

POLET

May 2010

Network Functional Report

Crown Network

- At the end of Period One, the Crown Network is at 98% of focus income target, and 103% of standard income target, although some issues still remain over the phasing or targets which could impact on reported performance. Express mails - inland and international - along with travel money, were all adversely affected by the impact of flight restrictions during weeks 3 and 4.
- The branch managers' FS accreditation process has started well, with a +90% first time pass rate currently being achieved on Savings assessments - the first of five training and assessment interventions which all branch managers must complete. This is an intense programme of activity for branch managers and is on schedule to allow the FS line management to transfer from sales capability managers to branch managers at the end of September.
- A project pulling structure and governance around our activities to reduce waiting times has been established. Key milestones and targets are being agreed. We will be communicating our plans more widely over the coming weeks and seeking quick wins to give momentum to the project, and confidence to branch colleagues.
- We have also commenced a review of the impact of our decision to take assistant branch managers out of 147 of our smallest branches. Overall, the impact appears to have been well managed, but we have some issues over the provision of cover for managers' holidays, and some material variations in sales performance which deserve investigation.
- Final reconciliation of Impressions Count scores for 2009/10 showed the crown network achieving 87.1% (target 87%) which was a tremendous achievement, using the refurbishment programme as the catalyst, to raise the bar on retail standards right across the network.
- The first cut of Crown staff and non-staff costs for Period 1 shows the network to be within budget, with staff costs well under control.

WH Smith

- At the end of Period 1 focus product income is at 99%, and standard income at 102%, results have been affected as with the Crown network, by travel and priority mails issues in weeks 3 & 4.
- The WHS FS project is on track to have the first 10 FS deployed in WHS branches - WHS employees, working almost exclusively on FS sales - by the end of May. A further 30 branches will follow between May and October.
- Operational agreement has been reached over the deployment of AEI equipment, with final contract agreement week commencing 4 May. First installations have begun to allow key dates to be met. 30 sites have been identified and agreed. Any further sites required will be subject to further negotiation as physical changes to WHS sites will be required.
- Detailed planning has begun for the establishment of 3 new WHS franchises - Ealing, Huntingdon and Romford. Emphasis will be on recruitment and training of high quality managers, the early maximisation of customer migration, and short-term promotion of travel products to make the most of the seasonal peak to establish branches in their new locations.

Agency Sales Programme

- A launch event was held in April for the RSMs/ASMs to explain the vision, aims and new ways of working for the new sales team. ASMs spent the next 3 weeks introducing themselves and establishing relationships with their branches.
- We have now completed a 6 day sales model/product induction programme for RSMs/ASMs so that they can engage on the sales model as part of branch visits, including on-line sales coaching. We currently have 47 of the 60 ASMs recruited and assessments of internal RMG candidates are continuing during w/c 17 May.
- The first 3 travel workshops have now taken place, aimed at the 500 largest travel branches. Although the focus is on the travel suite of products, we are also training them on mails, e top-ups and personal banking withdrawals. This is the initial launch of our sales solution in our largest branches and the response has been very positive with over 300 branches attending so far and 65% of attendees marking the event as 10/10 and the rest marking it as 8 or 9 with some positive comments coming through:
 - **Huddersfield (Jackie): "Best workshop I've been to in 18yrs and look forward to follow up in branch. I will make sure the standards are adhered to by everyone and use coaching to maintain standards"**

- **Aedeviee Branch:** *"I feel very motivated and confident to coach my team on the conversations - I know there is an necessity to do this now and that we need to change our attitude to selling and giving our customers a better service."*
- The telephone account management trial initial set up phase is now underway. 3 Telephone Account Managers have now been recruited and fully trained on sales conversations and coaching the sales model. Initial call scripts have been produced. Letters will be sent to 500 high income remote/unmanaged branches 18 May and follow up calls to recruit branches to the initiative to commence on 20 May. Initial focus to be baseline products and travel.
- At the end of week 6, we were at 98.3% of target (£195k negative). Travel Money is the biggest area of the shortfall 91% (£111k negative). This has been due to the ongoing disruption caused by the volcano in Iceland. Passports, 105% (£73k positive) and Special Delivery, 101% (£52k positive) are the best performing products

Network Change and Development

Network Intelligence:

