposed solution or progress for drawdown

The proposed solution is to continue using a team of PA Consulting and a Post Office Project Manager with support from business Subject Matter Experts (SME) in Supply Chain, Procurement, HR, Finance and Legal Services to answer the question about funding. This will involve re-engaging quickly and compliantly with suppliers to establish the following:

1. Is there an appetite by suppliers to fund the transition costs in addition to or replacing the need to providing balance sheet relief on cash ownership?
2. If there is an appetite, what would be the charging mechanism for this and what would be the impact on the business case?
3. What implications would this have on Post Office colleagues and how an outsource is procured?

As well as engaging with suppliers, the project team need to establish whether this funding mechanism is compliant with Post Office funding rules and

## Innovate, Prove, Deliver: Project Change Request

**2.2**

regulations. The proposal is that the outcome of this above will be identified in advance of the GE meeting in January.

The GE acknowledged the complexity and difficulty with moving to an outsource model, the level of disruption this will cause if a decision is made to proceed, and therefore the need to move as quickly through a public RFP process. Therefore the proposal is that whilst the project team are working through the funding question, working through the process with suppliers, and preparing for the Board presentation in January, we will additionally work in parallel on the complex areas that need to be resolved in advance of moving to an RFP. This will prevent any slippage to timescales should approval be given in January 2021. The areas of scope are:

- 1) Confirming with Treasury the requirement for balance sheet funding relief and agreeing the mechanisms from Finance and IT for achieving this.
- 2) Confirming the procurement approach and the plan to deliver this. Options were being discussed with Legal Services and Procurement prior to the GE to agree a compliant procurement approach that balanced the need for pace whilst minimising the risk to Post Office. This includes confirming the VAT implications and ensuring potential contracts can be constructed in a way that is VAT efficient for Post Office.
- 3) Prioritising and resolving the approach to the solution requirements that need to be confirmed before progressing to the RFP stage.
- 4) Working with Accenture to understand the possible system solutions for the remaining bureau de change operation in Hemel, should cash processing be outsourced.
- 5) On-boarding communication support to draft communications strategy and approach, and help with stakeholder and shareholder engagement. This has been planned to start after GE meeting in January.

The working assumption is that the response from suppliers regarding funding will be positive. Therefore, the funding requested in this Change Request takes the project up to 12<sup>th</sup> February 2021, when a full business case would be taken through the Project Review Board and Investment Committee, at the first opportunity following the January 2021 Post Office Board.

The contract with PA Consulting, as well as all resources requested, has been constructed in such a way that should it be established that the suppliers are unwilling or unable to fund the change, or that such a mechanism is not supported by the Shareholder, then work on the project will cease. We would also not initiate activity such as engaging with Accenture to complete the bureau solution assessment or agreeing communications strategy.

### 2.5. Cost forecast

Exceptional funding of £467k was approved in order to complete the RFI process and take the outputs, with associated business case, to the GE and the Post Office Board in November 2020. This was completed, albeit the GE made the decision not to progress to Board until January 2021.

**Innovate, Prove, Deliver: Project Change Request****2.2**

The total funding request is for £319K of exceptional funding, after the project underspend has been re-purposed towards this change, increasing the overall cost of prove phase to £786,5K.

Prove Plan	Funding Requested	Approved Budget	Committed to date	Available Budget
Phase 1	£467,600	£467,600	£442,090	£25,510
Phase 2	£318,933	-	-	-
<b>Total</b>	<b>£786,533</b>			

Project costs cover the period from 23<sup>th</sup> of November through to the 12<sup>th</sup> of February. Funding would be allocated into the following areas:

Cost item	Amount inc. VAT	*Cost from 23/11 to 11/12	Cost from 14/12 to 12/02
<b>Phase 2 Estimated Project Costs</b>	<b>£344,443</b>	£59,160	£285,283
PA Consulting Costs	£264,264	£53,410	£210,854
Project Manager Costs	£28,750	£5,750	£23,000
Legal expenses	£20,000		£20,000
Communications support	£10,000		£10,000
Accenture review for bureau solution	£10,644		£10,644
SPO	£10,785		£10,785
<b>Current Project Underspend</b>	<b>£25,510</b>		
<b>Total Funding Request</b>	<b>£318,933</b>		

Due to time constraints, in order to deliver this change it was critical to keep the momentum of market engagement and ensure continuity of the project team. On that basis, contracts have been structured into two stages to enable work to commence, whilst setting a clear breakpoint.

The first stage, from 23<sup>rd</sup> of November to 11<sup>th</sup> of December, is estimated at £59,1K. We propose to re-purpose the available approved budget and the remaining funding required, circa £33,6K, would be charged as Supply Chain OPEX whilst we achieve approval, when this will be flipped to exceptional. If this request is rejected, the project will stop immediately, and Supply Chain will cover the costs up to that point.

Under our current contract with PA, as per the Health Trust Framework, we can compliantly extend our engagement to complete this work, as it is in line with the original scope contracted.

On 20<sup>th</sup> of November, an email was sent to PA providing confirmation that fees are covered up until 11<sup>th</sup> of December, by which time POL will either confirm approval to continue, or halt the work with immediate effect.

The project team will be supplemented by a Post Office Project Manager and the relevant business SMEs. Legal costs have been factored into the funding request, as it is likely that an external firm will need to be used as was the case in the original project.

## Innovate, Prove, Deliver: Project Change Request



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The second stage, from 14<sup>th</sup> of December to 12<sup>th</sup> of February, is estimated at £285,2K. In this stage, we will be engaging with Legal and IT external partners widening the project team to deliver the change.

The additional funding will take the project team up until the 12th February 2021, at which point, the project will be reviewed, and the team adjusted to deliver the decision made during GE and/or Board meetings in January.

If the Board grants approval to proceed to a RFP at the end of January, we will return to PRB and IC in February. Acknowledging that there will be a need to deliver the RFP at pace, and with an intensity of resource, it is anticipated that future funding requests regarding the Procurement and Transition phases will include the following:

- 1) Pre-RFP preparation, which would happen between 15<sup>th</sup> February and 23<sup>rd</sup> April 2021, at an estimated cost of £1.1m split between PA Consulting, Post Office, Legal Services and IT costs.
- 2) Launch of RFP, which would happen between 25<sup>th</sup> April 2021 concluding on the 10<sup>th</sup> September 2021 at a cost of £1.2m.
- 3) Upon successful completion of procurement phase, we will start transition to an outsource model from October 2021, concluding eighteen months later in March 2023. Transition costs have been estimated at £43,6m. It's worth noting, identifying the options available to fund the one-off costs is the subject of this change request.

At high level, the full implementation cost breakdown is:

Phase	Estimated Costs £m
<b>Pre-RFP Preparation</b>	<b>1.1</b>
POL Resources (includes backfilling all SME positions)	0.28
PA Resources	0.56
Legal Service / External Resources	0.26
<b>Launch of RFP</b>	<b>1.2</b>
POL Resources (includes backfilling all SME positions)	0.22
PA Resources	0.96
Legal Service / External Resources	0.10
<b>Significant one-off costs</b>	<b>43.6</b>
Transition	£10
Settlement agreement – still to be finalised	£37
Net Asset disposal @ 50% discount to valuation	-£4
Other related (POL travel & SPO)	£1

These costs need further refinement and would be outlined in the future business case to be presented in February.

## Innovate, Prove, Deliver: Project Change Request



2.2

### 2.6. Effect on solution design

Once we engage with the market, it will become clear if there are valid alternatives for POL to fund transitions costs. If the supplier responses provide valid options, then the financial modelling will be re-run to ensure the recommendation to GE has not changed.

If the responses are negative, or the financial benefits change to such an extent that an outsourcing solution is no longer compelling, then no further budget will be spent exploring outsourcing as an option for Supply Chain.

As per our current plan, we expect to be able to establish the market's position by 21<sup>st</sup> of December, at which point the project will re-focus on exploring operational efficiencies that can be delivered in-house.

### 2.7. Effect on schedule

The project delivered the original milestone of presenting to GE in November 2020. However, the revised date for the presentation to Board is January 2021. If approved by the Board, the project will seek formal funding approval at the IC on the 8<sup>th</sup> February 2021.

The GE acknowledged that there is only a short window available to take advantage of this opportunity given everything else going on with the cash industry, and any RFP will need to conclude well in advance of Christmas 2021.

### 2.8. Effect on resource requirements

Procurement Team have advised that they do not have the capacity to lead on the on-going conversations with suppliers in the timescales required. Therefore, the proposal is to continue with PA Consulting to provide this support and deliver the activities outlined above. Due to additional pressure from Christmas period, it is critical to ensure project continuity with the same PA team. We have asked PA to start working from 23<sup>rd</sup> of November to re-engage the market ahead of discussions.

This will be supplemented by a Post Office Project Manager and the relevant business SMEs. Legal costs have been factored into the funding request, as it is likely that an external firm will need to be used as was the case in the original project.

### 2.9. Effect on other projects /activities /programmes

There are a couple of projects that are dependent on a decision being made regarding commercial partnerships and the outsource of elements of Supply Chain. These are, the PDA replacement project and the CViT Replacement Vehicles 19/20 as there is a decision that needs to be made regarding future investment or drawdown in those areas.

In addition to exploring outsourcing as an option, supply chain is exploring joining a Cash Utility model and in-house efficiencies opportunities. Joining a Cash Utility is not currently advantageous for Post Office, though we will continue to track the development of the proposition. Supply Chain can deliver more efficiently in-house, with investment of c.£9.6m to deliver a recurring operating cost reduction of £6.5m from FY24/25. This option avoids the risks associated with an outsource but retains complexity for Post Office and will not deliver the financial savings that can be achieved from an outsource.

**Innovate, Prove, Deliver: Project Change Request****2.2**

A high level view of in-house efficiencies being explored are :

Initiative	Description	Cost to achieve (£m)	Annual OPEX Saving (£m)
OE T2	Operational Efficiency Tranche Two	1.4	1
<b>CVIT</b>		5.6	3.4
Dynamic scheduling	Efficiency improvement of 10%	2.8	1.3
Unproductive services	Removal of unnecessary branch visits	0.5	0.5
Depot rationalisation	Movement of work away from under-utilised depots	2.3	1.6
<b>CASH PRO</b>		2.6	2
Lean cash	Throughput improvement of 40%	0.6	0.7
Cash Centre Rationalisation	Movement of work away from underutilised cash centres	1.4	1
Operating model changes	Reduction in back-office staff	0.6	0.3
<b>Total</b>		<b>9.6</b>	<b>6.5</b>

At this stage, we are working to present options for the future of supply chain to GE in January, when we will be in a better position to assess the effect the strategy will have more broadly.

#### 2.10. Effect on benefits plan

This change doesn't deliver direct benefits, it is an enabler to promote outsourcing as an option for the future of supply chain.

RFI results indicate an outsource could save c. £14.4m per year. Investment of c. £46m is required to procure and transition to the solution, including c. £37m to settle with impacted colleagues.

#### 2.11. Effect on risk profile

The request of GE and the further question asked about funding increases the time taken to make a decision, which potentially increases the delivery risk should approval be given by Board in January. There will still be a need to deliver at pace which shortens the window to complete the RFP in the required timescale.

There is also a risk that further procrastination impacts negatively on suppliers, who may become disengaged with the process, resulting in the offer being unavailable to Post Office when a decision is made.

In the immediate term, there is the risk that suppliers can't respond in the timescales required for Post Office to meet governance timescales, partly driven by the size of the ask and the practical issue of lack of availability over the Christmas period.

# Innovate, Prove, Deliver: Project Change Request



2.2

## 3. FINANCE

SC Strategy PRJ0027622 ChangeRequest DRAFT 1.0.xlsx								
Output (All)								
Funding Overview (£'k)								
	Existing Approval	20/21	21/22	22/23	23/24	24/25	Total New Request	Total Project
Opex	-	-	-	-	-	-	-	-
Exceptional	(457.6)	(318.9)	-	-	-	-	(318.9)	(786.498)
Capex	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>(457.6)</b>	<b>(318.9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(318.9)</b>	<b>(786.5)</b>
Impact on EBITDAS	-	-	-	-	-	-	-	-
Net Present Value over 5 Yrs (£'k)	-	Including Intangible Benefits		Tangible Benefits only		-	-	-
ROI - Undiscounted (%)	-	(786.5)		(786.5)		-	-	-
ROI 20/21, ROI %	-	-100%		-100%		-	-	-
Payback Period 20/21, Payback in month	-	No Payback		No Payback		-	-	-
Risk Factor	-	105.4%		-		-	-	-
Break-even point in month	-	No Payback		No Payback		-	-	-
Business Case Financials (£'k)								
	Existing Approval	20/21	21/22	22/23	23/24	24/25	Total Project	
Gross Income	-	-	-	-	-	-	-	-
Revenue Growth	-	-	-	-	-	-	-	-
Revenue Retention	-	-	-	-	-	-	-	-
Cost of Sales	-	-	-	-	-	-	-	-
Total Direct Contribution	-	-	-	-	-	-	-	-
Operating Expenses (OpEx)	-	-	-	-	-	-	-	-
Project Related	-	-	-	-	-	-	-	-
Recurring Increase	-	-	-	-	-	-	-	-
Recurring Decrease	-	-	-	-	-	-	-	-
Agents Pay	-	-	-	-	-	-	-	-
Avoidance	-	-	-	-	-	-	-	-
Trading Profit	-	-	-	-	-	-	-	-
Trading Profit (%)	-	-	-	-	-	-	-	-
Capital Expenditure (CapEx)	-	-	-	-	-	-	-	-
Project Related	-	-	-	-	-	-	-	-
Avoidance	-	-	-	-	-	-	-	-
Exceptional Expenditure	(457.6)	(318.9)	-	-	-	-	(318.9)	(786.5)
Project Related	(457.6)	(318.9)	-	-	-	-	(318.9)	(786.5)
Net Cash Flow	(457.6)	(318.9)	-	-	-	-	(318.9)	(786.5)
Cumulative FCF	(457.6)	(786.5)	(786.5)	(786.5)	(786.5)	(786.5)	(786.5)	(786.5)
FCF without Avoidances	(457.6)	(318.9)	-	-	-	-	(318.9)	(786.5)
Cumulative FCF w/o Avoidance	-	(786.5)	(786.5)	(786.5)	(786.5)	(786.5)	(786.5)	(786.5)

**Innovate, Prove, Deliver: Project Change Request****2.2****APPENDIX A  
APPROVALS****IT APPROVAL:**

Assuring the IT supply chain is aware and ready for this case:  
Please contact Ajay Patel (  ) for IT approvers.  
IT contacts list can be found [here](#).

Function	Role	Name	Date
IT Service			
IT CTO			
IT DPO			
IT Security			
IT Finance			
IT Contract Vendor Mgt			
Any other	Branch, Digital and Engineering Director	Ben Cooke	27/11/2020
Additional Comments			
Due to holiday, Ben Cooke approved on behalf of Gary Walker			

**FINANCE APPROVAL:**

Assuring the quality of the finances in this case and the sign-off of Central Finance in respect of accounting treatment (cost categorisation) and impact on financial controls:

Function	Role	Name	Date
Finance	Finance Director	Kathryn Sherratt	27/11/2020
Finance	Technical Finance	Tom Lee	27/11/2020
Additional Comments			

**PORTFOLIO APPROVAL:**

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

Function	Role	Name	Date
SPO	Portfolio Lead	Nikki James	27/11/20
Additional Comments			

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

# Innovate, Prove, Deliver: Project Change Request



2.2

## APPENDIX B MILESTONE CHANGES

The changes to the milestone are:

Change	Milestone	Current	Change to
Amend	Submit Board Paper	16/11/2020	18/01/2021
Amend	Board Presentation	24/11/2020	26/01/2021
Add	Submit GE Paper	-	08/01/2021
Add	GE Presentation	-	13/01/2021

SNow

Task	Status	Start Date	End Date
Supply Chain Strategy FY20/21	Prove	11/06/2020 08:00:00	18/01/2021 17:00:00
Project Start	Closed Complete	11/06/2020 08:00:00	04/11/2020 17:00:00
Go Live	Work in Progress	05/11/2020 08:00:00	24/11/2020 17:00:00
Sponsor sign off	Closed Complete	05/11/2020 08:00:00	05/11/2020 17:00:00
Submit GE paper	Closed Complete	06/11/2020 08:00:00	06/11/2020 17:00:00
GE presentation	Closed Complete	11/11/2020 08:00:00	11/11/2020 17:00:00
Submit Board paper	Work in Progress	16/11/2020 08:00:00	16/11/2020 17:00:00
Board Presentation (Go Live)	Pending	24/11/2020 08:00:00	24/11/2020 17:00:00
Project Closure	Pending	12/01/2021 08:00:00	18/01/2021 17:00:00

# Innovate, Prove, Deliver: Project Change Request



2.2

## APPENDIX C GOVERNANCE HISTORY

Governance History

[+ new item](#) or [edit this list](#)

✓	MID Meeting Date	MID M Type	Request Type	Decision	Request Summary
	24/08/2020	IC	Gate to Prove	Approved at IC	The Prove case is asking for £467.6k to formally engage the market through a confidential RFI, evaluate the response and assess the feasibility of commercial partnership for either part of whole of supply chain.

# Innovate, Prove, Deliver: Project Change Request



2.2

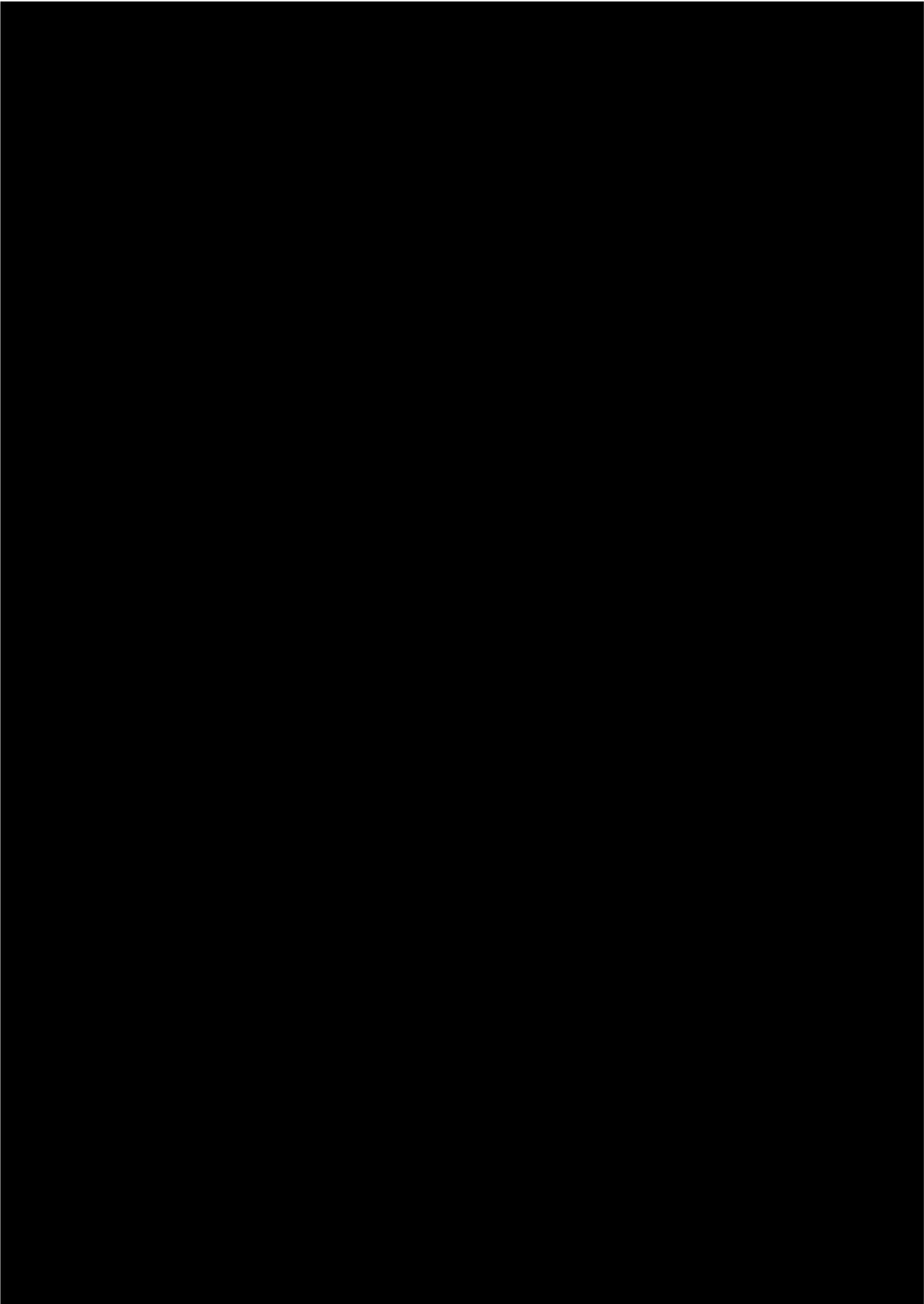
## APPENDIX D MANDATED SUPPORTING DOCUMENTS

