

Losses in the Crown Network

Background

There has been considerable concern in the Crown Network due to the recent trend in counter losses and Postshop shrinkage, together totalling £2.5m for all Crown offices.

Focusing on the net loss reported for those offices remaining in the Crown Network (373) the following table provides some high level trend analysis.

Year	Counter Loss £m	% variance v 2003	Postshop Shrinkage £m	% variance v 2003	Total Loss £m
2003	1.393m		0.124		1.517
2004	1.326m	Level	0.294	+137	1.620
2005	1.339m	Level	0.552	+500	1.891
2006	2.048m	+53	1.520	+1126	3.568
2007	1.740m	+25%	1.277	+930%	3.017

Looking at the 373 branches year on year, counter losses have deteriorated in the region of 25% over the last 4 years and Postshop Shrinkage has increased by 930%. Total loss stands at over £3m per year.

In 1999 a loss policy was developed to advise on the controls required at the Post Office Counter, following the introduction of 'multi user' tills in the Crown Office Network. Guidance was provided to improve security of stock, cash and equipment and user log on IDs.

Branch Manager responsibilities were also defined and clear instructions given to improve awareness of loss performance at branch and individual level. The need for balance and supervisory surprise (Snap) stock checks were reiterated as well as capturing loss and gains data in order to deploy the escalation process agreed at the time ie. '3 in 3 losses over £20', '6 in 6 losses over £20' and '9 in 9 losses over £20' resulting in interviews with staff.

However, despite the introduction of a National policy document, it was not consistently deployed due to a number of factors.

- Whilst there remained a sharp focus on Quality of Service and waiting time there was a requirement to improve flexibility of the number of users per stock unit in order to staff the counter positions, especially head of queue.
- Branch Managers were less comfortable deploying the Loss Escalation Process whilst a number of users served from the same stock unit.

- In recent years the number of audit visits carried out on Crown Offices have reduced significantly leading to slacker controls in respect of monitoring procedures, security checks and records kept.
- Data would be captured manually and Branch Managers would be required to invest many hours per week analysing performance and managing an escalation process that was not supported strongly enough.
- Insufficient training was provided for the Loss and Gains policy over recent years as the focus and priorities for branch managers shifted to support the Sales Model.

Due to the recent poor loss performance and trend over recent years, it has been decided that action should be taken to address future losses in the Crown Office Network.

Initiatives, Current Activity and Actions Agreed

- Loss and Gains Policy reviewed and updated ahead of a National Launch. A working group was developed to engage with stakeholders, including trade unions, National Compliance Team, National Investigation Team, Branch Trading Team, Branch Managers and Business Development Managers. Policy Document Contents are ...

Section 1	Introduction and Purpose
Section 2	Background
Section 3	Annual Certificate of Compliance (ACC)
Section 4	Supervisory Controls (misbalance checks, Surprise 'snap' checks)
Section 5	Trading Account
Section 6	Counter Losses & Gains Management
Section 7	Monitoring Records
Section 8	Security Compliance

- The provision of Excel workbooks (Data Capture and Loss Management System) for managers to record loss and gain data and accurately track loss performance for individuals. These replace paper based data capture sheets and also include stock rotation and BM snap check sheets
- WTLL session developed to raise profile of policy development, initiate data capture and improve security in Crown Office through consistent deployment of controls as advised through the policy document. The WTLL session was issued 14th September 2007.
- Working Group continued to consult with trade unions and negotiate the trigger points within the escalation process and amended from the £30 per week limit per loss per clerk. Move to value trigger points instead of volume to raise profile on overall losses within the escalation process, these have now been agreed at £50 (so losses

amounting to £100 or more in an 8 week period will initiate the first trigger point).