- **Network Numbers:** In April we completed the year end Network Numbers Report. There has been net reduction in open outlets of 68 from 11926 to 11,858 in the 2009/10 financial year. However, when Pilots and Locally Funded sites are taken into account the net reduction is 46 (ie down from 11,952 to 11,906).
- **Incremental Change Modelling:** The team responded to an estimated 100 Incremental Modelling requests from the field team in April. This is slightly lower than April last year which was 118.
- **Branch Workload/Efficiency Modelling:** The Branch Workload Model uses the Horizon transaction log to measure efficiency, estimate staffing and counter position requirements. Previously it was only capable of modelling one branch at a time and was very time-consuming to use. A new Model has now been developed which can process the whole network and, therefore, allow us to extend the scope of work and respond more quickly and efficiently to requests for workload modelling.
- **Branch Survey:** This survey was launched at the beginning of April to be carried out in conjunction with HOL migration and covers details of location & signage, the nature of the private business, its turnover and opening hours. This information will be compiled into a database for use in future network modelling.
- **AEI:** Work is continuing with the AEI Programme Team to construct a sound network of 750 DVLA AEI branches. The aim is optimise the geographical accessibility and to ensure that capacity reflects likely demand for the service by area. A high proportion of the branches initially selected do not have sufficient space to fit the equipment so we have developed a methodology for identifying replacements for branches that are deemed to be "no fit". We have also started looking at how to help the Programme team achieve a good geographical spread of the Maxi units which provide wheelchair accessibility.

Agents Pay & Contracts:

- We are seeking to apply non-compete restrictions onto those services of general economic interest (SGEI) products that are part of AEI e.g. DVLA / UKBA / IPS. This will be communicated to the estate as part of the restrictions re-launch in June/July. There have been issues with WHSmith with regards to the AEI contract, resulting in some re-drafting to transfer risk and cost. There are also some issues with CRTG with regards the roll-out of paystation direct, some of these are IT and some contractual, we are hopeful that both will be resolved by the end of May. We are commencing work with One Stop to trial paystation direct settlement at a small number of their stores, with the prospect of up to 120.
- We are also working to find a remedy to how we would apply non-compete restrictions in any partnership with ePay/Camelot. We have commenced enforcement activity at up to 400 sites where client intelligence indicated that there maybe a breach of non-compete restrictions.

Network Relationships:

- **PAY 10:**
 - We have been unable to reach agreement with NFSP on the 2010/11 pay changes and therefore have written to agents informing them of rate changes. The NFSP have responded by initiating a media campaign, intended to force POL to back down. The current situation is extremely unpredictable and we are considering our response as it is important we do not find ourselves in opposition with the Fed and CWU at the same time.
 - Obviously this is disappointing but the challenging environment that POL is operating within means we simply do not have any further funding to make available. We have minimised impact on Agents' Pay by restricting changes to those that are within the existing contract - i.e. revisions to annual fixed payments, RM tariff flowthroughs, and those which are

consequences of client contracts where income has changed as a result of POL having to bid competitively.

- **NFSP:**
 - **Engagement**
 - April's Negotiating Committee meeting took place on 13/14 April and proved to be a lively and eventful session. A wide range of topics were discussed, including:
 - The new advertising campaign
 - Restrictions policy
 - Mails
 - HoL migration issues
 - Travel Update
 - ATM Security and Service.
 - **Annual Conference (17-19 May):** Dave Smith's address to the conference on day one was well received against a backdrop of a very difficult Pay 10 negotiation. During the conference, two emergency motions were discussed:
 - under a closed session (where POL representatives were asked to leave), is believed to have been in respect of what action the NFSP and their members might be prepared to take given the imposition of the Pay 10 package.
 - urging the NFSP to engage independently with Camelot in respect of their potential entry to the bill payment market.
 - **Freedom of Information:**
 - Significantly, from 30 April our external website will be populated with a Freedom of Information link (under Royal Mail Group on the front page). This is a positive step in our approach to complying with the Act and making it more straightforward for our customers.
 - New requests received by the FOI team include questions relating to our new queuing systems, our restrictions policy, mobile outreach service issues and the exceptions fund for the Network Change Programme. Additionally we are progressing an internal review relating to a branch audit report.
 - **Financial Ombudsman Services referrals:** One referral (chargeable case to POL) was received during April in relation to our "no commission" policy. We have challenged the Ombudsman's decision to accept this as a chargeable case and await a response
 - **Consultation:** This month we have commenced the consultation of Park Road Crown Office, Toxteth in Liverpool. It is proposed that the branch relocates to the local Somerfield store following the redevelopment of the current site, whilst remaining as a crown office branch. During the purdah period MPs are not part of the opinion former communications, however we plan to write to the newly elected candidate post election to inform them about any current consultations.
 - **Executive Correspondence (flagcases):** The executive correspondence team are still receiving some letters from MPs despite the current purdah. Each case is dealt with individually ensuring that we tackle any relevant customer issues but stay within current purdah guidelines. Internally we are dealing with requests from subpostmasters who would like compensation in relation to closures following the Horizon issues over the Easter period.