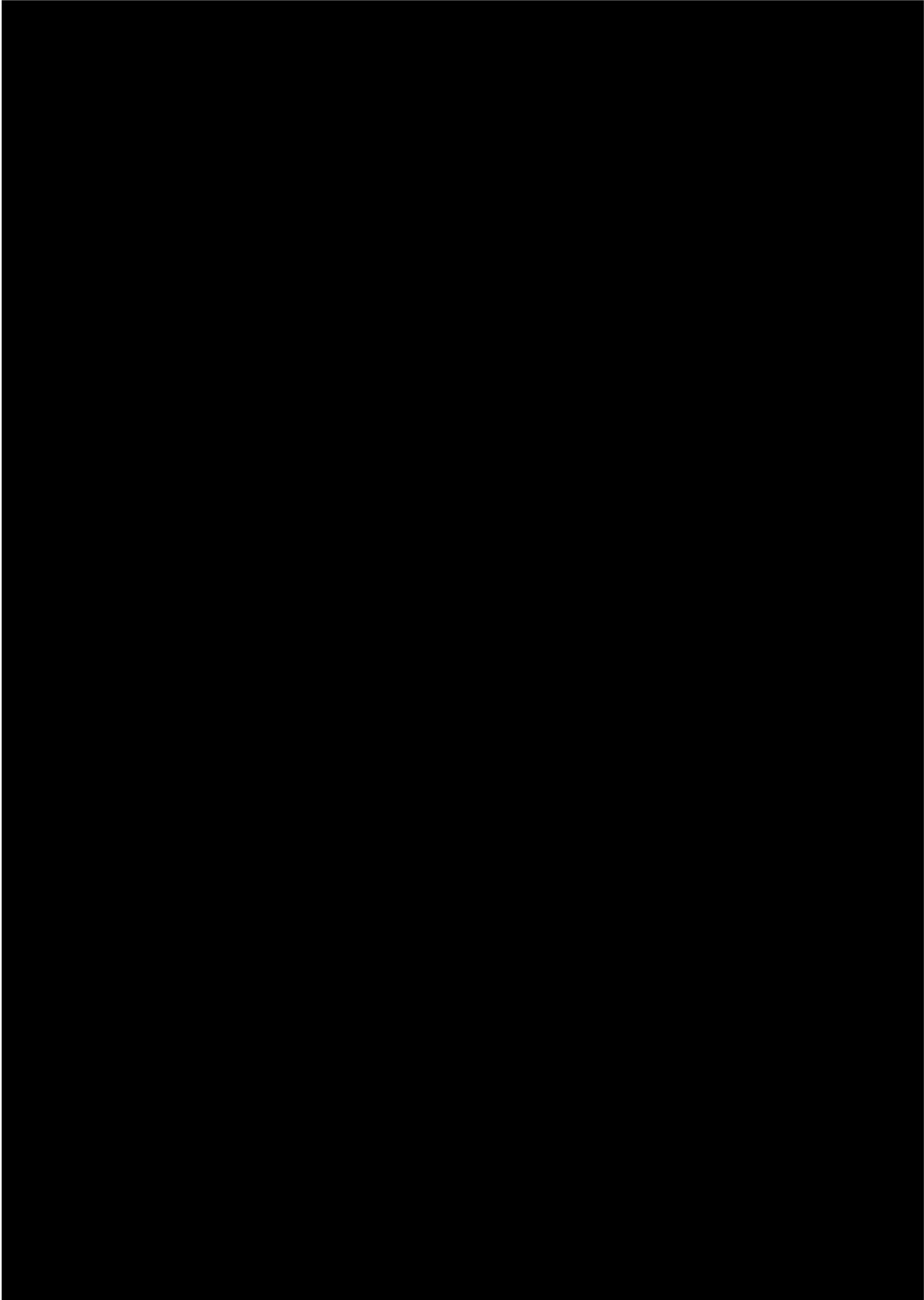
The following documents are required to be submitted to SPO as part of our project assurance process and for record retention policy requirements:

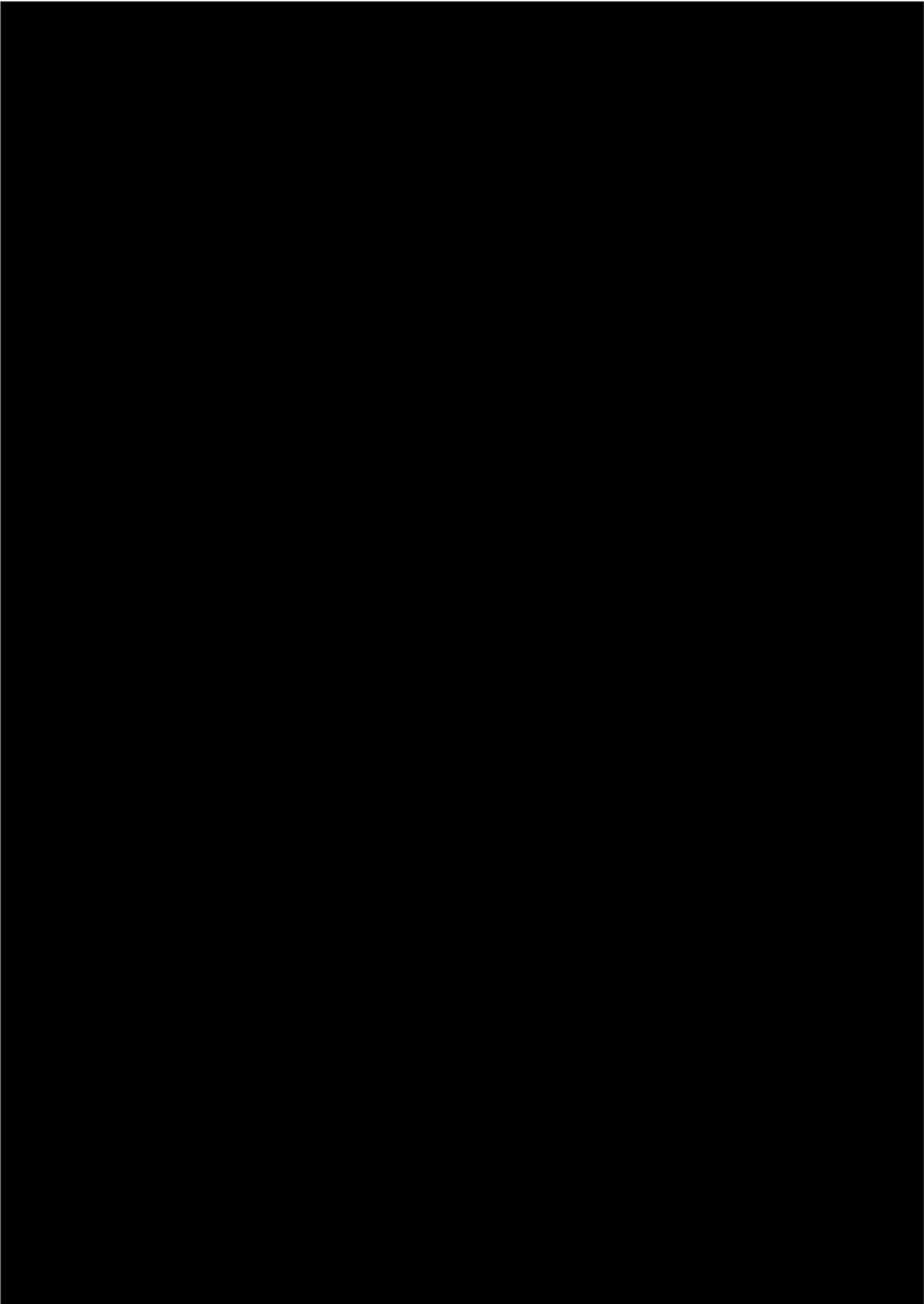
Document	Check by	Supplied
Business Case Model	Finance Business Partner	<input checked="" type="checkbox"/>