- Service Workshops - aimed at Crown Office Managers who will be responsible for service issues, as well as new recruits / appointees. Agenda includes the full Loss & Gains Policy launch and training on using the tools which support the data capture and loss escalation process. These will be delivered between April – June 08, currently over 150 managers have been through these at 8 events with 12 more workshops to be delivered.
- BOMP course reviewed to include new losses policy. Training on loss management system to be included.
- Annual Certificate of Compliance – reviewed and process issued from April 08. Areas addressing losses and stock control have been updated to align to the revised Loss Policy.
- WTLL session developed by Security / Investigation Team to raise awareness of security amongst colleagues of the basic steps they can take to reduce loss. Delivered in Crown Office Network April 08. An additional WTLL session has been booked for 17 June to update and cascade Crown office loss management policy.
- Audits planned for the worst 20 offices in respect of net loss performance. The audit programme to increase visits to Crown Offices geographically spread to raise profile in Crown Area Manager areas.
- Loss data and analysis to be provided to Crown Office Lead Team and worst performers highlighted with action agreed.
- Area Managers to check compliance at the offices they are responsible for as well as carry out snap checks on any stocks and cash held by Branch Managers. They will also check that the Loss Policy is consistently and fully deployed.
- Regional Support Advisors to ensure consistent deployment of the Policy in their areas and to check for compliance of controls. Continue to raise awareness in Regional Manager and Area Manager meetings.

In addition to the above we have been asked to investigate new activities that have the potential to drive down losses in the Crown segment.

Revert to individual stocks and balancing

This has always been an option for branches with higher than expected losses and for new entrants. This would allow for tighter controls and improve ownership of stock presentation by individuals, also poor performers would be escalated to formal status notice quicker having not been part of a MUTE stock.

Drawbacks of this include the potential loss of flexibility at the counter, however this could be overcome by increasing the number of individual stocks that can be secured at the counter. Stocks are now much smaller in make up and take up less space but branch safes would need to be looked at to ensure the additional stocks could be accommodated along with provision of additional date stamps. Requests to revert to individual stocks come with the need to implement at nil cost. E.g. stocks are balanced or taken over during the normal core duty times with no additional time being allocated.

Next Steps

- Identify a Crown Area Manager patch with poor loss performance, obtain the CAM and BMs buy in to run a trial in their area
- Investigate possibility of moving to individual stocks in all branches in this area, including:
 - Engage with equipment team to review design of pedestals to allow for more stocks to be secured, e.g. three or four drawers, safe accommodation, date stamp provision, keys and security – costs to be identified
 - Engage with security team to ensure compliance is achieved
 - Engage with CWU / CMA to explain purpose of trial
 - Understand impact on specialist stocks e.g. operation of Bureau de Change

New Recruit Training / Induction

The training and induction of new entrants needs to be looked at to ensure that sufficient training / cascade of Loss Policy is given at the training school. Also consideration could be given to bringing back selection centres where individuals have to pass a test focusing on numeracy before being allowed to attend counter skills training school.

Next Steps

- Review current level of Losses & Gains material included in formal training for new entrants.
 - Engage with training team to specify requirements and understand costs of administering testing prior to entry on to training course – costs to be identified

Potential Savings

It is understood that despite the fact the Loss Escalation Process, at individual level was never effectively deployed, net loss was at a substantially lower level up until 2005 for the 373 Crown Offices. Therefore the most likely single influence on recent performance will be the change of focus and priorities for Branch Managers whilst they and their teams focused on increasing conversations with customers to raise awareness of Post Office products and services and spending less time on basic administrative duties, supervisory checks and stock unit controls.

By balancing the need to reduce losses at office and individual clerk level with continued support for the Sales Model and raising income at every opportunity, it is expected that improved controls, a greater focus from the whole Crown Network team and a sense of shared accountability and compliance will lead to a marked reduction in the level of loss incurred, going forward.

Evidence and analysis of loss data provided by branch managers on the working group suggested that, where the above initiatives have been deployed following the WTLL session issued September 07, the number of lower value losses have reduced and less mistakes are being made at the Counter.

The L&G Working Group will continue to collect feedback from Branch Managers, analyse the data and will adjust Policy trigger points appropriately so that the escalation process is fit for purpose.

In order to retain flexibility at the Counter to support the approach to move a number of clerks from all purpose working positions to the public side, as Financial Service Specialists, Product Champions, and Meeter & Greeters it is unlikely that the above initiatives will lead to an immediate return to the level of loss incurred in 2003 – 2005. However, with a coordinated approach and raised focus at office level it is expected that losses will reduce by between 10 and 15% of current levels (£250k) over the period of 2008/09.

Once the appropriate support is given over the next year, through the Loss Escalation Process interviews between Managers and Staff, it is expected that the benefit will flow through to 2009/10, reducing losses substantially and supporting the return to profit in the Crown Network prior to 2011.