- **Local Funding:** During April two further sites went live in Essex (Bicknacre opened 26 April, Bradwell on Sea on 29 April) taking the total in Essex to nine and nationally 12. Work is progressing on five further sites – 3 in Sheffield, 1 in Walthamstow and 1 in Hackney.

Network Development:

- **Post Office essentials:**
 - To date we have 43 POes live in the Network. Of these, 23 are a second phase of pilots which are evaluating new branding (Post Office Local), pay model and training package. We are on track to deliver the 25th phase 2 pilots by 7 May.
 - We are continuing to review and map all the current POe processes to ensure that the operating model is fit to be handed over to the BAU Network Change team by the end of June. As part of this work, a paper which will document the financial benefits of the model as well as any risks or issues relating to product groups and income will be produced.
- **Agency Flagships Update on Farringdon**
 - Following the agreement of the POLIC to secure the lease for Farringdon, we are progressing the move to the new site. Consultation papers are being filed and the planning application is in the process of being submitted.
 - The internal layout plan has now been finalised. The internal format (look and feel) is also nearing completion.
 - We are currently working on the business case for the remainder of the works. Our current plan is to present the case to the POLIC on 31 May.

- An initial engagement meeting has been held between the temporary agent, Julie Thomas and Drew McBride. Once we have received the final version of the NDA from legal services, we will then meet with the temporary agent again to share the layout and format plans.
- **Basics:**
 - In the last week of April, we met with Epay / Esso and shared information on branding and the first cut of potential locations.
 - We have now received the final version of the feasibility study into phase 1 of Basics (stand-alone paystation) from C&IS. This feasibility was then presented by C&IS to the business change authority process (BCAP), with no significant issues raised
 - The business case for phase 1 of Basics was due to be presented at POLIC on 4 May but has been withdrawn following the F1211 programme board decision to move Basics to the reserve activity list. The following risks/concerns exist in relation to Basics being moved to the reserve list:
 - That ceasing now would send a negative message to ePay that we have already made a decision (which we haven't) on the strategic aspect (ePay / Camelot).
 - Royal Mail is now interested and keen to pursue the retail mails product (boxes and polylopes). If we do not deliver this, then there is a risk that they will, under their own branding and possibly with alternative partners.
 - This activity gives us an insight into another network solution that might be a part of a future toolkit necessary to support our strategy which now cannot be progressed.
- **Network Blueprint:**
 - Following the agreement of the Gravity model business case at the POLIC of 19 April, legal services have advised a risk that will require an update paper going back to the POLIC for approval before we can sign the contract with the supplier. The issue relates to POL not misusing or copying the suppliers IP rights (due to the fact we are purchasing a hosted system). The supplier wants POL to agree to a liability of up to £1 million if we breach their IP rights. The supplier originally wanted a £30 liability which legal services have negotiated down. The update paper to POLIC will cover the following:
 - detail the circumstances which would result in the liability being crystallised.
 - the probabilities for each of these circumstances arising.
 - the controls we have in place what are we doing to avoid the liability.
 - the negotiations which took place bringing it down from £30m to £1m.
- **Improved Agency:** We have been working with the Format team and Havelock who have produced a 'Mock Shop' which incorporated the design specifications from Cave design including examples of an AEI wall, welcome wall, bulkhead etc. Following the building of the 'Mock Shop' a detailed design manual will be produced by Cave design which will include costings by 'zone'. We are currently working with the field teams to identify suitable pilot sites.

Network Change Operations:

- In addition to two-thirds of the Field Change Advisors supporting HNG migration, a number of key activities came to fruition in April. Round 2 of the Welsh Post Office Diversification Fund (PODF) generated 70 applications from Subpostmasters wishing to refurbish their post office with the average funding request in the range of £16k. The Scottish Parliament is currently consulting on a Scottish version of the PODF which, if introduced, will make £1m per year available to Subpostmasters in Scotland to develop their post office business for the future.
- Disappointingly a large percentage of the core & outreach operations experienced on line service disruption again during April and whilst these appear to have been resolved, the field team are still dealing with the aftermath - cores close to resigning their outreach operations; customer and stakeholder complaints and a loss of customers due to the unreliability of the service. In the main, core & outreach operations are quite fragile and any further disruption to service would undoubtedly see some cores 'hand back the keys', therefore it is critical that we restore confidence in this part of the network.