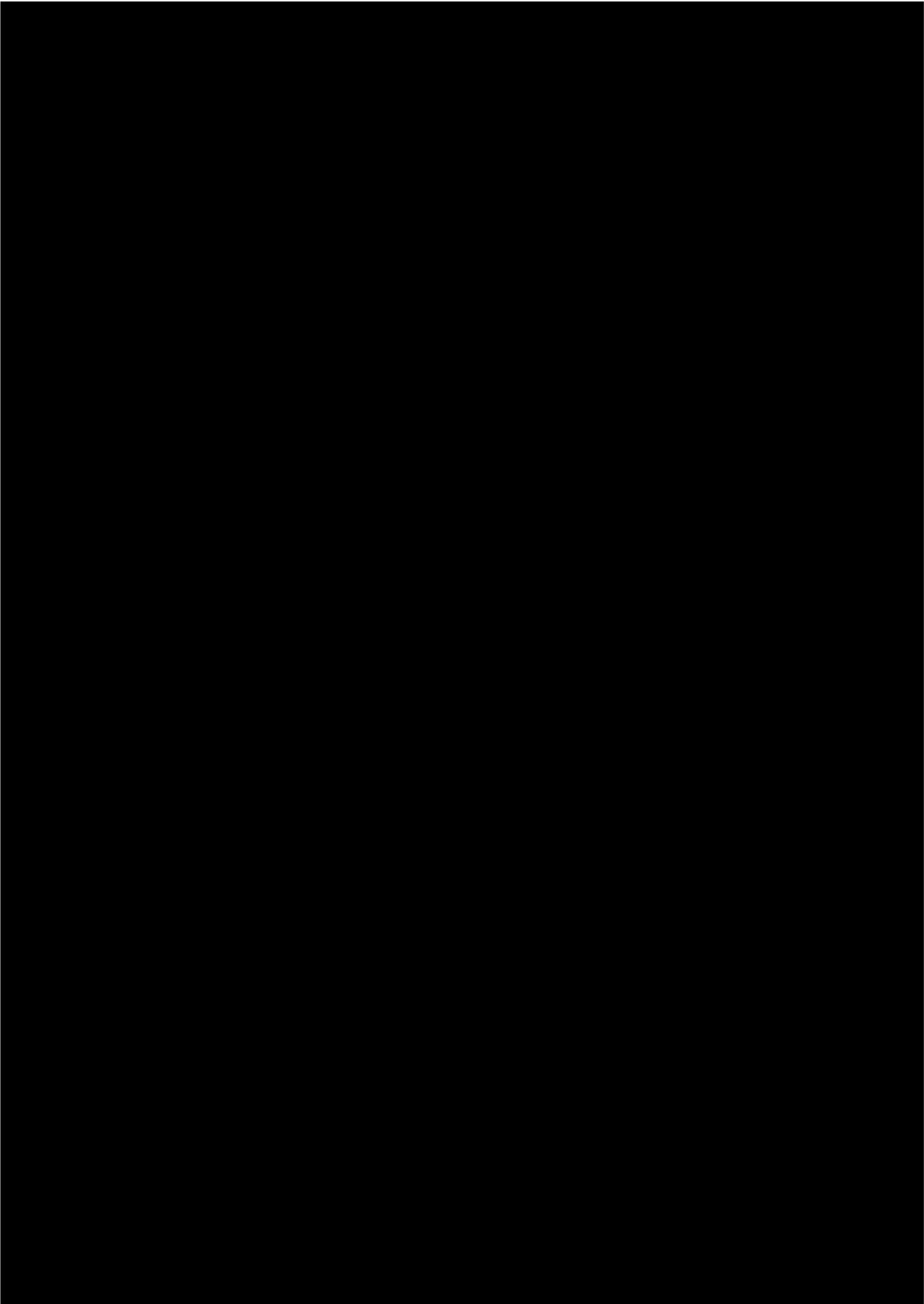


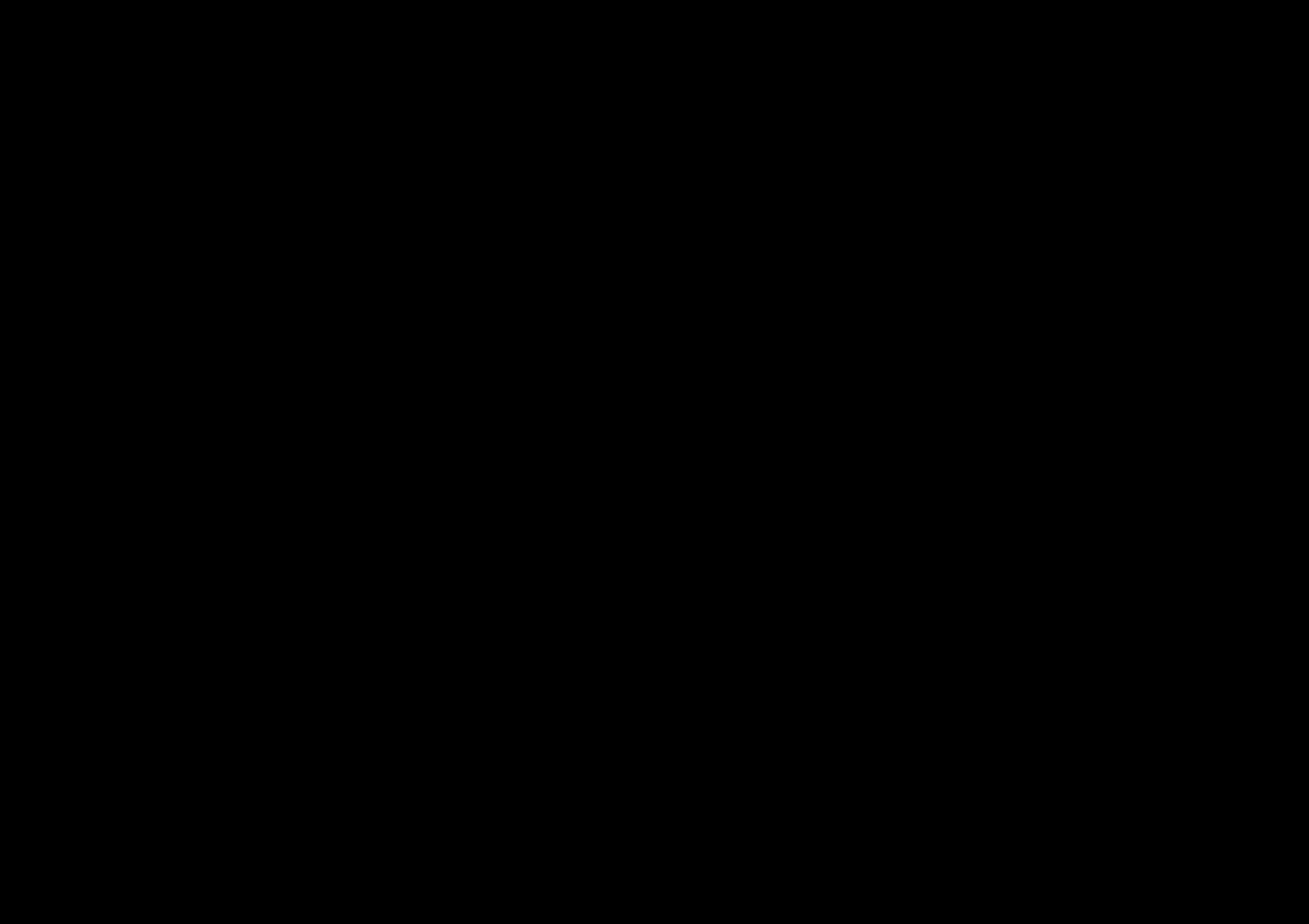
**PROJECT STARLING**  
**LEGALLY PRIVILEGED**  
**WATERFALL BUSINESS CASE**



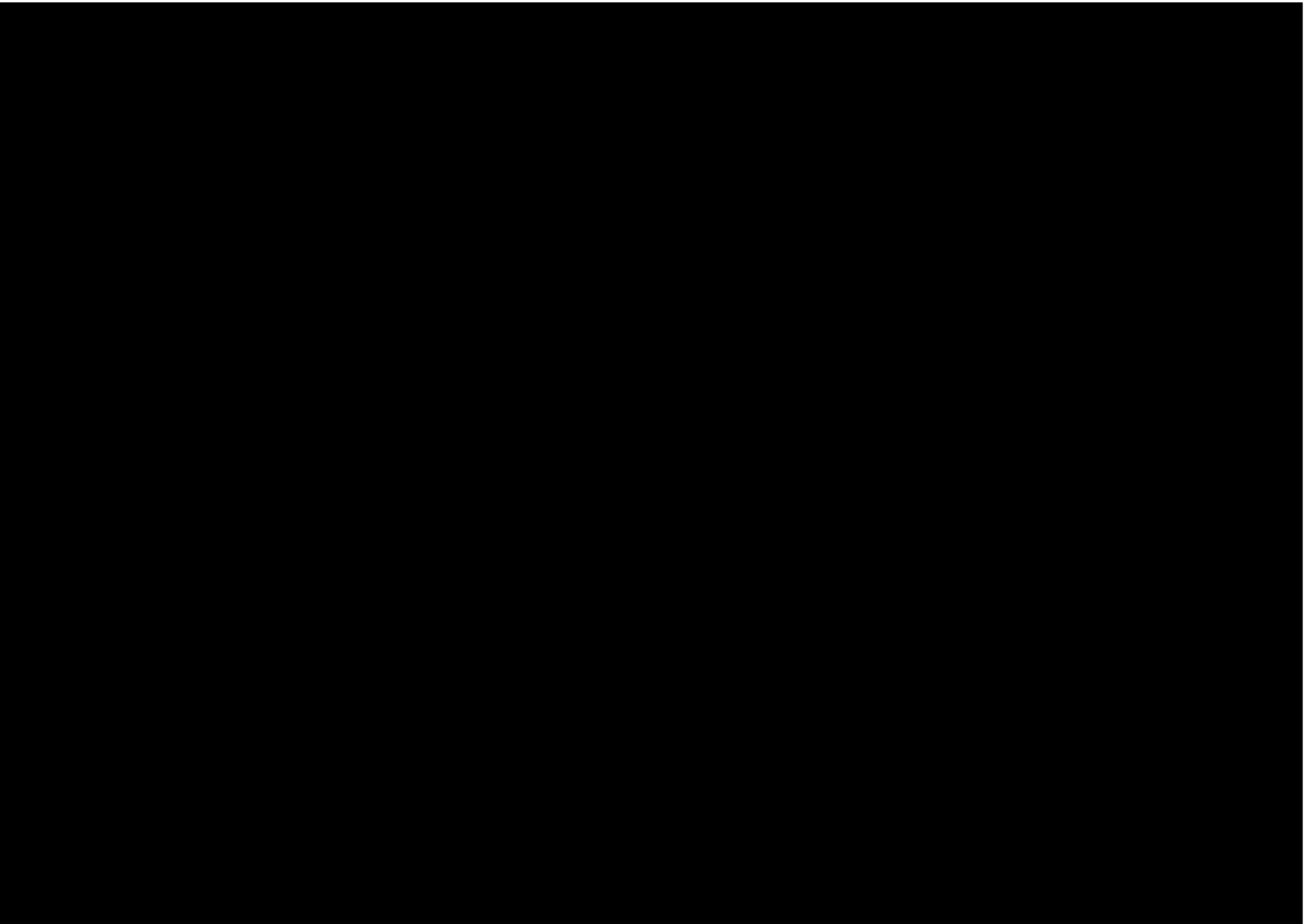


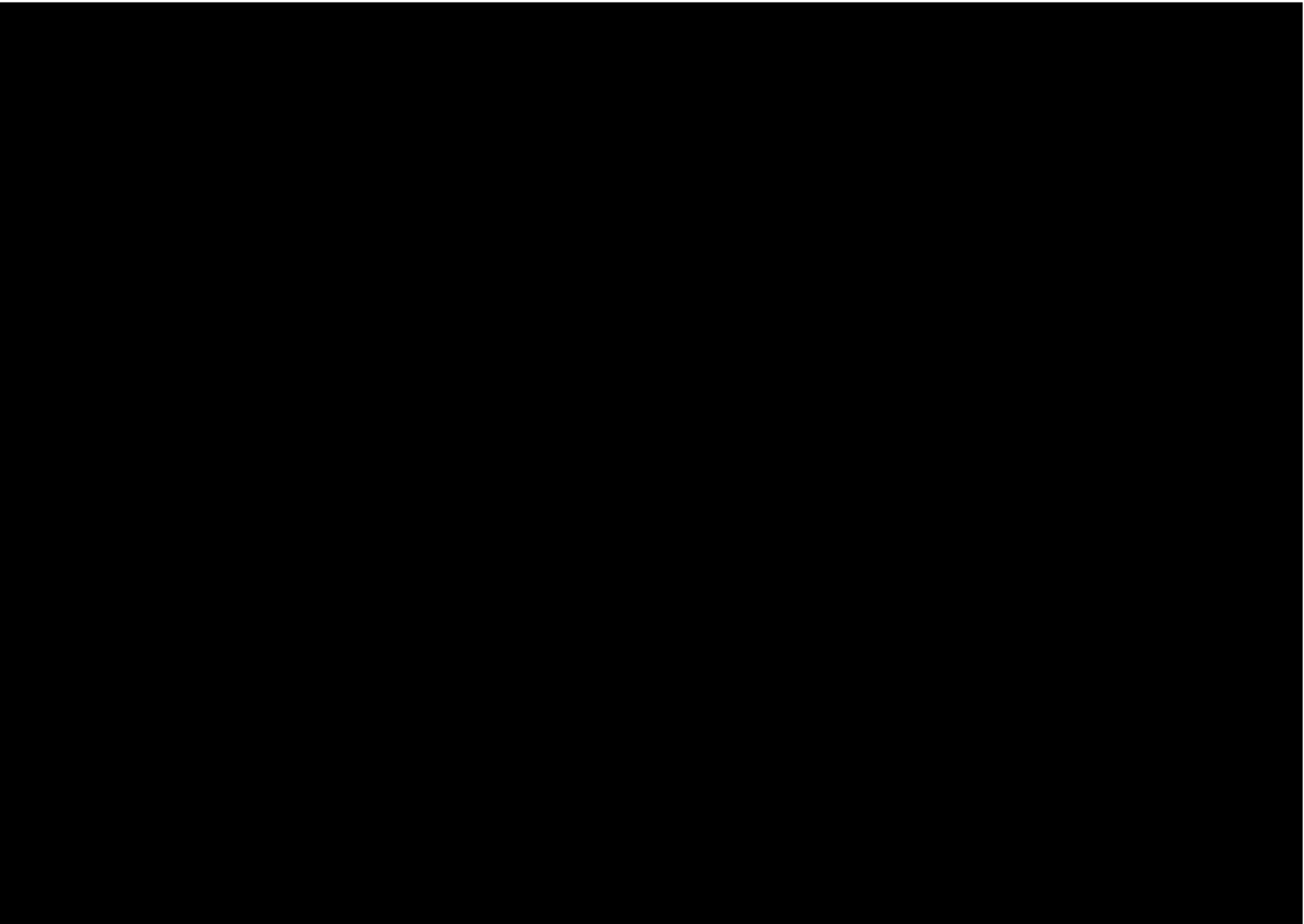


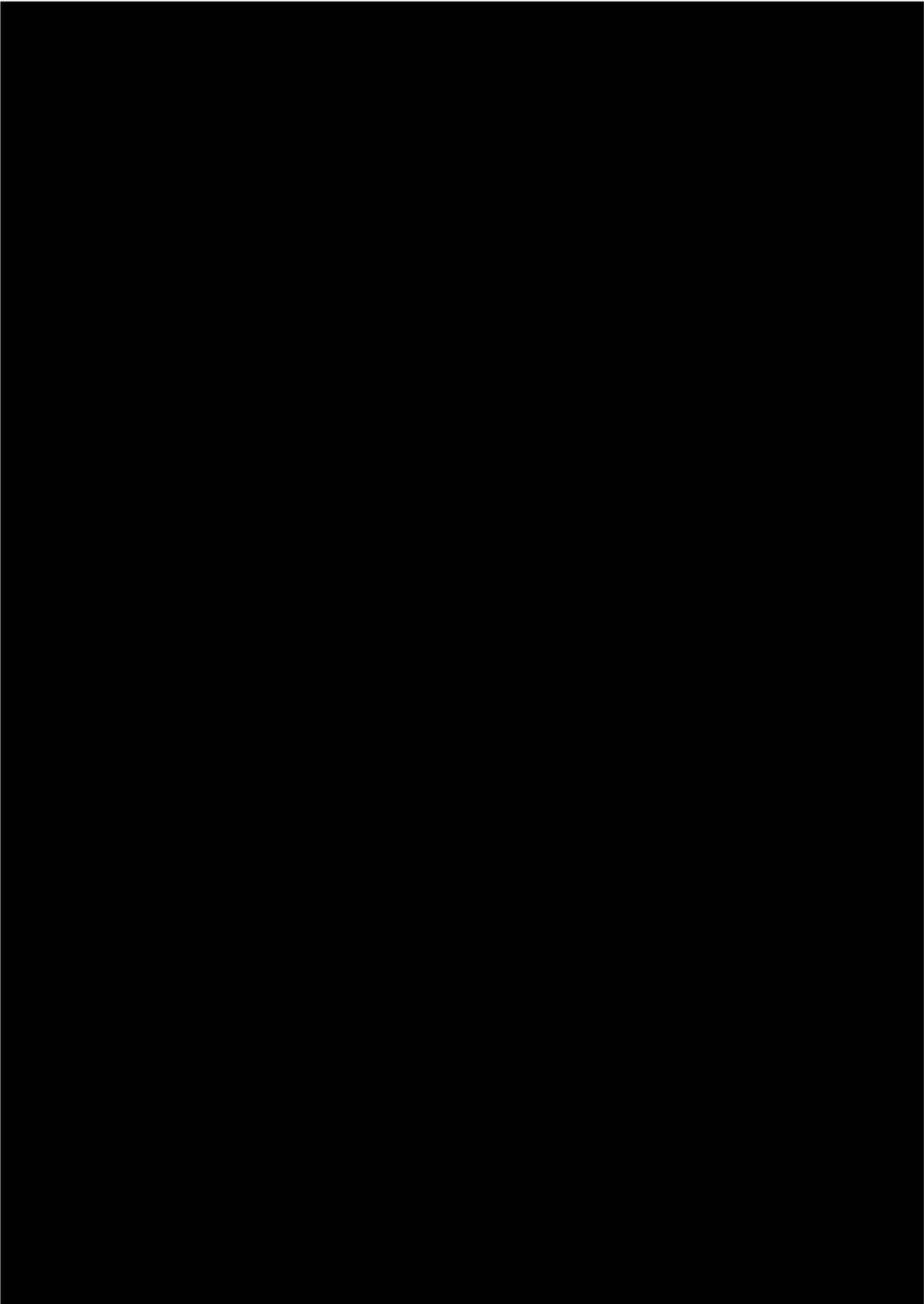


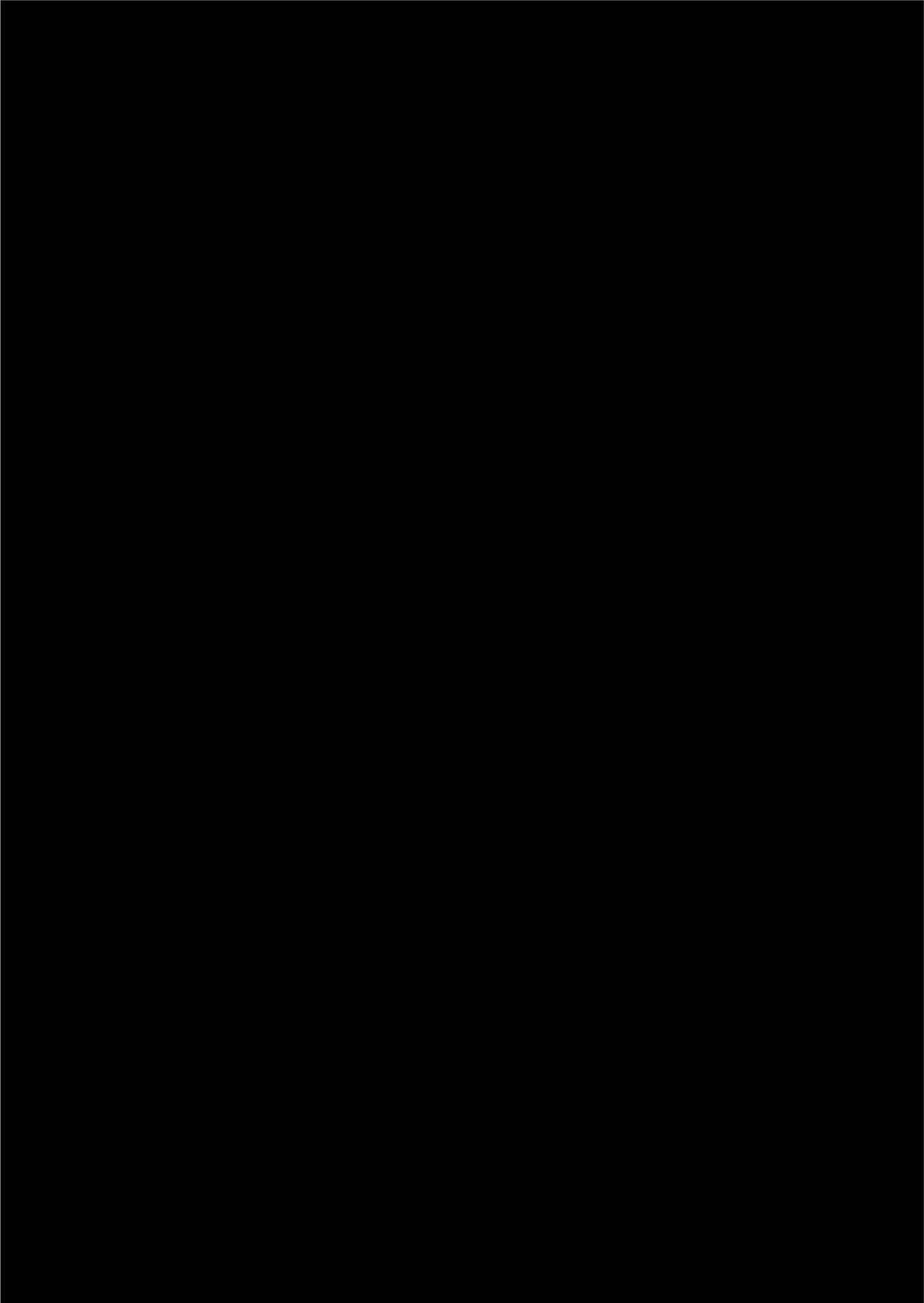


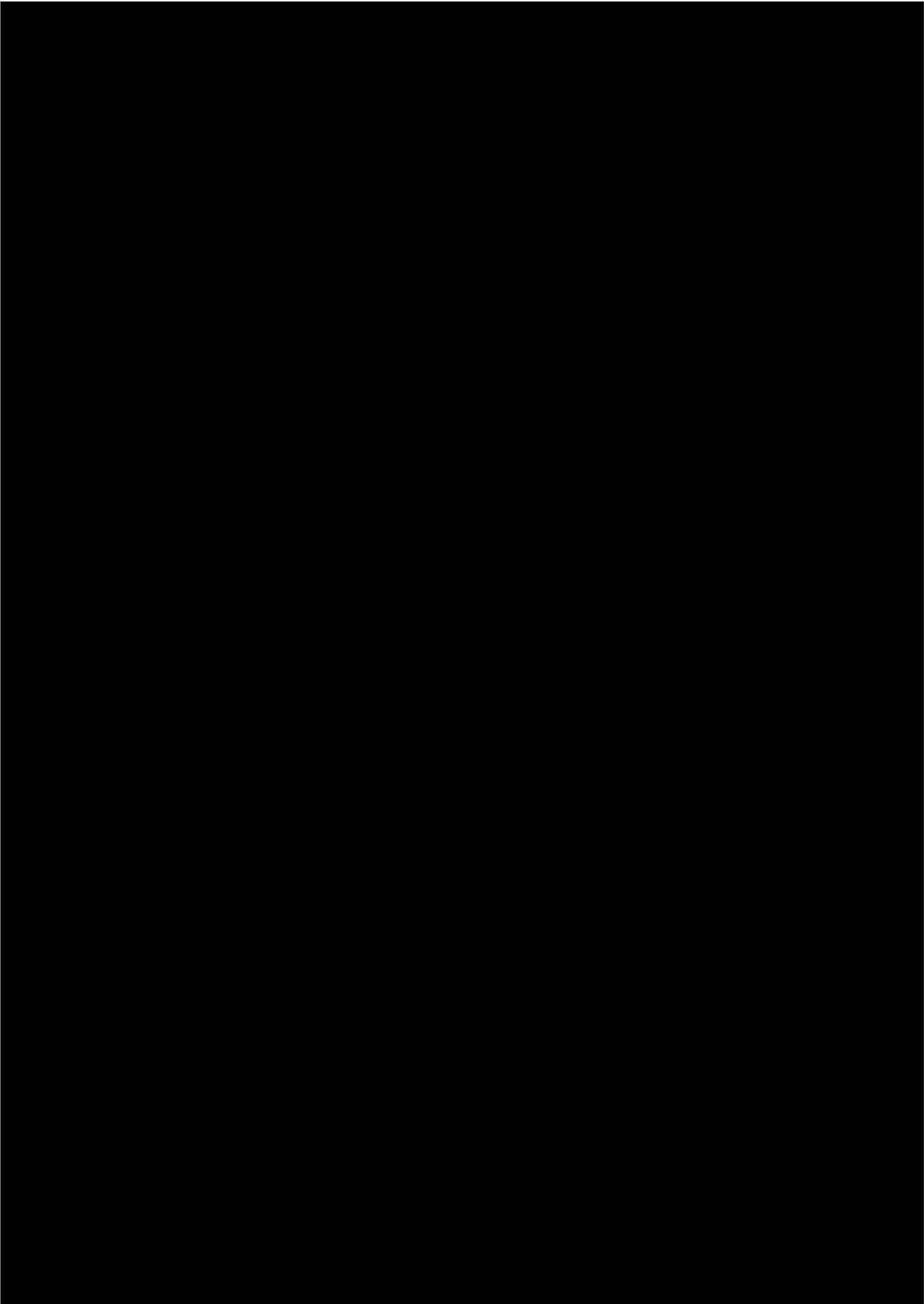


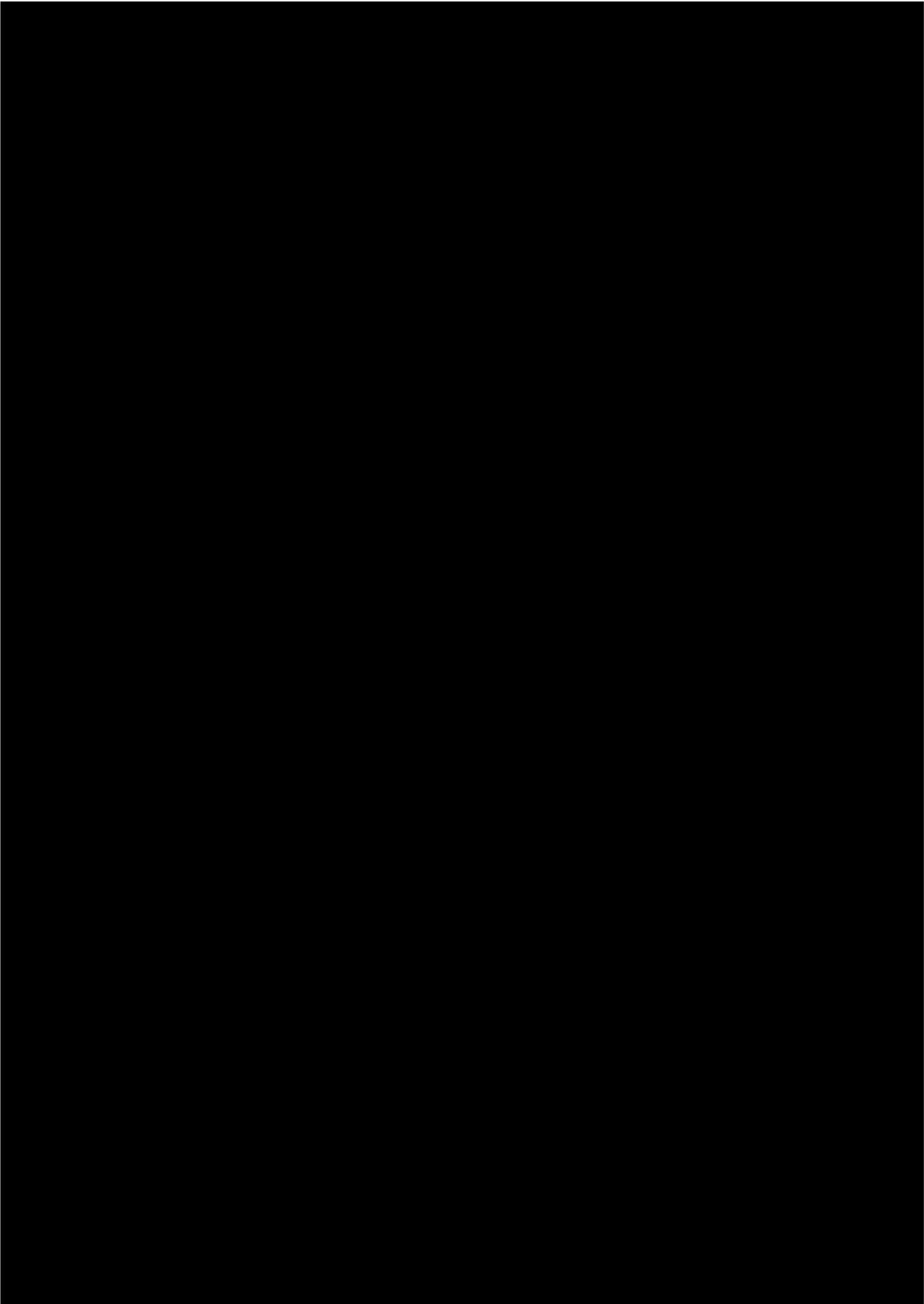


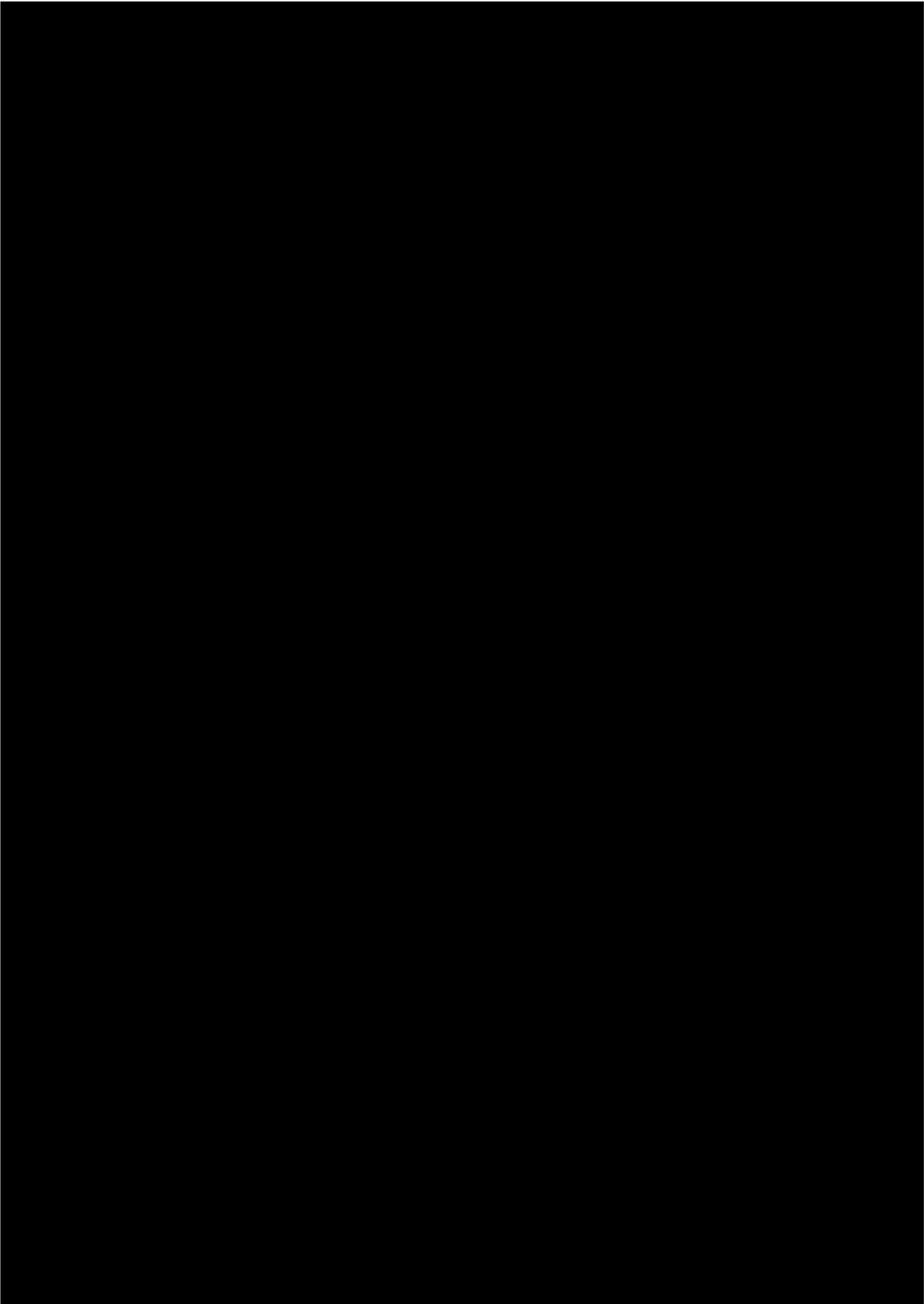


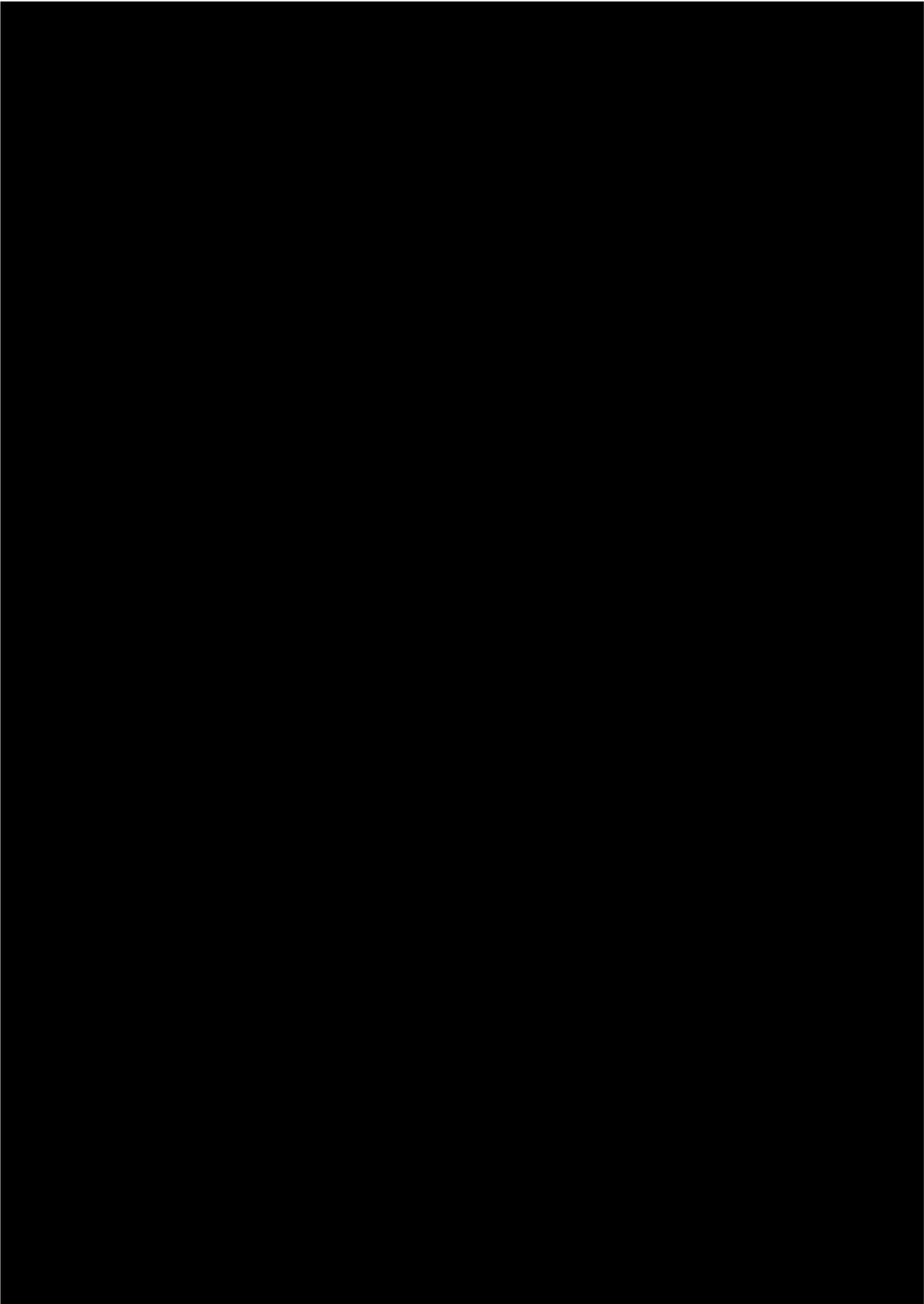












2.5



**Telecoms Campaign and  
Regulatory Change  
WATERFALL BUSINESS  
CASE**

**Innovate, Prove, Deliver: Business Case Waterfall****2.5****1.SPONSORSHIP**

<b>SNow Ref</b>	<b>Project Name</b>
PRJxxxxxxx (TBC)	Telecoms Campaign and Regulatory Change
<b>Portfolio</b>	
<i>Select ONE</i>	
<input type="checkbox"/> Banking, Payments & other <input type="checkbox"/> Historical Matters <input type="checkbox"/> IT Platform Enablement <input checked="" type="checkbox"/> Mails, Travel, FS & other <input type="checkbox"/> Organisational Effectiveness <input type="checkbox"/> Postmaster & Network <input type="checkbox"/> Shared Services <input type="checkbox"/> Supply Chain	
<b>Business Unit</b>	
<i>Your Finance Business Partner will advise</i>	
Banking & ATM <input type="checkbox"/> , Bill Payments <input type="checkbox"/> , Central Commercial <input type="checkbox"/> , Centrally Managed <input type="checkbox"/> , CIO <input type="checkbox"/> , Finance <input type="checkbox"/> , Group Change <input type="checkbox"/> , HR <input type="checkbox"/> , Identity <input type="checkbox"/> , LCG <input type="checkbox"/> , LCG - Litigation <input type="checkbox"/> <input type="checkbox"/> , Mails <input type="checkbox"/> , Network <input type="checkbox"/> , Network Operations <input type="checkbox"/> , PO Insurance <input type="checkbox"/> , PO Money <input type="checkbox"/> , POCA <input type="checkbox"/> , Retail-Lottery & Other <input type="checkbox"/> , Supply Chain <input type="checkbox"/> , Telephony <input checked="" type="checkbox"/>	
<b>Business Sponsor</b>	
Meredith Sharples	
<b>Business Unit</b>	
Telecoms - Commercial	
<b>Project Manager</b>	
Lloyd Houghton	
<b>Key Dates</b>	
PLANNED START DATE: 1 April 2020 DELIVERY DATE: 31st March 2021 - Various delivery dates as driven by the business and regulatory requirements throughout the duration of the project.	

<b>Investment request</b>
<p><b>New Request to bring under IC governance</b></p> <p>We are requesting to bring under IC governance a spend of £459k in addition to £904k of sunk costs to date - total spend £1.363M OPEX (reduced from £2.03m at 0+12) to fund a 12 month Campaign, Product Change and Regulatory programme with a NPV of £341.8k.</p> <p>This OPEX is a continuation of the annual programme of works to meet targets, formalises the authority to spend and brings it into the IC governance process.</p>
<b>Executive summary</b>
<p>Telecoms Home Phone and Broadband is an important product for Post Office. To date the Telecoms Home Phone and Broadband Product has had an Operational (OPEX) Budget allocated annually to manage campaigns, BAU product change and regulatory change.</p> <p>Following recent conversations between the Financial Director and Group Chief Operating Officer, Post Office Telecoms have been requested to present a business case to bring this budgeted programme of work into IC governance.</p>

## Innovate, Prove, Deliver: **Business Case Waterfall**

**2.5**

We are requesting to bring under IC governance a spend of £459k in addition to £904k of sunk costs to date, total spend of £1.363M OPEX to fund the 12 month Campaign, Product Change and Regulatory programme with a NPV of £341.8k. This programme of work consists of 66 deliverables which have benefits assigned to them. Of the 66 deliverables: 47 are delivered; 4 are committed; and 15 are in delivery. These deliverables have been divided into two manageable programmes: Campaign, Product Change and Regulatory Compliance Change.

This programme of works has been reviewed considering an assumed Sale outcome of the Telecoms Strategy Project and all initiatives included in this business case are required (assuming that is the outcome). Many of the Regulatory initiatives must start under Post Office to achieve the dates but will continue with the new owner, so liability/costs would pass to the buyer. Should the Sale of the Telecoms Strategy Project not be realised this business case will need to be reviewed against any revised Post Office Telecoms targets and spend would then increase.

The two parts to this request:

- 1. Campaign and Product Change** - failure to deliver these changes will impact Post Office Telecoms ability to deliver trading, financial and customer targets such as sales, base size, and customer churn.
- 2. Regulatory Compliance Change** - to ensure general and telecom regulatory compliance of the Broadband and Home Phone service to:
  - a. Make a number of system and process changes through documented change control with the Broadband and Home Phone managed service provider at a cost to Post Office as a result of changes to regulations
  - b. Deliver requested service specific information to the Telecoms Regulator at a cost to Post Office.

Non-compliance or failure to comply with regulations will result in financial penalties, damage to the Post Office brand and potential negative perception by our customers and potential future customers. The level of penalisation will depend on intent to breach, duration and previous compliance record. To note providing late, false or misleading information can also result in fines or imprisonment.

To date, the spend for these two programmes has been reported monthly to the FSIT Portfolio which we expect to continue doing to the Mails, Travel, FS and Other Portfolio, with the addition of benefits reporting and SNow reporting for both.

## **2.VALUE STATEMENT**

The Post Office Telecoms team who are responsible for the systems and processes that support our Home Phone and Broadband product and services will

## Innovate, Prove, Deliver: **Business Case Waterfall**

2.5

be able to continue to maintain and evolve the products in line with business needs, customer needs, and regulatory requirements by allowing product improvement, systems/process changes and preventing regulatory breaches and enables Post Office Telecoms to meet delivery, trading, financial targets such as sales, customer churn, and ensuring the continued availability of these products and services to our customers.

### 3. DEFINE SUCCESS

Key Information	
Size of the opportunity	The proposed programme represents the total change capacity for Telecoms in 2020/21 and therefore is vital to ensuring Post Office Home Phone and Broadband products remain available and compliant
Deadline	This is a continued Telecoms programme for the financial year 2020/21 which we will be running using the assigned OPEX budget. Within the programme there are specific deliverables and deadlines up to March 2021.

The regulatory drivers and required outcomes are essential to maintain compliance of the Home Phone and Broadband product and therefore have minimal commercial benefit but have significant cost avoidance benefits (in penalties).

The Campaign and Product Change drivers and required outcomes have commercial benefit as highlighted below.

Drivers	Business Objectives	Business Outcome
The forecast Telecoms revenue is £144.4m.	To deliver revenue retention, operational cost reduction, promotional initiatives to support delivery of this target	Support delivery of the Telecoms Revenue target of £144.4m
The forecast customer adds (Sales/Trading) for FY20/21 is 33.9k. This is under pressure due to changing market conditions and the impact of COVID	To deliver digital, product and promotional initiatives to support this target.  To use the insight derived from customer data to create a concise and data led customer strategy and promotions.	Deliver the required volume of Customer adds/sales to enable Telecoms to meet the 33.9k adds/sales target

**Innovate, Prove, Deliver: Business Case Waterfall****2.5**

The current forecast customer Churn for FY20/21 is 127.1k customers. Post Office Telecoms would like to meet/reduce this value to maximise revenue	To deliver customer retentions initiatives to support this target	Reduce Churn to enable Post Office Telecoms to meet the 127.1k target
The current forecast Base Size for FY20/21 is 436.5k customers	Deliver initiatives to reduce churn and increase customer sales/add to ensure the target customer base size is achieved	Reduce Churn and increase customer adds/sales to enable Post Office Telecoms to meet the 436.5k Base Size target.
Ofcom complaints – Below industry average – complaints are increasing for the first time in 2 years due to e.g. technical issues, complaint handling, management of billing enquiries resulting from COVID	To deliver a number of customer experience initiatives addressing root cause of complaints to support/control customer complaint volumes	The Ofcom customer complaint volumes are below industry average (Ofcom metrics – shared monthly with POL and published quarterly and publicly available)
The targeted Customer Call abandon rate < 5% - this is under pressure due to unplanned incidents in the network e.g. COVID and the implementation of mandated regulatory initiatives which has increased calls into the Contact Centre.	To deliver contact Centre initiatives to support this target	Manage the Customer Call abandon rate to less than 5%.
Requirement to maintain and ensure continued product accuracy & availability in line with contractual obligations	Continued product accuracy and availability to deliver cost reduction, revenue enhancement, process improvement and rationalisation initiatives to support this target	Meet contractual obligations
New regulations have / are being introduced that apply to the delivery of the Broadband and Home Phone service to our customers	To enable Post Office to deliver its Broadband and Home Phone service in a compliant manner	Maintain regulatory compliance Avoidance of financial penalty from regulators

## Innovate, Prove, Deliver: **Business Case Waterfall**

2.5

Post Office are required to deliver requested service specific information to Telecoms Regulators at a cost to Post Office	To enable Post Office to deliver its Broadband and Home Phone service in a compliant manner	Maintain regulatory compliance  Avoidance of financial penalty from regulators
<b>Non-Functional Requirements</b>	Any changes introduced must not impact system performance.	



## Innovate, Prove, Deliver: Business Case Waterfall

### 4. BENEFITS PLAN

	Benefit Title	Solution	Impact	Planned Delivery	Benefit (financial and non-financial)	Benefit Owner	Status
Campaign and Product	Telecoms - Revenue Retention	To deliver digital changes to the customer sales portal  Sales & Retention Incentives	Increase the number of customer conversions on the sales portal  Customer retention	Delivered	Increase customer adds/retention, expect £302k in year benefits	Ajay Patel/Ross Boyd	£103k delivered  £199k to be delivered
	Telecoms - Cost Avoidance	Use of alternative methods of delivering analysis/reporting	Avoidance of analysis/reporting costs with incumbent supplier	Delivered	£79k benefit in year	Ross Boyd	£75k delivered  £4k to be delivered
	Telecoms - Cost Reductions	Promotional initiatives including quarterly campaigns, product changes and credit write off	Upgrades and upsell of products Credits write backs	Delivered except Q4 Promotions which is due to go live Feb 20	£833k benefit in year	Andy Gunn/Ross Boyd	£666k Delivered  £167k to be delivered
	Telecoms - Recurring Cost Efficiencies	Customer payment method changes	Increase in registered payment cards	Delivered except Collection Autopayment	£290k benefit in year	Simon Kissane/Andy Gunn/Ajay Patel	£129k delivered



## Innovate, Prove, Deliver: Business Case Waterfall

		Debt Recovery improvements  Customer communication efficiencies – letter vs email	and automated payment take up  Uplift in debt recovery collections  Decrease in volume of letter communications	Service which is due to go live Jan 21			£161k to be delivered
Regulatory Compliance	Telecoms Product Availability	Ensure product updates take place, contractual changes are managed	Meet contractual obligations	Delivered except for Cash Reconciliation Report which is due Dec/Jan 21	0 Contractual Breaches	Simon Kissane/Andy Gunn	Due to complete Jan 21
	Compliance with Regulations	Deliver regulatory compliance initiatives within the required timeframes	Maintain regulatory compliance  Avoidance of financial penalty from regulators  Enable Telecoms to continue trading – continue data processing	Various through to March 2021	0 Regulatory Breaches  Potential ca. £3.9m Financial Penalty Avoidance dependent on level of non-compliance	Kathryn Bowden/Caoimhe McManus	Various through to final delivery by March 21



## Innovate, Prove, Deliver: Business Case Waterfall

	Regulatory Service Specific Information	Deliver Ofcom requested service specific information within the required timeframes	Maintain regulatory compliance  Avoidance of financial penalty from regulators	Various through to March 2021	0 Regulatory Breaches 0 Regulatory Breaches  Potential ca. £3.9m Financial Penalty Avoidance dependent on level of non-compliance	Kathryn Bowden	Various through to Will be final delivered by March 21
--	---	---	--	-------------------------------	--	----------------	--

### 5.LEARNINGS FROM THE PROVE STAGE

Activity Description	Expected Outcome	Measured outcome	Conclusion
N/A			

### 6.INDICATORS FOR DELIVERY

In this section describe how you will monitor your proposed solutions and continue to demonstrate that you are on the right track to **deliver** the business outcomes and benefits as described above.



## Innovate, Prove, Deliver: **Business Case Waterfall**

Activity to prove the Business Objective is valid	Leading Indicators	Target Outcomes	Methodology	Frequency
Revenue Tracking	Home Phone and Broadband Sales/Churn/Revenue/Contact Centre/Debt Recovery/Operational spend	Actual revenue in line with forecast	Product trading data/operational/financial reporting	Monthly
Product Availability	Home Phone and Broadband Adds/Sales/Upgrades/ Customer Churn	Adds/Sales/Upgrades/ Customer Churn in line with forecast	Product trading data	Monthly
Customer Communications	Customer Communications Volumes	Decrease in volume of letter communications compared to last year	Customer Communications data	Monthly
Ofcom Complaints	Number of Ofcom complaints	Below industry average	Complaints reported to Ofcom	Monthly
Ofcom - Regulatory Breaches	Number of Ofcom breaches	0 regulatory incidents	Breaches recorded in our breach register	Monthly
Data - Regulatory Breaches	Number of Data Regulatory breaches	Reduction in breaches compared to last year's average	Breaches recorded in our breach register	Monthly

**Innovate, Prove, Deliver: Business Case Waterfall****2.5****7.INVESTMENT**

Specify Cost Centre codes to be used for OpEx (Mandatory information)

100362

Is this Client Funded YES/NO?

No

Primary Investment type: Revenue Protection (Mandatory information)

Discount Rate	NPV (5yrs) (Tangible)	ROI	Payback
12%	£341.8k	33%	N/A

**Explanation for the amount requested in this drawdown**

Drawdown required to ensure Telecoms Home Phone and Broadband offering remains within regulations and products are available and current.

We are requesting £1,363k OPEX (£904k sunk costs, £459k spend) made up of:

- £702k (£532k sunk + £170k spend) Campaign and Product Change
- £481k (£280k sunk + £201k spend) Regulatory Compliance Change
- £180k (£93k sunk + £87k spend) Resource Costs

# Innovate, Prove, Deliver: Business Case Waterfall

2.5

	Prior Years Actuals	20/21	21/22	22/23	23/24	24/25	Total New Request	Total Project		Best case	Worst case
Opex	-	(1,363.0)	-	-	-	-	(1,363.0)	(1,363.0)	Opex	(1,226.7)	(1,499.3)
Exceptional	-	-	-	-	-	-	-	-	Exceptional	-	-
Capex	-	-	-	-	-	-	-	-	Capex	-	-
<b>Total Funding</b>	-	<b>(1,363.0)</b>	-	-	-	-	<b>(1,363.0)</b>	<b>(1,363.0)</b>	<b>Total Funding</b>	<b>(1,226.7)</b>	<b>(1,499.3)</b>
Impact on EBITDAS	-	5,409.9	856.2	590.0	323.8	-	7,179.9	7,179.9	Impact on EBITDAS	9,612.1	4,747.7

	20/21	21/22	22/23	23/24	24/25	Total New Request	Total Project		Best case	Worst case
Net Present Value over 5 Yrs (£'k)	5,512.2	341.8	-	-	-	-	-	Net Present Value over 5 Yrs (£'k)	7,949.5	3,075.0
ROI - Undiscounted (£'k)	5,816.9	447.3	-	-	-	-	-	ROI - Undiscounted (£'k)	8,385.4	3,248.5
ROI 20/21 : ROI %	427%	33%	-	-	-	-	-	ROI 20/21 : ROI %	684%	217%
Payback Period 20/21 : Payback in month	No Payback	No Payback	-	-	-	-	-	Payback Period 20/21 : Payback in month	No Payback	No Payback
Risk Factor	55.8%	-	-	-	-	-	-	Risk Factor	-	-

Breakeven point in month	20/21	21/22	22/23	23/24	24/25	Total New Request	Total Project		Best case	Worst case
Breakeven point in month	1.0	14.0	-	-	-	-	-	Breakeven point in month	-	10.0

## Business Case Financials (£'k)

	Prior Years Actuals	20/21	21/22	22/23	23/24	24/25	Total Project
Gross Income	-	302.4	453.1	381.3	254.2	-	1,391.1
Revenue Growth	-	-	-	-	-	-	-
Revenue Retention	-	302.4	453.1	381.3	254.2	-	1,391.1
Cost of Sales	-	-	-	-	-	-	-
Total Direct Contribution	-	302.4	453.1	381.3	254.2	-	1,391.1
Operating Expenses (OpEx)	-	3,744.5	403.2	208.6	69.5	-	4,425.9
Project Related	-	(1,363.0)	-	-	-	-	(1,363.0)
Recurring Increase	-	-	-	-	-	-	-
Recurring Decrease	-	1,128.9	403.2	208.6	69.5	-	1,810.3
Agents Pay	-	-	-	-	-	-	-
Avoidance	-	3,978.6	-	-	-	-	3,978.6
Trading Profit	-	4,046.9	856.2	590.0	323.8	-	5,816.9
Trading Profit [%]	-	13.4	1.9	1.5	1.3	-	4.2
Capital Expenditure (CapEx)	-	-	-	-	-	-	-
Project Related	-	-	-	-	-	-	-
Avoidance	-	-	-	-	-	-	-
Exceptional Expenditure	-	-	-	-	-	-	-
Project Related	-	-	-	-	-	-	-
Net Cash Flow	-	4,046.9	856.2	590.0	323.8	-	5,816.9
Cumulative FCF	-	4,046.9	4,903.2	5,493.2	5,816.9	5,816.9	5,816.9
FCF without Avoidances	-	(234.0)	403.2	208.6	69.5	-	447.3
Cumulative FCF w/o Avoidance	-	(234.0)	169.1	377.8	447.3	447.3	447.3