Network Support

Mails: Mails segregation performance for April makes disappointing reading although we are challenging the reporting data from RML as this continues to contain anomalies. This year is the final year of the IBA agreement and we are required to achieve mails targets by March 2011 to avoid penalties. The way in which mail was sampled at the time we agreed targets was different to how it is now being reported. We now need to review this with RML to ensure we aren't unreasonably disadvantaged. We issued a mails conformance leaflet to all branches in March under the 'Branch Standards' banner and branches identified through sampling as having segregation failures are being contacted individually.

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	1 st class mail segregation		2nd class mail segregation		1 st class mail stamp cancellation		2nd class stamp cancellation	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
April 2010	95.0%	91.73%	97.0%	90.95%	99.5%	99.99%	99.5%	99.99%

Agents Contracts:

- Melsonby – the Police investigation has progressed leading to Robin Garbutt, Diana's husband, being charged with her murder. He has now appeared in court and is on remand. Diana's funeral took place on 7 May. It was a very dignified service which was extremely well attended. POL was represented by Lynn Hobbs and Gayle Peacock from Network Support and Lesley Frankland from Security. At the request of Diana's mother a donation has been made to Yorkshire Air Ambulance in memory of Diana.
- From 1-14 May eleven subpostmaster contracts were suspended as a result of shortages found at audit and the losses discovered were in excess of £155k. Ten of the branches have been reopened to date, using temporary subpostmasters. In the same period there have been four robbery/ burglary incidents resulting in losses in excess of £45k.

Agents' non-sales performance:

- The additional posts required to deliver commitments as part of the agency sales development changes are now being advertised and appointments are being progressed.
- Following the meeting to discuss how to manage non sales performance in multiples branches we've decided to temporarily introduce a role to review all of the processes related to managing performance in multiple partner branches and make changes to ensure they are fit for purpose before we significantly change how we work with these partners to improve our non sales performance.
- Over 1200 outbound calls have been made to agency branches in April using a combination of admin and field support to focus on performance areas ranging from failed cash declaration and branch trading to ATM availability and Paystation connectivity.

Conformance:

- The second branch scorecard was despatched to all branches w/c 4 May.
- The first stage performance intervention activity covering failed cash declarations has begun. If the required improvement is not delivered, this will result in visits to branches, the cost of which will be charged to the agent.
- Around 370 agency branches received telephone support in April to ensure they are aware of DVLA Mystery Shopper requirements.
- Ex-BDM locations now included in April's outbound call activity for alleged Home phone miss-sell and ATM availability (208 calls)

Horizon Online:

- A team of over 300 is available to support migration activity. The majority of the team is made up from transitional people from network including recently displaced BDMs, Crown surplus and 125 volunteer subpostmasters. All have been trained and are ready to support rollout. However, the number of transitional people available has started to reduce as colleagues find roles outside of the business and therefore leave. The longer the delay to rollout the more of an issue this could become and we are considering contingencies such as trying to recruit more subpostmasters to the team and possibly not supporting all branches face to face and if we decide to pursue this approach we will select the branches based on current levels of conformance and risk.
- The recent pause in HNG activity has allowed the migration support team to target Crowns and larger agency branches to offer pre-migration support and also complete compliance and conformance activity. This has resulted in approximately 500 visits being made and some really positive feedback on the support offered.
- The team have completed cash checks at around 750 branches and conformance checks at over 940 branches. To date, four suspensions have arisen from the cash checks.
- We are revisiting migrated branches to go through with them important recovery information in case of any further issues. Again, the response to the extra offer of support has been positive and this is seen as a good way of ensuring that confidence in the new system is maintained. These visits will be completed by 28 May.
- We have also been able to use colleagues from the Horizon Online migration team and the Network Support field team to provide support in Crown branches over the Easter period.

paystation@ CRTG update: The problems experienced with Alliance and Leicester and the supply of overnight files which have resulted in A&L bill payment transactions not being available via the paystation@ terminal should be resolved by the middle of June. Through the issue of restriction

waiver extensions we've ensured this issue was not visible to CRTG as this may have caused reputational problems for us. Around 250 of the 500 CRTG terminals will now go live this week and the Co-Ops in this group understand that A&L bill payment will not appear on the system until June 2010 with the remaining 250 going live in early June.

Network Support Field Team: Due to delays to Horizon Online rollout field team activity resumed and in addition to cash and compliance audits we delivered 54 agents transfers in April. These had initially been on hold as agreed, however, to avoid a significant backlog at the end of migration, we took the decision to transfer where agents in were in a position to do so and provide classroom and onsite training

Paula Vennells
Network Director