	Best case	Worst case
Gross Income	2,086.6	695.5
Income Growth	-	-
Revenue retention	2,086.6	695.5
Cost of Sales	-	-
Total Direct Contribution	2,086.6	695.5
Operating Expenses (OpEx)	6,298.8	2,552.9
Project Related	(1,226.7)	(1,499.3)
Recurring	-	-
Reduction	2,353.4	1,267.2
Agents Pay	-	-
Avoidance	5,172.1	2,785.0
Trading Profit	8,385.4	3,248.5
Trading Profit [%]	4.0	4.7
Capital Expenditure (CapEx)	-	-
Project Related	-	-
Avoidance	-	-
Exceptional Expenditure	-	-
Project Related	-	-
Net Cash Flow	8,385.4	3,248.5
Cumulative FCF	8,385.4	3,248.5
FCF without Avoidances	1,126.7	(232.1)
Cumulative FCF w/o Avoidance	1,126.7	(232.1)

Calculations	20/21	21/22	22/23	23/24	24/25	NPV
Discount Rate	12.0%	1.00	0.89	0.80	0.71	0.64
Quantity of year to include	1.00	1.00	1.00	1.00	1.00	-
Mid-period discounting factor	-	1.00	2.00	3.00	4.00	-
Discounted Cashflow with Intangible Benefits	4,046.9	764.5	470.3	230.5	-	5,512.2
Discounted Cashflow with Tangible Benefits	(234.0)	360.0	166.3	49.5	-	341.8

Total costs	UEL (Years)	in £'000
Software - Internally Developed	3	-
Software - Purchased	3	-
IT Hardware	5	-
Motor Vehicle	5	-
Plant & Equipment	10	-
Fixtures & Equipment	7	-
Land	10	-
Intangibles	10	-
Opex	-	-

POL Cost/Benefit	Cost Type	Organisation	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25
Capex	Other	Other	-	-	-	-	-
	Resource	(blank)	-	-	-	-	-
Exceptional	Other	Other	-	-	-	-	-
	Resource	(blank)	-	-	-	-	-
One time Opex	Other	Multiple	(£1.2m)	-	-	-	-
	Resource	(blank)	-	-	-	-	-
		POL - Contractors	(£0.2m)	-	-	-	-
<b>Grand Total</b>			<b>(£1.4m)</b>	-	-	-	-

**Innovate, Prove, Deliver: Business Case Waterfall****2.5****8. MAJOR RISKS**

Risk ID	Title	Owner	Current impact	Current likelihood	Current Risk Score	Planned Mitigation date
R001	Covid 19 limits effectiveness of change programme and/or impacts delivery	Lloyd Houghton	3	3	9	Mar 2021
R002	If the Telecoms Sale does not conclude then projects and associated delivery resources would need to be impact assessed.	Meredith Sharples	4	3	12	Jan 2021

**9. PROJECT DETAILS**

Scope		
Features in Scope	Features out of Scope	Non-functional requirements
Telecoms Home Phone and Broadband Service	N/A	N/A

The Alternative Options
<p>Alternative 1: Do Nothing</p> <p>Telecoms Home Phone and Broadband are unable to:</p> <ol style="list-style-type: none"> <li>respond to market changes (e.g. competitors, customer churn, COVID) impacting revenue and profitability for Post Office</li> <li>make improvements to the systems/processes required to align with Post Office Telecoms business targets.</li> <li>non-compliance or failure to comply with regulations will result in financial penalties, damage to the Post Office brand and potential negative</li> </ol>

## Innovate, Prove, Deliver: **Business Case Waterfall**

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perception by our customers. The level of any fine will depend on intent to breach, duration and previous compliance record. Providing late, false or misleading information can also result in fines or imprisonment.

### Alternative 2: Deliver as Individual Projects Telecoms Home Phone and Broadband:

1. Stand up individual projects for each of the deliverables, which would increase the delivery cost significantly due to loss of the economies of scale of managing these as a programme of work - additional time and therefore cost required for governance and reporting activities for each initiative.
2. Unable to quickly respond to unplanned changes in market conditions, operational issues and regulatory conditions and requirements.

**Innovate, Prove, Deliver: Business Case Waterfall****2.5****10. APPENDIX A  
APPROVALS****IT APPROVAL:**

Assuring the IT supply chain is aware and ready for this case:

Please contact Ajay Patel GRO for IT approvers.

Function	Role	Name	Date
IT Service	Head of IT Service	Mark Nash	23/11/2020
IT CTO	Domain CTO - FS&T	Baljeet Nijjhar	22/11/2020
IT DPO	Senior Data Protection Manager	Caoimhe McManus	23/11/2020
IT Service Transition	IT Service Transition Lead	Stuart Banfield	24/11/2020
IT Security	Head of Cyber Security Advisory	Adam Malach	24/11/2020
IT Finance	Head of Finance (IT) Head of Finance CIO Change	Lie Lie Sung-Morarji / Naomi Thorley	24/11/2020
Additional Comments			

**FINANCE APPROVAL:**

Assuring the quality of the finances in this case and the sign-off of Central Finance in respect of accounting treatment (cost categorisation) and impact on financial controls:

Function	Role	Name	Date
Finance	Finance Director	Cathy Mayor	24/11/2020
Finance	Technical Finance	Rebecca Langley	23/11/2020
Additional Comments			
23/11 - Rebecca Langley confirmed approval not required as POL assets are not being created this will be OpEx spend			

**PORTFOLIO APPROVAL:**

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

Function	Role	Name	Date
SPO	Portfolio Lead	Matthew Keefe	24/11/2020
Additional Comments			

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

**Innovate, Prove, Deliver: Business Case Waterfall****2.5****11. APPENDIX B  
MANDATED SUPPORTING DOCUMENTS**

The following documents are required to be submitted to SPO as part of our project assurance process and for record retention policy requirements:

Document	Check by	Supplied
Architecture Inception Document – N/A	Architect	<input type="checkbox"/>
High Level Design – N/A	Architect	<input type="checkbox"/>
Project Initiation Document	Local Portfolio Office	<input checked="" type="checkbox"/>
Business Readiness Assurance Template (complete tabs up to and including G2D)	Local Portfolio Office	<input checked="" type="checkbox"/>
Business Case Model	Finance Business Partner	<input checked="" type="checkbox"/>
7 Critical Success Factors	Local Portfolio Office	<input checked="" type="checkbox"/>

This initiative is starting in Service Now at business case phase and therefore does not have a Service Now record. A Service Now record will be set up post approval of this document.

The following should be already on Service Now against the project record:

Record	Check by	Created
RAID log in SNow	Local Portfolio Office	<input type="checkbox"/>
Status Reports	Local Portfolio Office	<input type="checkbox"/>
Lesson Learned	Local Portfolio Office	<input type="checkbox"/>
Tasks (Level 0 & 1)	Local Portfolio Office	<input type="checkbox"/>

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### 12. APPENDIX C SUPPORTING INFORMATION

#### Additional supporting information



BUSINESS CASE  
WATERFALL Telecom



**Mails PUDO Strategy  
BUSINESS CASE**

# Innovate, Prove, Deliver: **Business Case Waterfall**

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Advice on completing this template can be found [here](#).

## 1.SPONSORSHIP

**THIS INFORMATION IN THIS TABLE IS MANDATORY- MISSING INFORMATION WILL CAUSE DELAY**

SNOW Ref	Project Name
PRJ0025712	Mails PUDO Strategy
Portfolio	
<i>Select ONE</i>	
<input type="checkbox"/> Banking, Payments & other <input type="checkbox"/> Historical Matters <input type="checkbox"/> IT Platform Enablement <input checked="" type="checkbox"/> Mails, Travel, FS & other <input type="checkbox"/> Organisational Effectiveness <input type="checkbox"/> Postmaster & Network <input type="checkbox"/> Shared Services <input type="checkbox"/> Supply Chain	
Business Unit	
<i>Your Finance Business Partner will advise</i>	
Banking & ATM <input type="checkbox"/> , Bill Payments <input type="checkbox"/> , Central Commercial <input type="checkbox"/> , Centrally Managed <input type="checkbox"/> , CIO <input type="checkbox"/> , Finance <input type="checkbox"/> , Group Change <input type="checkbox"/> , HR <input type="checkbox"/> , Identity <input type="checkbox"/> , LCG <input type="checkbox"/> , LCG - Litigation <input type="checkbox"/> <input checked="" type="checkbox"/> Mails <input type="checkbox"/> , Network <input type="checkbox"/> , Network Operations <input type="checkbox"/> , PO Insurance <input type="checkbox"/> , PO Money <input type="checkbox"/> , POCA <input type="checkbox"/> , Retail-Lottery & Other <input type="checkbox"/> , Supply Chain <input type="checkbox"/> , Telephony <input type="checkbox"/>	
Business Sponsor	
Mark Siviter	
Business Unit	
Mails	
Project Manager	
Katie Ennis	
Final Go Live Date	
FINAL GO LIVE DATE: March 2022 Current Draw down request January 2021 to June 2021	

Investment request
Current Drawdown: £2.6m Future Drawdown: £19.28m Full Business Case to end FY 24/25: £21.88m NPV over 5 years (£m): £11.32m (Based on future drawdown.)
<b>£2.6m is requested to fund:</b> <ol style="list-style-type: none"> <li>1. Programme/Technical Resources: £0.4m Jan 21- June 21</li> <li>2. Vendor support: £0.04m</li> <li>3. Legal forecast: £0.11m</li> <li>4. Consultancy forecast and T&amp;E expenses: £2.05m</li> </ol>
Executive summary
Developing an effective strategy to secure a share of the non-RM Pick Up and Drop Off (PUDO) is a strategic priority as it offers significant financial benefits to our Postmasters and Post Office by attracting new customers and new volume to our branches. In doing so it creates a new income stream that will help sustain our network and mitigate the income dilution some Postmasters may experience from the structural change of mails from instore purchase to acceptance.

## Innovate, Prove, Deliver: **Business Case Waterfall**

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While there is a trial for a client specific Click and Collect proposition currently in Prove phase, the full PUDO proposition to work with other/all carriers requires us to stand up a technical solution that integrates these carriers with Post Office back office infrastructure and a network pipeline of suitable branches. This is an increasing priority to secure the income opportunity as this market becomes increasingly competitive.

This Business Case (phase 1) is the first of a multi-phased Business Case, to fund the required resources from January 2021 to June 2021 (including programme, technical, consultancy, and network resources) to build a programme set of milestones, scope and set of outputs required to deploy multi-carrier PUDO into the POL Network.

The breakdown is:

1. Programme/Technical Resources: £0.4m Jan 21- June 21
2. Vendor support: £0.04m
3. Legal forecast: £0.11m
4. Consultancy forecast and T&E expenses: £2.05m

The project targets to return to PRB/IC in March 2021 a refined set of cost estimates for build and deployment costs for implementation of wider PUDO.

The spend also includes a consultancy spend of £2m for the following topics (deliverables will be defined following the workshop on 07/12/2020)

Strategic governance  
Operating model  
Technology  
External insight  
Business Process  
Product Ownership

## 2.VALUE STATEMENT

Carriers other than Royal Mail, including Amazon, Hermes, DPD and Yodel, and major e-retailers, who currently have no PUDO 'Pick up, Drop off' traffic accepted into the Post Office network, will in future be able to offer this services including Click and Collect, Undeliverables, Returns and Acceptance. This is better for them and us because it builds a relationship and infrastructure for multi-carrier PUDO, benefiting from volume in the network, POL income and an extension of the PUDO proposition to Postmasters.

## 3.DEFINE SUCCESS

### Key Information

**Innovate, Prove, Deliver: Business Case Waterfall****2.6**

<b>Size of the opportunity</b>	This strategy offers incremental income opportunity of £50m - £75m p.a. by 2025/26 at an estimated DPC of 50%
<b>Deadline</b>	<ul style="list-style-type: none"> <li>The deadline for this business case is end June 2021</li> <li>A 'build' / Gate to Deliver Business Case will be submitted in March 2021 for multi carrier PUDO, focussing on readiness for deployment into the network with carriers other than Royal Mail and a suitable technical solution, device and Product proposition for Postmasters.</li> </ul>

<b>Drivers</b>	<b>Business Objectives</b>	<b>Business Outcome</b>
POL has no direct relationship with retailers or parcel carriers other than RM	Secure a direct relationship with the largest carrier in the UK market outside of Royal Mail, and other carriers	Trading relationship with other carriers to build relationships with multiple carriers in the PUDO market
POL and our agents only have operational experience of handling Royal Mail parcels	To prove the viability of opening network access to third party operators.	Ability to work with and operationally deliver non-RM items and PUDO propositions in the network.
We are reliant on Royal Mail volume for all our PUDO income.	Secure incremental income from the second biggest carrier in the parcel market, and other carriers	Overall income from 3 <sup>rd</sup> parties over 5 years: Incremental income opportunity of £50m - £75m p.a. by 2025/26 at an estimated DPC of 50%
Current in-branch process/experience only supports one carrier partner	Informs the business on operating changes that are needed to be made or factored into the new network design in order to succeed in PUDO	Operational CSFs met without deterioration in service quality to customers or existing RM processes
<b>Non-Functional Requirements</b>	Deliver a market leading customer experience	



# Innovate, Prove, Deliver: Business Case Waterfall

## 4. BENEFITS PLAN

Use your [Benefits Management Workbook](#) to copy and paste the columns for the Prove Business Outcomes

Benefit Title	Solution	Impact	Planned Delivery	Benefit (financial and non-financial)	Benefit Owner	Status
Long term tangible benefits in future draw down - NPV	Revenue growth	Income	Over 5 years by end FY25/26	NPV over 5 years £11,321.4k	Tom Wasilewski	Unconfirmed
Postmaster proposition	Improved Postmaster PUDO proposition	Postmaster remuneration opportunities increased under non-exclusivity	June 2021	Improved Mails Proposition for Postmasters	Mark Siviter	Unconfirmed
Technical solution	Technical multicarrier PUDO Solution	Suitable technical solution including a suitable device and integration with other carriers	June 2021	Scalable IT solution for carriers other than Royal Mail	Ben Cooke	Unconfirmed
Non-exclusivity	Relationships with carriers other than Royal Mail. Engagement with 5 carriers by end of April 2021, with negotiation being at	To open up the network non-exclusively, within the interoperability terms of MDA2 including the 3 months' notice period	April 2021	Better long-term opportunities working with other carriers and supports income target	Tom Wasilewski	Unconfirmed

## Innovate, Prove, Deliver: Business Case Waterfall



	various commercial stages.	required for POL to advise RM of working with other carriers				
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### 5.LEARNINGS FROM THE PROVE STAGE

Activity Description	Expected Outcome	Measured outcome	Conclusion
Prove plan is running concurrently to the Business Case therefore the learnings from the Prove Stage will be brought back to Governance at the end of Prove, March 2021.			

### 6.INDICATORS FOR DELIVERY

In this section describe how you will monitor your proposed solutions and continue to demonstrate that you are on the right track to **deliver** the business outcomes and benefits as described above.

Activity to prove the Business Objective is valid	Leading Indicators	Target Outcomes	Methodology	Frequency
Pre-Market technical engagement and scoping exercise	Technical Solution and HLD, including device requirements	Multi-carrier technical requirements understood, baselined and integrated into HLD for 5 key carriers <ul style="list-style-type: none"> <li>• 1 third party carrier by end Feb 2021</li> <li>• 2 third party carriers by end March</li> </ul> 5 third party carriers by end April  Assumption - This is based on the requirement to complete a pre-market engagement exercise with each individual	High Level Design documentation approval	Monthly



## Innovate, Prove, Deliver: Business Case Waterfall

		carrier, but there may be a 'one to many' technical solution.		
Financial modelling with Finance and Commercial team	Projected revenue and profitability based on delivering full range of services to target clients	<p>Projected revenue and profitability in line with 4 year plan.</p> <p>Financial income by end May 2021 - £14,512</p> <p>Financial income by end June 2021 - £29,025</p> <p>Financial income by end July 2021 - £46,440</p> <p>Assumption – target based on a 50% capacity to allow for ramp up in maturity (based on 50 items per week at a price point of £0.54)</p>	Tracking the financial model (financial model is in draft and will be 'stress tested' through market engagement process	Monthly
Network analysis	Postmaster interest in PUDO proposition and ability to meet the required compliance standards.	<p>Deployment to 3000 branches by the end of 21/22</p> <p>Target by end May 2021 – 250 branches</p> <p>Target by end June 2021 – 500 branches (cumulative)</p> <p>Target by end July 2021 – 800 branches (cumulative)</p> <p>Assumption - the POL tablet is a suitable device and can be deployed to the required network locations.</p>	Network Analysis / Programme Plan milestones tracking	Monthly



## Innovate, Prove, Deliver: **Business Case Waterfall**

Third party carrier engagement	Pipeline of client and service opportunities	<p>Multi-carrier propositions understood for 5 key carriers</p> <p>Target by end Feb 2021- 1 third party carrier</p> <p>Target by end March 2021 – 2 third party carriers</p> <p>Target by end April 2021 – 5 third party carriers</p> <p>Assumption - discussions with other carriers must take place within procurement guidelines.</p>	Sales opportunity pipeline	Monthly
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**Innovate, Prove, Deliver: Business Case Waterfall****2.6****7.INVESTMENT**Specify Cost Centre codes to be used for OpEx **100014**

Is this Client Funded NO

Primary Investment type: Revenue Generating

Discount Rate	NPV (5yrs)	ROI	Payback
12%	£9m	£15m	20.4 months

**Explanation for the amount requested in this drawdown**

This Business Case (phase 1) is the first of a multi-phased Business Case, to fund the required resources (including programme, technical, consultancy, and network resources) to build a programme set of milestones, scope and set of outputs required to deploy multi-carrier PUDO into the POL Network.

The project targets to return to PRB/IC in March 2021 a refined set of cost estimates for build and deployment costs for implementation of wider PUDO.

The spend also includes a consultancy spend of £2m for the following topics (deliverables will be defined following the workshop on 07/12/2020)

- Strategic governance
- Operating model
- Technology
- External insight
- Business Process
- Product Ownership

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

**Innovate, Prove, Deliver: Business Case Waterfall****2.6****Funding Overview (£'k)**

	Prior Years Actuals	20/21	21/22	22/23	23/24	24/25	Total New Request	Total Project
Opex	-	(1,697.0)	(2,066.6)	(2,475.0)	(3,075.0)	(3,075.0)	(12,388.6)	(12,388.6)
Exceptional	-	-	-	-	-	-	-	-
Capex	-	-	(1,060.5)	(4,595.5)	(2,878.5)	(959.5)	(9,494.0)	(9,494.0)
<b>Total Funding</b>	-	<b>(1,697.0)</b>	<b>(3,127.1)</b>	<b>(7,070.5)</b>	<b>(5,953.5)</b>	<b>(4,034.5)</b>	<b>(21,882.7)</b>	<b>(21,882.7)</b>
Impact on EBITDAS	-	-	1,025.3	7,471.3	15,427.1	12,861.3	36,784.8	36,784.8
		Including Intangible Benefits		Tangible Benefits only				
Net Present Value over 5 Yrs (£'k)	-	9,098.5	9,098.5					
ROI - Undiscounted (£'k)	-	14,902.2	14,902.2					
ROI 20/21 : ROI %	-	68%	68%					
Payback Period 20/21 : Payback in month	-	20.4	20.4					
Risk Factor	-	-40.3%						
<b>Breakeven point in month</b>	-	<b>31.0</b>	<b>31.0</b>					

**Business Case Financials (£'k)**

	Prior Years Actuals	20/21	21/22	22/23	23/24	24/25	Total Project
Gross Income	-	-	2,050.5	14,942.5	30,854.1	44,353.2	92,200.4
Revenue Growth	-	-	2,050.5	14,942.5	30,854.1	44,353.2	92,200.4
Revenue Retention	-	-	-	-	-	-	-
Cost of Sales	-	-	-	-	-	-	-
Total Direct Contribution	-	-	2,050.5	14,942.5	30,854.1	44,353.2	92,200.4
Operating Expenses (OpEx)	-	(1,697.0)	(3,091.9)	(9,946.3)	(18,502.1)	(34,566.9)	(67,804.2)
Project Related	-	(1,697.0)	(2,066.6)	(2,475.0)	(3,075.0)	(3,075.0)	(12,388.6)
Recurring Increase	-	-	-	-	-	-	-
Recurring Decrease	-	-	-	-	-	-	-
Agents Pay	-	-	(1,025.3)	(7,471.3)	(15,427.1)	(31,491.9)	(55,415.5)
Avoidance	-	-	-	-	-	-	-
Trading Profit	-	(1,697.0)	(1,041.4)	4,996.3	12,352.1	9,786.3	24,396.2
Trading Profit [%]	-	-	(0.5)	0.3	0.4	0.2	0.3
Capital Expenditure (CapEx)	-	-	(1,060.5)	(4,595.5)	(2,878.5)	(959.5)	(9,494.0)
Project Related	-	-	(1,060.5)	(4,595.5)	(2,878.5)	(959.5)	(9,494.0)
Avoidance	-	-	-	-	-	-	-
Exceptional Expenditure	-	-	-	-	-	-	-
Project Related	-	-	-	-	-	-	-
Net Cash Flow	-	(1,697.0)	(2,101.9)	400.7	9,473.6	8,826.8	14,902.2
Cumulative FCF	-	(1,697.0)	(3,798.9)	(3,398.1)	6,075.4	14,902.2	14,902.2
FCF without Avoidances	-	(1,697.0)	(2,101.9)	400.7	9,473.6	8,826.8	14,902.2
Cumulative FCF w/o Avoidance	-	(1,697.0)	(3,798.9)	(3,398.1)	6,075.4	14,902.2	14,902.2

**Calculations**

	20/21	21/22	22/23	23/24	24/25	NPV
Discount Rate	12.0%					
Quantity of year to include	1.00	0.89	0.80	0.71	0.64	
Mid-period discounting factor	1.00	1.00	1.00	1.00	1.00	
Discounted Cashflow with Intangible Benefits	(1,697.0)	(1,876.7)	319.5	6,743.1	5,609.6	9,098.5
Discounted Cashflow with Tangible Benefits	(1,697.0)	(1,876.7)	319.5	6,743.1	5,609.6	9,098.5

Total costs	UEL (Years)	in £'000
Software - Internally Developed	3	-
Software - Purchased	3	-
IT Hardware	5	(9,875.0)
Motor Vehicle	5	-
Plant & Equipment	10	-
Fixtures & Equipment	7	-
Land	10	-
Intangibles	10	-
Opex		(15,414.8)

**Innovate, Prove, Deliver: Business Case Waterfall****2.6**

POL Cost/ Benefit	Cost Type	Organisation	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25
Capex	Other	Other	-	(£0.0m)	(£0.0m)	(£0.0m)	(£0.0m)
	Resource	(blank)	-	-	-	-	-
	IT Hardware	(blank)	-	(£1.1m)	(£4.6m)	(£2.9m)	(£1.0m)
Exceptional	Other	Other	-	-	-	-	-
	Resource	(blank)	-	-	-	-	-
One time Opex	Resource	(blank)	(£0.0m)	(£0.0m)	-	-	-
		POL - Contractors	(£0.2m)	(£0.2m)	-	-	-
	Accenture	(£0.0m)	-	-	-	-	
	Consultancy	(£1.4m)	(£0.6m)	-	-	-	
	(blank)	POL - Permanent	-	(£1.2m)	(£2.5m)	(£3.1m)	(£3.1m)
	Legal	Legal External	(£0.1m)	-	-	-	-
		Legal POL	(£0.0m)	(£0.0m)	-	-	-
<b>Grand Total</b>			<b>(£1.7m)</b>	<b>(£3.1m)</b>	<b>(£7.1m)</b>	<b>(£6.0m)</b>	<b>(£4.0m)</b>

# Innovate, Prove, Deliver: **Business Case Waterfall**

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## 8. MAJOR RISKS

Risk ID	Owner	Title	Current likelihood	Current impact	Current Risk Score	Target Risk Score	Planned mitigation date	Risk status	Mitigation plan
80002073	Ben Cooke	No device strategy for roll out	4 - Likely	4 - Major	16	15	09/11/2020	Open	Understand what is out there in the netw...
80002073	Katie Fenn	No learnings from trial can be factored ...	4 - Likely	3 - Significant	12	12	30/01/2021	Open	The project may be able to take some ea...
80002325	Matthew Keeble	Strategic alignment with other programmes	4 - Likely	3 - Significant	12	12	04/12/2020	Open	There are internal discussions underway ...
80002772	Tom Wasilowski	Technical solutions for trial not scalable	4 - Likely	3 - Significant	12	12	31/03/2021	Open	Business case for extended solution de...
80002594	Tom Wasilowski	Scanning compliance rates	3 - Possible	3 - Significant	9	9	16/10/2020	Open	The pilot training will need to ensure t...
80002995	Tom Wasilowski	NDA Client delays in governance approval...	3 - Possible	3 - Significant	9	9	21/12/2020	Open	Frequent calls with the NDA Client to wo...
80002995	Mark Svitler	3 months notice to RM for interoperability	4 - Likely	2 - Moderate	8	8	04/01/2021	Open	As a first step, assess impact of MGA2 t...
80002395	Bobby Hoop	Agent experience	2 - Unlikely	3 - Significant	6	6	31/07/2020	Open	Pitch pack is signing up to the minimum ...
80002351	Andiow Perkins	Connectivity in branch	3 - Possible	2 - Moderate	6	6	25/08/2020	Open	*Trial approach: progress with using 3G/...
80002981	Katie Fenn	Undefined scope of Business Case stage	3 - Possible	2 - Moderate	6	6	11/01/2021	Open	Define a high level scope in the Busines...
80002564	Tom Wasilowski	Unintended effect from re-organisation	3 - Possible	2 - Moderate	6	6	30/10/2020	Open	Project to document all decisions, proc...
80002395	Martin Halls	Recruiting postmasters	2 - Unlikely	3 - Significant	6	6	17/08/2020	Open	Minimum number was 50 branches total and...
80004620	Katie Fenn	Pace of client change is imbalanced with...	3 - Possible	2 - Moderate	6	6	18/01/2021	Open	KE to build into the wider PUDO plan wor...

## **Innovate, Prove, Deliver: Business Case Waterfall**

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### **9.PROJECT DETAILS**

## Innovate, Prove, Deliver: **Business Case Waterfall**

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Scope		
Features in Scope	Features out of Scope	Non-functional requirements
<p>For current drawdown resource request the following is in scope:</p> <p>Product features and roadmap:</p> <ul style="list-style-type: none"> <li>• Product propositions re-tested</li> <li>• Client and service pipeline refreshed</li> <li>• Concurrent release plan</li> <li>• Target completion date: by end Feb 21 but subject to further planning workshop</li> </ul> <p>Technical design solutions:</p> <ul style="list-style-type: none"> <li>• Amazon API integration and branch location data service</li> <li>• HLD for other carriers</li> <li>• Target completion date: End April 21</li> </ul> <p>Network analysis and client alignment</p> <ul style="list-style-type: none"> <li>• Network needs analysis</li> <li>• Deployment plan (matching client/customer/postmaster needs)</li> <li>• Target completion date to identify 3000 branches for market testing: December 2020</li> </ul> <ul style="list-style-type: none"> <li>• Multicarrier PUDO pre market engagement and Client engagement</li> <li>• Target completion date: by End March 21</li> </ul> <ul style="list-style-type: none"> <li>• Operational pilots in scope but tbc following further planning workshop</li> </ul> <ul style="list-style-type: none"> <li>• Incorporating trial findings</li> <li>• APK updates</li> <li>• Training materials updates</li> <li>• BYOD testing (POL Tablets)</li> <li>• Scalability testing of support model, roll out plan and manual processes</li> </ul>	<p>For current drawdown resource request the following is in scope:</p> <ul style="list-style-type: none"> <li>• Royal Mail PUDO technical solution during this draw down</li> <li>• Device strategy - Delivered by SPM</li> <li>• Build of wider PUDO infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Recruitment of roles / standing up the team</li> <li>• Portfolio Review between Network / SPM / PUDO (Clear alignment and delineation)</li> <li>• Dependency review with Network Strategy</li> </ul>

## Innovate, Prove, Deliver: **Business Case Waterfall**

2.6

### The Alternative Options

- 1. Wait for trial findings under Prove plan and run Prove and Deliver sequentially not concurrently.**
  - This is not recommended due to the milestone dates moving to end March for end trial, this would cause a risk with the POL PUDO proposition being delayed by ~3 months.
- 2. Build costs (£592k)– Phase1 for wider PUDO infrastructure**
  - Post Office Device application HLD, build and deployment of app on POL device (£50k)
  - Option to roll out to 800 POL tablets (£30k)
  - Amazon API integration and Branch Location data service (multi-carrier / cross POL) 6 months (£512k)
  - This approach is not recommended at this current draw down due to the HLD and scope being notional only at this stage, and a technical team are required to further define the design, and therefore the estimated build costs.
- 3. Produce full Business Case for programme plan for full PUDO design, build and deployment.**
  - This is not recommended because of the delays of the PUDO trial Prove case, which has an impact on the overall financial benefits, therefore there is a risk that these will not be met if a full business case submission over 4 years is submitted at this point.

## Innovate, Prove, Deliver: **Business Case Waterfall**

### 10. APPENDIX A APPROVALS

First, obtain IT approval of the solution, then Finance can accurately cost the solution and approve. Finally obtain Portfolio Lead approval that the project is ready to move forward.

#### IT APPROVAL:

Assuring the IT supply chain is aware and ready for this case:

Please contact Ajay Patel ( GRO ) for IT approvers.

IT contacts list can be found [here](#).

Function	Role	Name	Date
IT Service			
IT CTO	Domain CIO	Baljeet Nijjhar	25/11/2020
IT DPO			
IT Security			
IT Finance			
IT Contract Vendor Mgt			
Any other			
Additional Comments			
i)	Learning from the timescales it's taken to liaise with NDA Client for the trial, June 2021 may be ambitious for delivering the technical solution for the next carrier		
ii)	There are multiple dependencies on the Network strategy, Device strategy, SPM, device and application deployment design, the carriers themselves		
iii)	Payzone - Design dependency on how data is modelled and how this will be pulled through to the POL MDM / Branch database		

#### FINANCE APPROVAL:

Assuring the quality of the finances in this case and the sign-off of Central Finance in respect of accounting treatment (cost categorisation) and impact on financial controls:

Function	Role	Name	Date
Finance	Finance Director	Cathy Mayor	25/11/2020
Finance	Technical Finance*	Emily Plummer	25/11/2020
Additional Comments			
*Based on this being a multi-phased Business case, technical finance cannot give approval at this time (however as the first stage is opex then the project does not need approval from technical finance yet). However, the project will need technical financial approval once capex expenditure is known so project is due to send over the business case for 'build / gate to Deliver' for approval in March 2021.			

#### PORTFOLIO APPROVAL:

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

Function	Role	Name	Date
SPO	Portfolio Lead	Matthew Keeffe	25/11/2020
Additional Comments			

**Innovate, Prove, Deliver: Business Case Waterfall****2.6****11. APPENDIX B  
MANDATED SUPPORTING DOCUMENTS**

The following documents are required to be submitted to SPO as part of our project assurance process and for record retention policy requirements:

Document	Check by	Supplied
IT Impact Assessment	Architect	<input checked="" type="checkbox"/>
High Level Design	Architect	<input checked="" type="checkbox"/>
Project Initiation Document	Local Portfolio Office	<input checked="" type="checkbox"/>
Business Readiness Assurance Template (complete tabs up to and including G2D)	Local Portfolio Office	<input type="checkbox"/>
Business Case Model	Finance Business Partner	<input checked="" type="checkbox"/>
7 Critical Success Factors	Local Portfolio Office	<input type="checkbox"/>

The following should be already on Service Now against the project record:

Record	Check by	Created
RAID log in SNow	Local Portfolio Office	<input checked="" type="checkbox"/>
Status Reports	Local Portfolio Office	<input checked="" type="checkbox"/>
Lesson Learned	Local Portfolio Office	<input type="checkbox"/>
Tasks (Level 0 & 1)	Local Portfolio Office	<input checked="" type="checkbox"/>

## Innovate, Prove, Deliver: **Business Case Waterfall**

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### 12. APPENDIX C SUPPORTING INFORMATION

#### Additional supporting information

Provide any additional information that supports the business case

This Business case is to request approval for funding to stand up the resources for the wider PUDO project, over and above trial.

There is a caveat that the scope and design work is notional, therefore the estimates are based on the project and technical roles required to further define the scope, milestones and design documentation.

The current (non-RM) C&C trial is still in Prove stage and will run from Jan to March 2021, therefore there are no learnings from Prove Stage.

There are a number of risks around completing the Business Case before the Prove Phase has finished, such as the CSFs and learnings have not been realised, therefore the standing up of the wider team cannot encompass any improvements from the trial into the technical design, the Postmaster experience or the Proposition. The project may be able to take some early learnings into the design work, but this is not guaranteed due to the concurrent timelines of the Prove and Deliver case.



A large graphic on the left side of the page. It features a central white 'X' shape formed by two overlapping diagonal lines. The background behind the 'X' is a collage of four grayscale images: a pie chart, a hand holding a document, a hand writing on a document with a pen, and a line graph. The right side of this graphic is a solid red rectangle containing the title and date of the document.

**Strategic Platform  
Modernization (SPM)  
PROJECT CHANGE  
REQUEST  
23<sup>rd</sup> November 2020**

**Innovate, Prove, Deliver: Project Change Request****2.7****1.SUMMARY CHANGE**

<b>SNow Id</b>	PRJ0025674 SPM		
<b>Project Name</b>	Strategic Platform Modernisation		
<b>Project Manager</b>	c/o Gareth Clark		
<b>Date initiated</b>	June 2020	<b>Decision required by</b>	08/12/2020
<b>Portfolio</b>	<input type="checkbox"/> Banking, Payments & other <input type="checkbox"/> Historical Matters <input checked="" type="checkbox"/> IT Platform Enablement <input type="checkbox"/> Mails, Travel, FS & other <input type="checkbox"/> Organisational Effectiveness <input type="checkbox"/> Postmaster & Network <input type="checkbox"/> Shared Services <input type="checkbox"/> Supply Chain		
<b>Proposed change</b> <small>Provide a short description of the proposed change</small>	<p>This change request seeks to approve two components:</p> <ol style="list-style-type: none"> <li>1. The programme seeks approval for a change of strategy for programmatic support. Under the last approval the intent was to procure a strategic delivery partner, hence the case was built on the expected costs for such a partner. Having been through the commercial process and following a subsequent review, the Programme and GE members have made a decision to instead focus on a strategy of building an internal team. This CR therefore seeks approval for this change of strategy.</li> <li>2. Aligned with the above change, the programme is also seeking to realign and increase requested funds to meet the required pace set by SteerCo, GE and Board. In addition, the funds will allow the delivery of some early 'no regret deliveries'.</li> </ol> <p>In summary, the programme seeks a <b><u>new overall approval level of £1.32M</u></b></p>		

# Innovate, Prove, Deliver: Project Change Request



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<p><b>Reason for change</b>  <small>Explain why the change is necessary, and benefits associated with it</small></p>	<p>The previously approved prove plan was predicated on the procurement of a strategic support partner to assist with the programmatic elements. Alongside, funding was requested for key technical activities and early 'no regret' deliverables.</p> <p>Having concluded the procurement for the strategic partner, and following a review of the overall SPM strategy, it has been decided that the programme would be better served (on numerous grounds) by instead focusing on the generation of an internal POL team. As a result the procurement has been abandoned and preparations have been made to hire the required skills and expertise directly from the market place on an individual by individual basis.</p> <p>This change in programmatic support offers a more cost effective solution for the Post Office and has been made possible by a change in required delivery timescales for SPM.</p> <p>In the intervening period, further clarity and alignment has been obtained on the focus for early technical delivery work. This clarity means that the programme is now able to more accurately forecast it's resource requirements for the remainder of the FY. As such, with four months left to go, this has been captured within this CR.</p>
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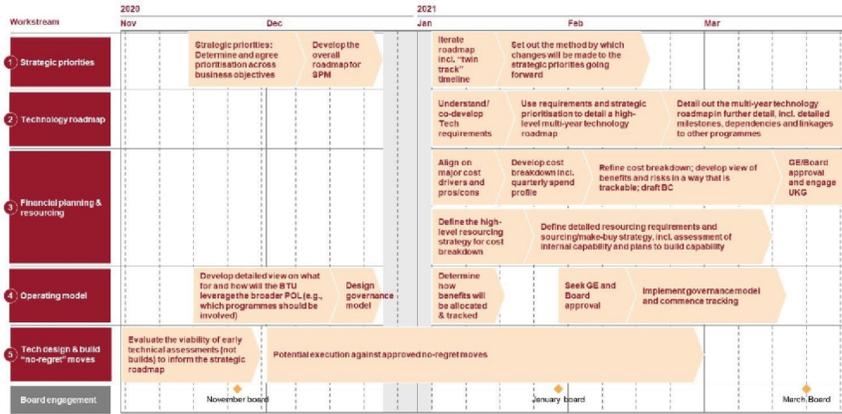
# Innovate, Prove, Deliver: Project Change Request



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The funding request for SPM is based around two key top level plans, both approved by the SPM steerco.

The first is the high level plan for activities over the coming 4 months. This is shown below.



**Proposed solution**  
Provide a detailed description of the proposed change/solution

The second plan outlines the key 'no regret' technical activities that have been agreed to start immediately. For completeness, the additional activities which steerco directed should be started later are also shown. The single item shown as a partial approval has been approved to commence, is a lower priority when compared to items 3-6 and therefore over the course of the next 4 months may be slowed or deprioritised.

	Objective of initiative	SteerCo Approved
1	<b>Technical reference architecture</b> High-level outline the of top level technical reference architecture for our future systems	✗
2	<b>Branch accounting strategy</b> Define strategy and approach for POL to do branch accounting in the future (cash and stock management, data reconciliation, etc.)	✓
3	<b>Device and peripherals strategy</b> Co-create the propositions POL will offer and which / how many devices will be required (incl. purpose, products sold and peripherals for each device)	✓
4	<b>Client integration</b> Identify client integration touchpoints and document architectural patterns; propose high level approach for client integration, understanding client effort requirements	✓
5	<b>Back-office integration</b> Determine integration points into back-office to ensure core processes (e.g., agent remuneration) can operate during Horizon coexistence and beyond	✓
6	<b>Retailer settlement</b> Complete high-level end-to-end design for a retailer settlement (direct debit) process for retailers to operate with their own cash and payment technology	✓
7	<b>Branch and data location service</b> Create a location service suitable for multi-carrier PUDO (no. of branches, dates & opening times, etc.) and define the requirements of the interface between the POL system and the PUDO provider's system	✗
8	<b>EPOS off-the-shelf options<sup>1</sup></b> Assess EPOS off-the-shelf options, understanding the advantages, limitations, and financial implications of the options	✗

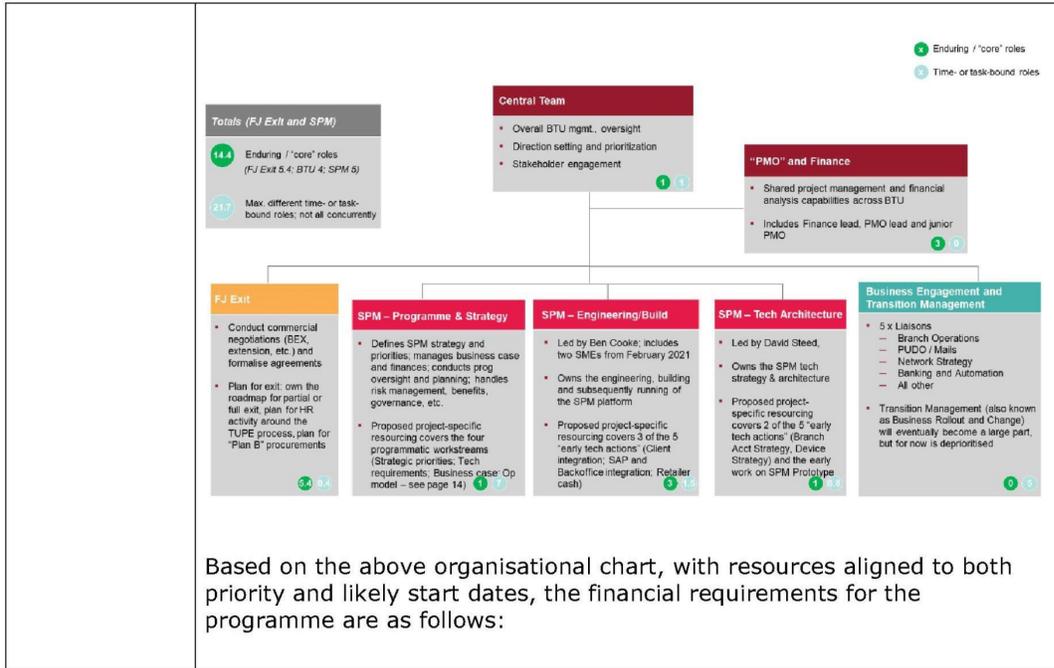
<sup>1</sup> Part of BAU resourcing

Given the above plan and technical priorities, a resourcing plan has been created. This is summarised by the organisational chart shown below.

# Innovate, Prove, Deliver: Project Change Request



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# Innovate, Prove, Deliver: Project Change Request



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Official name	FTE	Area	Type	NOV	DEC	JAN	FEB	MAR
Programme Manager	1	SPM - P	Contract-Blend	-	15	20	20	20
Project Manager - Strategy and Req's	1	SPM - P	Contract-Blend	-	-	15	20	20
Analyst - Requirements	1	SPM - P	Contract-Blend	-	-	15	20	20
Analyst - Strategic priorities	1	SPM - P	Contract-Blend	-	15	20	20	20
Analyst - Operating Model	1	SPM - P	Contract-Blend	-	-	20	20	20
Project Manager - Business Case	1	SPM - P	Contract-Blend	-	-	15	20	20
Analyst - Business Case	1	SPM - P	Contract-Blend	-	-	15	20	20
Analyst - Business Case	1	SPM - P	Contract-Blend	-	-	15	20	20
Engineering Director	1	SPM - E	Perm (SLP)	20	15	20	20	20
Care Team Dev	1	SPM - E	Contract	-	15	20	20	20
Core Team Dev	1	SPM - E	Contract	-	15	20	20	20
Operational Process Design Lead	1	SPM - E	FTC (3a)	-	-	-	20	20
Part-time Finance analyst (backfill)	0.5	SPM - E	Contract	-	8	10	10	-
Accenture	0	SPM - E	Output based	-	-	-	-	-
Chief Technology Officer	1	SPM - CTO	Contract	10	15	20	20	20
Cash management SME	1	SPM - CTO	Contract	10	15	20	10	-
Technical Process Analyst	1	SPM - CTO	Contract	10	15	20	10	-
Part Time - UX designer	0.5	SPM - CTO	Contract	5	10	10	5	-
Part Time - AWS Solution Architect	0.1	SPM - CTO	Contract	1	2	2	1	-
Device Strategy Lead	1	SPM - CTO	Contract	10	15	20	10	-
Device Solution Architect	1	SPM - CTO	Contract	10	15	20	10	-
Part Time - Device Mock Ups	0.5	SPM - CTO	Contract	-	-	20	10	-
UX Designer	1	SPM - CTO	Contract	-	-	20	20	-
CX Designer	0.5	SPM - CTO	Contract	-	-	10	10	-
Designer	0.2	SPM - CTO	Contract	-	-	5	5	-
Network Strategy Liaison	1	BETM	Contract	-	-	20	20	20
PUDO and Mails Liaison	1	BETM	Contract	-	-	10	20	20
Banking Liaison	1	BETM	Contract	-	-	10	20	20
Branch Operations Liaison	1	BETM	Contract	-	-	-	-	20
All other commercial products Liaison	1	BETM	Contract	-	-	-	-	-
Business Transformation Unit Director	1	BTU	Contract	-	-	-	20	20
Transformation Strategy	1	BTU	Contract	-	-	-	20	20
Finance and Business Lead	1	BTU	Contract	-	-	10	20	20
BTU PMO	1	BTU	FTC-Blend	20	15	20	20	20
Junior PMO	1	BTU	FTC-Blend	-	-	-	20	20

## 2.IMPACT SUMMARY

To be completed by the Project Manager in consultation representatives from all impacted areas.

<b>Impact on funding</b>	<input type="checkbox"/> Zero	<input type="checkbox"/> £0 - £25,000	<input type="checkbox"/> £25,000 - £50,000	<input checked="" type="checkbox"/> Over £50,000
<b>Impact on overall schedule*</b>	<input type="checkbox"/> Zero	<input type="checkbox"/> 0 - 2 weeks' slippage	<input type="checkbox"/> 2 - 4 weeks' slippage	<input checked="" type="checkbox"/> More than 4 weeks' slippage
<b>Impact on scope</b>	<input type="checkbox"/> Zero	<input type="checkbox"/> All changes to scope or quality of deliverables	<input type="checkbox"/> Medium impact changes to scope or quality of deliverables	<input checked="" type="checkbox"/> High impact changes to scope or quality of deliverables
* The impact of the change on the finances should be detailed in Appendix A * The impact of the change on individual milestones including should be documented in Appendix B.				

# Innovate, Prove, Deliver: Project Change Request



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## 3. IMPACT DETAIL

<p><b>Estimated cost</b> Indicate the likely cost of implementing the change and the impact on the approved budget for the project <b>PLEASE BE CLEAR IF CAPEX, OPEX and/or EXCEPTIONAL</b></p>	<p>Previous approval £814k Revised approval level £1.32M</p>
<p><b>Funding</b> Tick as appropriate</p>	<p><input type="checkbox"/> Proposed change can be funded from existing approvals <input checked="" type="checkbox"/> Proposed change will require additional approval <input type="checkbox"/> Request to drawdown existing approved funds <small>Note - Please give details if the project has been split from its original programme or merged into another business case. Clear references should also be made back to original approvals (value, approval body and approval date).</small></p>
<p><b>Effect on Solution Design</b> Indicate the impacts on the approved Solution Design if any</p>	<p>N/A</p>
<p><b>Effect on schedule</b> Indicate the likely slippage in delivery or the project</p>	<p>At the headline of the last approval was an intent to get an outline business case to the March POL Board. This remains our intent as shown on the plan above.</p>
<p><b>Effect on resource requirements</b> Identify any additional resources required to implement change, and indicate if these are internal or external</p>	<p>In accordance with the narrative above, there has been a significant impact on resource requirements, with a major shift from externally sourced assistance to a model of POL internal resources (albeit many contracted individually)</p>
<p><b>Effect on other projects /activities /programmes</b> Describe how the proposed change will impact on other project or programs, or BAU activities</p>	<p>This change, and the priorities around technical deliveries will better align SPM to other programmes, such as PUDO and Network Strategy.</p>
<p><b>Effect on benefits plan</b> Identify any positive or negative impact on the benefits plan for the project</p>	<p>During the course of the prove phase, as was the case with the last approval, the benefits for the programme will be set out and documented in order to present a complete outline case to Board in March 2021.</p>
<p><b>Effect on risk profile</b> Identify any additional risks associated with implementing the proposed change</p>	<p>The risk profile associated with this change is similar to that within the original business case, with one key exception. Previously, there was a risk that our selected support partner would be unable to deliver the required outputs in time. Clearly, with a change to internal resourcing, there is now a risk that POL cannot secure the right resources in time.</p>
<p><b>Notes</b></p>	

## 4. FINANCE UPDATE

Tab 2.7 Strategic Platform Modernisation (SPM)

# Innovate, Prove, Deliver: Project Change Request



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in (£m)	Actuals	Actuals	Actuals	Actuals + Forecast	Total Spend	Approved Funding	Variance	Commentary						
Combined	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	Total	Total	Total	Total	
Capex	-	-	-	(1.32)	-	-	-	-	-	(1.32)	(0.81)	(0.51)		
Opex	-	-	-	-	-	-	-	-	-	-	-	-		
Exceptional	-	-	-	0.00	-	-	-	-	-	0.00	-	0.00		
Total	-	-	-	(1.32)	-	-	-	-	-	(1.32)	(0.81)	(0.51)		
Variance	-	-	-	-	-	-	-	-	-	-	-	-	62.7%	

in (£m)	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	Total Benefits	Commentary
Original Benefits	-	-	-	-	-	-	-	-	-	-	
Change request Benefit	-	-	-	-	-	-	-	-	-	-	
Variance	-	-	-	-	-	-	-	-	-	-	

	Previous Approved Business Case		Change request	
	Including Intangible Benefits	Tangible Benefits only	Including Intangible Benefits	Tangible Benefits only
Net Present Value over 5 Yrs (£'k)	(2,442.1)	(2,442.1)	(1,319.5)	(1,319.5)
ROI - Undiscounted (£'k)	(2,442.1)	(2,442.1)	(1,319.5)	(1,319.5)
ROI 20/21 : ROI %	-100%	-100%	-100%	-100%
Payback Period 20/21 : Payback in month	No Payback	No Payback	No Payback	No Payback
Risk Factor	129.7%		129.6%	0.0%
Break-even point in mo	No Payback	No Payback	No Payback	No Payback

**Innovate, Prove, Deliver: Project Change Request****2.7****5. APPENDIX A  
APPROVALS****PLEASE NOTE:**

- If the request is to draw down already approved funds only and there have been no changes to the IT solution, then IT approval is not required - finance and portfolio approval are still required

First, obtain IT approval of the solution, then Finance can accurately cost the solution and approve. Finally obtain Portfolio Lead approval that the project is ready to move forward.

**IT APPROVAL:**

Assuring the IT supply chain is aware and ready for this case:

Please contact Ajay Patel (GRO) for IT approvers.

Function	Role	Name	Date
IT Service		Stuart Banfield	24/11/2020
IT CTO		Lee Wheelhouse	24/11/2020
IT DPO		Clare Hammond	24/11/2020
IT Security		Adam Malach	24/11/2020
IT Finance		Naomi Thorley	24/11/2020
IT Contract Vendor Mgt		Dionne Harvey	24/11/2020
Procurement		Liam Carroll	24/11/2020
Any other			
<b>Additional Comments</b>			
PROJECT CHANGE REQUEST Strategic Platform Modernization (SPM) in Items for review			

**FINANCE APPROVAL:**

Assuring the quality of the finances in this case and the sign-off of Central Finance in respect of accounting treatment (cost categorisation) and impact on financial controls:

Function	Role	Name	Date
Finance	Finance Director	Kathryn Sherratt	24/11/2020
Finance	Technical Finance	Tom Lee	23/11/2020
<b>Additional Comments</b>			

**PORTFOLIO APPROVAL:**

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

Function	Role	Name	Date
SPO	Portfolio Lead	Gareth Clark	23/11/2020
<b>Additional Comments</b>			

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

# Innovate, Prove, Deliver: Project Change Request



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## 6.APPENDIX B MANDATED SUPPORTING DOCUMENTS

The following documents are required to be submitted to SPO as part of our project assurance process and for record retention policy requirements:

Document	Check by	Supplied
Business Case Model	Finance Business Partner	<input checked="" type="checkbox"/>

# Innovate, Prove, Deliver: Project Change Request



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## 7. APPENDIX C MILESTONE CHANGES

Please extract this information from ServiceNow.

Use the cogwheel to select the columns shown for the project's tasks and then use the snipping tool to capture the information and paste into this document. Only show those tasks that are a milestone (none milestone tasks are shown here only to allow the filter). Sort on Planned Start Date

Parent = Strategic Platform Modernisation							
	Short description	Planned start date	Planned end date	Actual start date	Actual end date	State	
<input type="checkbox"/>	<a href="#">McK Led Discovery</a>	20/04/2020 08:00:00	15/05/2020 17:00:00	20/04/2020 13:58:00	29/05/2020 13:58:08	Closed Complete	false
<input type="checkbox"/>	<a href="#">POL Board Submission No 1</a>	24/06/2020 08:00:00	24/06/2020 08:00:00	24/06/2020 08:00:00	30/06/2020 10:00:00	Closed Complete	false
<input type="checkbox"/>	<a href="#">POL Board Submission 2</a>	31/07/2020 08:00:00	31/07/2020 08:00:00	31/07/2020 12:58:48	31/07/2020 12:58:58	Closed Complete	false
<input type="checkbox"/>	<a href="#">Framework procurement of Delivery Partner</a>	02/11/2020 08:00:00	02/11/2020 08:00:00	23/10/2020 11:26:58	23/10/2020 11:26:58	Closed Incomplete	false
<input type="checkbox"/>	<a href="#">On-boarding of Delivery Partner</a>	09/11/2020 08:00:00	09/11/2020 08:00:00	30/10/2020 11:20:27	30/10/2020 11:20:27	Closed Incomplete	false
<input type="checkbox"/>	<a href="#">Financial planning, cost controls and business case generation</a>	01/02/2021 08:00:00	01/02/2021 08:00:00	(empty)	(empty)	Pending	false
<input type="checkbox"/>	<a href="#">Programme design (e.g. governance, performance measurement) and launch</a>	01/02/2021 08:00:00	01/02/2021 08:00:00	(empty)	(empty)	Pending	false
<input type="checkbox"/>	<a href="#">SPM programme strategy alignment with other business programmes</a>	01/02/2021 08:00:00	01/02/2021 08:00:00	(empty)	(empty)	Pending	false
<input type="checkbox"/>	<a href="#">Migration, transition and business change for Postmasters strategy</a>	01/02/2021 08:00:00	01/02/2021 17:00:00	(empty)	(empty)	Pending	false
<input type="checkbox"/>	<a href="#">POL board submission No 3</a>	23/02/2021 08:00:00	23/02/2021 08:00:00	(empty)	(empty)	Pending	true
<input type="checkbox"/>	<a href="#">Technical "No regret" Delivery</a>	26/02/2021 08:00:00	26/02/2021 08:00:00	(empty)	(empty)	Pending	false
<input type="checkbox"/>	<a href="#">Technical Prototyping and Build</a>	26/02/2021 08:00:00	26/02/2021 08:00:00	(empty)	(empty)	Pending	false
<input type="checkbox"/>	<a href="#">FJ Contract Terminates</a>	31/03/2023 17:00:00	31/03/2023 17:00:00	(empty)	(empty)	Pending	true

**Innovate, Prove, Deliver: Project Change Request****2.7****8. APPENDIX D  
GOVERNANCE HISTORY**

Contact your Portfolio Office and ask for an extract of the Governance History for your project.

## Governance History

✓	MID:Meeting Date	MID:MType	Request Type	Decision	RequestSummary
	07/09/2020	IC	Gate to Prove	Approved at IC	Requesting £2.44m CapEx (mainly resource and 3rd party costs) for Prove stage of this project to modernise platform and find alternative for existing Horizon system
	02/09/2020	PRB	Gate to Prove	Approved for IC	£2.44m CapEx (mainly resource and 3rd party costs) for Prove stage of this project to modernise platform and find alternative for existing Horizon system
	10/08/2020	IC	Change Request	Approved at IC	Requesting to transfer over the £463k approved budget (Exceptional) from SPM to FJ Exit
	03/06/2020	PRB (Offline)	Gate to Prove	Approved at PRB	NDA

## Overview of dependencies across FJ contracts and GLO

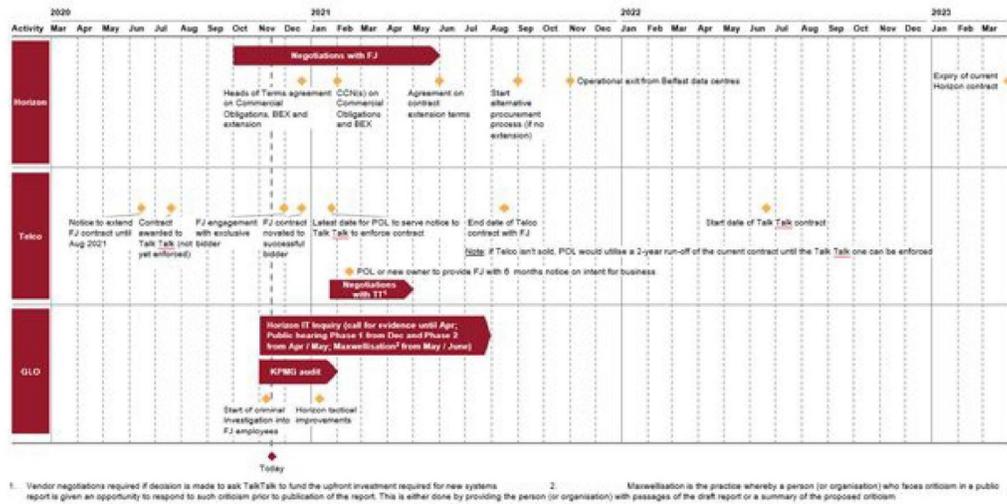
**Key takeaways:** There are no clear technical dependencies across POL's contracts with FJ (Horizon and Telco). However, given that negotiations on both contracts, the independent inquiry and KPMG's audit into FJ are all ongoing in parallel, it is important to consider potential relationship dependencies. Similarly, POL should consider which are the drivers within each strand that could have significant impact on the outcome of negotiations (e.g., delays on PCI DSS or Belfast Exit programmes within Horizon could have a significant impact on FJ Exit negotiations).

The largest dependency that has been identified is the potential sale of the Telco business. If Telco is sold, POL will require FJ's Telecoms team to engage with third party bidders to plan an orderly exit from the FJ platform and it will also require support on the POL IT separation process (to be conducted by the FJ Horizon team). If Telco isn't sold, POL will require support from FJ until the end of the transition process to Talk Talk. In both scenarios, POL should ensure Horizon negotiations remain collaborative and do not become hostile with the vendor whilst both Telco and Horizon negotiations are ongoing.

In addition to this, POL should consider FJ's motivations as part of the GLO process to ensure it negotiates optimal terms (especially on exit from Horizon) whilst the vendor is likely to act in a more collaborative manner, which is until January 2021. Additionally, while POL is currently keeping the three discussion strands separate to avoid additional complexity, if the audit that is being conducted by KPMG into FJ results in remediation actions for the vendor, FJ may try to incorporate terms of those actions into the Horizon negotiations.

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### Major upcoming milestones and dependencies across FJ contracts



Whilst there are no clear technical dependencies across the Horizon and Telco contracts (see next page for further details), the fact that multiple negotiations are ongoing with FJ at a single time alongside the GLO Horizon audit means that there are likely to be relationship dependencies that Post Office should be aware of.

The main dependency that has been identified is the Telco sale process, a decision on which needs to be made before 28<sup>th</sup> January 2021 (i.e., the latest date at which notice to Talk Talk can be served to start the formal process and enforce the new contract). If POL sells the Telco business, it will require support from FJ to engage with third party bidders and plan an orderly exit from the FJ platform, as well as support on the POL IT separation process. If POL doesn't sell the Telco business, it will need FJ support to exit the current Telco contract and transition to Talk Talk. Hence, in either of the two scenarios it is key to maintain a positive and collaborative relationship with FJ while negotiations take place across Telco and Horizon contracts.

POL should therefore consider trying to get to an agreement on Horizon extension also by the end of 2020, as it should ensure it can maintain a positive and collaborative relationship with FJ next year. Such agreement should ideally be legally

## Tab 5 Overview of dependencies across FJ contracts and GLO

binding or at least detailed enough that the vendor would be unlikely to change their mind at a later stage. POL should consider whether it would prefer to agree to a simpler Horizon extension agreement now (including resolution of any potential legal issues such a procurement may result in), or wait and push for additional “nice to have” terms later (but this might have an impact on the level of support FJ is willing to provide on Telco).

Resolving the Horizon agreement in a timely fashion is even more important given the ongoing KPMG audit on FJ, the report for which is due to be completed in January 2021 (although further audit activity that could result in additional requirements for FJ may take place after such date). POL believes FJ are likely to be more collaborative up until the date that such report is published, and therefore the FJ Exit team should leverage this when sequencing negotiations.

Note that other upcoming milestones on the GLO strand – e.g., Horizon tactical improvements starting in January and the ongoing criminal investigation into FJ employees – could potentially change vendor dynamics should the outcome of these not be favourable to FJ. It is important, therefore, to keep a collaborative environment next year across all negotiation strands and ensure regular communication within Post Office.

In addition to this, POL should acknowledge the items within each programme that could potentially have a significant impact on the outcome of negotiations. Specifically, within Horizon it is important to ensure that Belfast Exit and PCI DSS programmes progress favourably, as otherwise this could negatively impact FJ Exit negotiations and delay the exit from Horizon.

At present, POL is keeping vendor discussions across Telco, Horizon and GLO separate to avoid additional complexity. POL should review this strategy regularly in case it becomes beneficial to agree deals across workstreams. Similarly, POL should be prepared in case the vendor does try to introduce a dependency between the negotiations (e.g., FJ might want to secure a clause as part of the FJ Exit agreements that avoids them having to take remediation steps in case the KPMG audit report is not fully favourable to them).

## Appendix – Detail on existing FJ contracts and GLO process

### Summary

Post Office currently has 2 contracts with FJ: Horizon (~£200M, expires 31 March 2023) providing hosting and application support for the Horizon system, and the Telco contract (£125M p.a., expires 16 August 2021) which provides service integration and manages the IT systems for home-phone and broadband services to domestic consumers. POL is looking to exit both contracts in the next years and re-procure with new providers. There are no new FJ contracts planned in the near future.

In addition to this, there are ongoing discussions with the vendor regarding the Group Litigation Order (GLO). Notably, there is an ongoing independent inquiry led by Sir Wyn Williams to establish a clear account of the implementation and failings of the Horizon IT computer system over its lifetime.

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### Horizon: Contract context

FJ is the principal supplier of hosting and application support for the Horizon system, which underpins all of POL's counter business. The original contract was signed in 1999 and expires on 31 March 2023. Both parties wish to exit this contract (FJ have said they want to exit, and POL wants to move to SPM), and in fact some services are expected to be terminated early. However, to avoid a procurement "cliff-edge" and ensure POL can access these IT services if SPM rollout is delayed, it is important to investigate the option of extending the current contract.

### Telco: Contract context

POL's Telco business provides home-phone and broadband services to domestic consumers. FJ is the prime contractor, managing the various IT systems and "gluing together" the services. POL is looking to re-procure the Telco services with a new provider, and in parallel also considering selling the business. To ensure no procurement cliff-edge, the FJ contract has been extended until Aug 2021, meaning POL needs to serve notice by Feb 2021.

A replacement of the FJ contract has been signed with TalkTalk and FirstSource to provide the services currently provided by FJ. The new Telco contracts will require at least £42m investment<sup>1</sup> and implementation of new systems could take ~21 months. For the contract to be enforceable, POL needs to give TalkTalk and FirstSource notice by 28<sup>th</sup> January 2021.

In parallel to the procurement process, POL is investigating the option of selling the Telco business altogether.

### Group Litigation Order (GLO) context

Post Office and Fujitsu were part of a Group Litigation Order as a result of past issues with the Horizon IT system, which recorded daily financial transactions and allegedly showed certain Post Office branches to be in deficit.

POL and Fujitsu are engaging on three key activities at present: (1) an independent inquiry led by Sir Wyn Williams to establish a clear account of the implementation and failings of the Horizon IT computer system over its lifetime; (2) an audit into Fujitsu's Horizon accountabilities completed by KPMG; (3) tactical improvements to the Horizon system (to start from January 2021). In addition to this, a criminal investigation into potential perjury by Fujitsu staff in GLO trials was opened last week.

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<sup>1</sup> This figure could be higher if FJ do not accept to proceed with a simple "agent transfer" process to make TalkTalk the new provider of all of its customers



# IT Service Transformation PIR

Joanne Welch Nov 2020

## 2. Executive Summary

9. No evidence can be found to indicate if IT service transformation attended Go-Live Gating. It is recognised that the greatest impact was within the IT team where services were being insourced from the incumbent supplier, but this did include the service desk which provides support to the wider business including both postmasters and colleagues. New features such as an Aps and chat facilities was implemented and agreement with the gating forum should have confirmed the elements which required oversight and those that did not. The BRA template was completed as part of closure and included in the request to close report.

8. Risks & issues were proactively managed in Service Now. 10 risks were raised all had mitigation plans which were regularly updated. Only 1 issues was raised during the project and this was resolved quickly.

7. Project timelines and approval milestones were not aligned to the contractual timelines, this meant to ensure activities progressed in the best interest of POL, the project went outside of governance parameters, change requested were submitted retrospectively to correct. Due to changes in senior management there was a vacuum during the early phases of the project which meant oversight and decision making was lacking which delayed activities.

6. Resourcing during the initial phase was tight so the project team was quite insular, once the project changed business lead the project was set up in a squad structure made up from IT SMEs & Business SMEs which helped facilitate activities as it brought everyone on the same journey. TUPE activities were well managed with a smooth transition due to dual running for a month before moving across which ensure key equipment was available well in advance. This has developed an inhouse capability to support Pol moving forward.

10. The project insourced the Service integration and management services from ATOS. To support this activity Service Now was identified as the tooling of choice and was configured to meet the requirements of each of the processes and areas in scope. In addition, apps have been developed with chat facility to help support provide greater more timely support to both colleague and Postmasters. Insourcing has seen improvements in many of the KPIs routinely measured and has ensured better integration with the IT operating model. The Service Now platform was initially introduced without a service desk which has been subsequently corrected with Accenture now provide support.

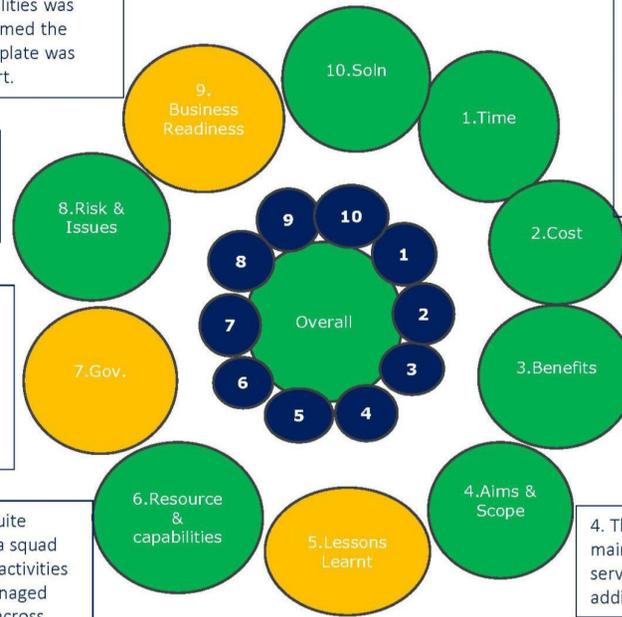
1. The original Business Case did not contain clear indication of the original milestones and dates associated to them. CR's were submitted to extend timelines due to increased scope to May 2020 as Services and processes not originally considered were to now be included in scope. To ensure funding went further a split development model was put in place with Accenture (part on shore/part off) which significantly reduced resourcing cost, but this brought other challenges to ensure requirements were fully understood prior to development commencing. The changeover to the Pol digital service desk had a minor one-month delay to ensure a smooth transition due to its criticality to colleagues & postmasters.

2. The project was delivered within the overall approved budget, a change request was required to ensure costs for both phases were pulled into a single project and then to change accounting treatments for funds, as due to changes in project, overall OPEX was decreased and capital expenditure was increased. Additional scope was included in the project, but this was achieved with no additional Overall budget being required.

3. At points in the project due to delays in year benefits were seen to decrease, but overall due to reduction in costs for both system licenses and current resourcing cost, overall benefits have been achieved.

4. The original scope was significantly increased as it was recognised that maintaining a limited number of services with ATOS was unfeasible and all services needed to be supported to enable the contract to be terminated. The additional scope was delivered, although the timeline was increased.

5. No lesson learnt were identified in service now during the lifetime of the project, but lessons were identified during closure and a lessons learnt workshop was facilitated as part of this PIR.



### 3.Overall Assessment & Recommendations

Overall Assessment	
	<p>Project Nelson and IT Service Transformation Phase 2A were originally 2 programmes which in Nov 2019 via Change request were merged into one. This was to ensure funding classification and accounting practices were corrected. The project was created based on recommendation from an external consultancy review by Mozaic. From this the decision was made to insource back from ATOS System Integration and Management (SIAM) layer into POL. This was delivered in 2 phases; Phase 1 Project Nelson (Mar 2018 -Apr 2019) insourced partner/supplier management, plus several service control lines. This initial phase included the implementation of the ServiceNow cloud platform and its re-integration with the major IT suppliers enabling the flow of incident management tickets between relevant parties.</p> <p>Phase2 –IT Service transformation insourced the remaining ITSM functions (incident, problem, change, capacity, availability, Customer satisfaction &amp; reporting); it also brought the IT service desk back in-house and configured ServiceNow to support all remaining ITSM processes. These were initially lifted and shifted but then underwent transformational activity to improve services making them fit for purpose. To support the helpdesk, colleague &amp; branch portal apps both with live chat functionality have been introduced. This has brought the voice of the Postmaster closer and positive feedback has been received from this community. An in-house capability has now been built TUPE in relevant staff and recruiting other key skills as required. Ultimately benefits have been delivered achieving the planned OPEX savings, building inhouse capability, while improving services for the end user.</p>

Ref No	Recommendations	Target date.	Owner
1.	Share lessons learnt with wider change community via PM/BA communities of practice.		Claire Hurrell

## 4. Lessons Learnt

1. Engage with SMEs during the design process if possible. Start collaborating at the earliest opportunity and check all the correct stakeholders have been engaged for the full end to end process.
2. Ensure a shared vision is agreed when working across areas to help align all parties.
3. The project team were made up from Team members who were operationally accountable for activities so were empowered to make decisions and were therefore engaged and they were utilised for at least 50% of their time.
4. Engage as early as possible with individuals who are planned to be TUPE across, Integrate them as much as possible into the team, keep them fully informed on the role and where they will fit in the organisation to alleviate any concerns and bring them on the Journey, if possible dual run to ensure key kit is available way before target dates.
5. Provide robust training and handover to ensure a smooth transition.
6. Ensure transparency with cost challenges, to help aid understanding across the wider team.
7. Despite having an Accenture architect assigned to the project, it was rare if issues were identified ahead of time or if any viable solutions were identified. In software development, architecture is a core element of ensuring viable and effective outcomes, so this area needs to be more credible in future projects of this kind.
8. There was a lot of rework due to lack of understanding of requirements from Accenture development team. Part of this was due to some quality issues with requirements, but part was also due to the developers being relatively inexperienced and coming in cold to an environment which had already been configured and customised over the previous Service Partner's time working on our instances. Put touchpoints in early to confirm understanding.

## 4. Lessons Learnt

9. Some features were delivered as an MVP with the expectation that we would enhance and fix forward post implementation. However there has been a fairly significant time lag in some areas due to workloads for key stakeholders, meaning delays to getting from MVP to the desired final build (or at least a v2 of the process). Be mindful as a common issue.
10. Confirm knowledge transfer into BAU delivery teams following project closure.
11. Ensure accountability & empowerment for business team members during the project to help drive delivery and outcomes.
12. Create good onshore/offshore working practices to facilitate development and put appropriate oversight and governance in place.
13. Involve the Operational team in requirement gathering, ensure they are clear with a detailed acceptance criteria and get early demos especially if there is a language barrier when working with off-shore resources to confirm the development is on the right track, to avoid too many defects or additional rework.
14. Ensure the systems data model is designed early and the structure is understood by all, as data drives any system and will causes major issues if incorrect.
15. Have a full understanding end to end of ALL BAU processes that are being transitioned, not just one element.
16. Do not overcomplicate system design, if possible, use out of the box configuration in anger first before making improvements.

## 6. Management Response

Over the period of this program the entire SIAM (service integration and management) contract that had been awarded to Atos when Post Office split to Royal mail was brought back in-house in stages. Presumably Post Office saved money when outsourcing, and again took significant cost out whilst bringing service back in house.

Our statistics show that whilst there was an adjustment period when changing the IT service desk from Atos Manila to BSC Chesterfield – the service improvement trend has continued and even accelerated in some areas. Notably in first time fix. Pleasingly during the lessons learned review the non-IT participants highlighted their view that being able to log tickets and requests on ServiceNow was also a vast improvement over calling the previous desk.

This was my first project as business sponsor as the manager of a large team. I've often preached that business owners should put their best people into projects to help define the future. It was fantastic to get a chance to do that. We had 12 people from the IT service organisation working part or full time in the program. Everyone got a chance to step up, and most grasped it. The journey hasn't ceased with the project ending because of the skills we embedded into the team throughout the project and the ownership the IT team feel of the system they helped design and deploy. In time it's this compounding effect will have a bigger impact than the project delivery – and I feel has been the projects greatest success.

## 7. What went well?

Areas of best practice you would like to see repeated in future projects.

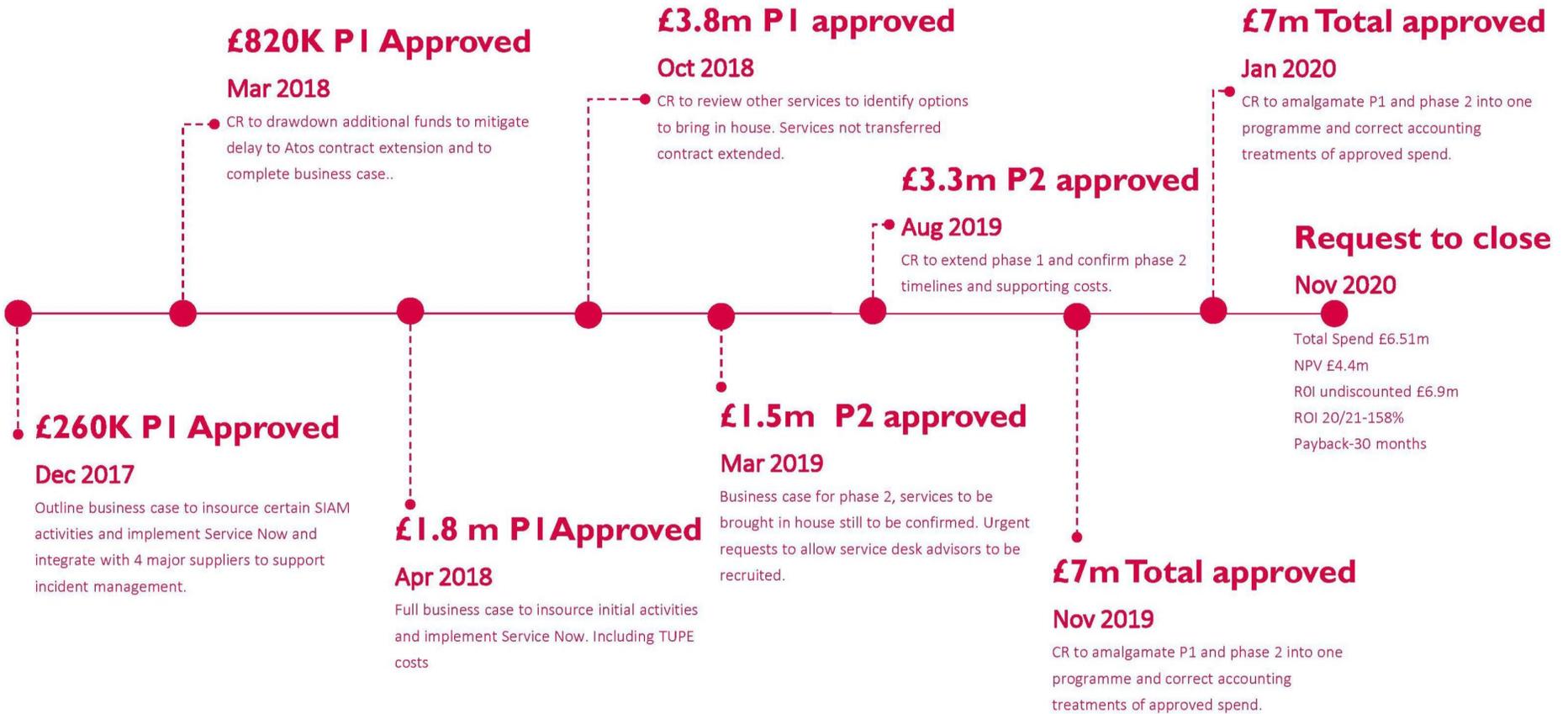
<p><b>Knowledge Transfer to BAU</b></p>	<p>Accountability &amp; empowerment for business team members Final transfer of knowledge to BAU we The engagement between the gold suppliers and the operational team - lots of process improvements identified and delivered.</p>
<p><b>Transfer of Staff</b></p>	<p>Transfer of staff from Atos to POL worked well. Collaborative working with Atos was key to this project, and worked really well, morale also improved when this was allowed.</p>
<p><b>Project Management</b></p>	<p>Communication and working with a 1 team approach- good collaboration. Project managed well especially due to the number of workstreams. Governance Structure- regular milestones and review session in place tracking progress plus ensuring understanding of key activities across the programme. Agile working Project team were highly motivated and committed to deliver the project on time.</p>
<p><b>Delivery</b></p>	<p>SMEs and Product Owners provided excellent support and expertise to the project. The creation of delivery teams that enabled swift delivery Scope of delivery was well defined including its aims and areas of service delivery were to be addressed as part of project. Changes made to development process during the project did address the issues which had been experienced and helped to improve speed of delivery and quality of work.</p>
<p><b>Solution</b></p>	<p>Standing up Service Now as a New Service Operations tool. Core deliverables were met to at least MVP standard.</p>

## 8. What could be Improved?

Activities that must be improved in future and did not go as expected causing dissatisfaction.

<p><b>Training</b></p>	<p>Left to last minute or deprioritised. Covid ruined some of the training plans.</p>
<p><b>Supplier</b></p>	<p>Change from engage to Accenture was a challenge took longer than expected to stand up fully resourced team. The quality, experience and expertise of the team was variable. Delay in understanding existing configuration and customisations to the level to develop effectively &amp; efficiently.</p>
<p><b>Project management</b></p>	<p>Phase 1- the expectation was Engage was to be retained so focused on development rather than documentation which not best approach when supplier changed. Initial 4 developments were not aligned so dependencies were not well understood. Requirements changed dramatically throughout a development cycle.</p>
<p><b>Finance/ Benefits</b></p>	<p>Lack of audit trail of Financial benefits. The Project was separated into more than one business case which were finally combined which made it quite complicated to manage and close out. Having to work with finance was problematic due to changes in personnel, as knowledge transfer between individuals was weak and working practices kept changing.</p>
<p><b>Business engagement prior to change in Project Business Lead</b></p>	<p>Project was a game of 2 halves –before the change in Project lead and then after. Initially lack of business engagement regarding requirements, lack of understanding of how contact centres work &amp; role of desk agents. Not understanding role of Atos. Basing business plan on incidents raised not contacts into the desk. Not including escalation, complaints &amp; other processes. No project plan, lack of comms and reluctance to work collaboratively with Atos.</p>

# IT Service Transformation Timeline\*...



\* Detail behind timeline Appendix A.

# Appendices

## Appendix A- Timeline Detail (I)

### **Dec 2017 £260K approved.**

Outline business case to review the options and provide recommendations for the on-going management of Service Integration and Service Desk, which was under contract to Atos which was due to end in Sept 2018 with a provision for a further 1+1 years if required. Post office had the right to either fully terminate, partially terminate or continue as is for the key services provided. Post office were contractually required to inform Atos by Mar 2018 on intentions for contract renewal and/or exit. The new IT service model design was being supported using by the Mozaic consultancy. This business case was requesting a drawdown of £260K against a potential total BC of £5.4 m to facilitate this engagement and understand IT service desks options. Full business to be submitted in Feb/Mar once design phase was completed. Current contract did not allow POL to exploit strategic direction of current IT trends e.g. Pivot to cloud, digitalisation etc. In addition, the poor performance of the service desk identified via audit, recommended the introduction of new Post office Service Management tooling.

### **Mar 2018 £ 820k approved.**

CR requesting a further drawdown of £566k to mitigate the delay in agreeing Atos extension notice to 3<sup>rd</sup> April, and complete activities to finalise the full business case which had also been delayed.

### **Apr 2018 £1.9m approved**

Full business case specifically relating to the services that POL did not intend to extend beyond September 2018, including Tupe costs of £0.6 due to the cessation of these services. Detailing £1m annualised OPEX savings against current £ 5.7 m per annum Atos contract. Atos had consistently failed to deliver a sustainable service and technology improvements, effectively manage the IT Supply chain, nor add value across the service lines. Services to be insourced included Supply Chain Management, Information security management and Project services removing the system integrator role. The new operating model would allow better control over supplier services, supplier relationship and solution design. Additional resource would be required inhouse to support this change which would either be Tupe across or recruited.

### **Oct 2018. £3.8m Approved**

Change request raised to implement the IT operating model post expiry of the Atos SSiD Contact in September 2018. Services not changed were extended to 2019. The programme was exploring options regarding other services including the service desk. The initial programme assumed phase 2 would be split in to 2 tranches but this CR was to amalgamate some of the discovery aspects in phase 2.b into 2a. Cost and benefits in the business case were also updated to reflect these changes.

## Appendix A- Timeline Detail (2)

### Mar 2019 Requested a £1.5m drawdown (phase2 Approved)

Phase 2 business case building on success of Phase 1 to bring Service desk and other services in house. Planning to reduce Opex and improve services to colleagues and branches by introducing the final iteration of the digital service desk which had previously been trailed as a POC. Urgent submission to enable the recruitment of Service desk advisors and programme team retention for this phase.

### Aug 2019 £3.3 m phase 2 Approved

CR raised to delay phase 1 until end Dec 2019, with an annual benefit reduction from £792k to £316K. To create a phase 2 which carries on until Mar 2020. Estimated to cost £1.8 with Benefits of £0.8m in year and £1.4m in steady state. Some of phase 1 scope to be delivered in phase 2.

### November 2019 £7m Approved

CR to formally combine phase 1 & phase 2 into one programme. At that time although in governance by total approval. Allocations by spend type were incorrect this CR corrected this and transferred excess exceptional spend into Capex. At this point challenges were raised in regard to branch hub and potential overlaps. Options on potential long-term solutions were to be developed and presented to IC.

### Jan 2010 CR to extend scope £7m Approved.

This CR was to expand scope to insource Major incident Management, to enable the termination of the Atos contract. It was to be funded from existing spend approval. This would improve the service as the existing service had poor comms, a lack of urgency and root cause analysis was weak. There were no Tupe implications as workforce outside EU.

### November 2020

Requesting to close having delivered agreed outcomes.

## Appendix B: RAG Ratings

RAG rating	Criteria
Green	<b>Successful delivery of the project to time, cost and quality was achieved</b> and there are no major outstanding issues.
Amber	<b>Successful delivery of the project to time, cost and quality was broadly achieved:</b> however significant issues already exist post-delivery, requiring management attention.
Red	<b>Successful delivery of the project to time, cost and quality was not achieved.</b> There are major post- delivery risks and/or issues which at this stage do not appear to be manageable or resolvable.