

05/2010



Agency Changes Communiqué (ACC)



To: Contract Advisors
Network Support Admin Teams
Heads of Business Development
Senior Account Managers
BDMs
Agency Network Change Team

CC: Rod Ismay
Keith Woollard
Doug Brown
Keith Rann
John M Scott
Marianne Burgess
Distribution list

From: Gayle Peacock
2010
Network Efficiency Programme Manager

Date: Friday 5th March

Subject: Branch Standards and Financial Consequences

Introduction and Purpose

The Branch Standards booklet and supporting contract amendment will be received by all agency branches week commencing 8th March 2010. The documents will outline the standards required to run a branch compliantly, securely and efficiently and also the financial and non-financial consequences for not meeting the standards. The purpose of this ACC is to:

- explain the reasons for the launch of Branch Standards to the agency network,
- explain the rationale behind the inclusion of particular standards,
- outline the consequences for subpostmasters, franchisees and company operators for not meeting the required Branch Standards,
- identify the ownership of Branch Standards and the mechanism for any future changes to the areas which are included or the consequences that apply.

This ACC should be used in conjunction with the current corrective action ACCs.

Background

The Network Efficiency Programme was established as one of the Forward:3toeleven Programmes in 2008. The purpose of the Programme was to improve conformance and compliance across a range of areas, with the aim of reducing costs associated with non-conformance and non-compliance, reducing Regulatory risk, protecting our brand and more importantly protecting our customers.

The Programme team worked with a number of key business stakeholders to understand how the aims identified above could be achieved. It was agreed that the branch network needed to be made aware of the business standards regarding conformance and compliance and the implications on our customers, Post Office Ltd and themselves if the standards aren't met. The

Last Communiqué: 03/2010 Future of Branch Pre-resignation Advice
04/2010 Vacancy Report Changes from 1st March 2010

group also agreed that a management information system to highlight performance, a consistent method of managing performance and the possibility of financial consequences for not meeting some of the standards were key deliverables to achieving improved conformance and compliance.

Scope

Whilst Branch Standards are relevant to all branches in the network, the initial scope of this activity is to launch Branch Standards and the associated consequences within the agency network, including those branches operated by multiple partners. WHSmith operated branches are currently out of scope at this point in time, due to the nature of the contract that is held with the company: however, this is something that will be launched in this part of the network once all of the contractual complexities have been resolved. It is anticipated that a phased approach will also be applied within the Crown network.

Branch Standards will apply to Franchisees, but a separate ACC will be circulated with the relevant documentation.

Approach

The first step for the Programme was to agree with key stakeholders which standards of compliance and conformance would be within scope of the project. A number of areas were identified and then prioritised into four main categories:

- Regulatory or client risk – i.e. failure to comply may result in financial penalties to Post Office Ltd either from Regulatory bodies or clients, legal action, product removal, brand damage and loss of income
- Significant financial cost to Post Office Ltd – i.e. potential extra interest charges on holding excess cash
- Resource or financial impact on Post Office Ltd – i.e. the amount of resource required to manage non-conformance and non-compliance, such as the issuing of Transaction Corrections and losses incurred by breaches in security
- Brand damage – i.e. failure to follow guidelines may result in extra customer complaints.

Once the areas had been agreed, the next step was to determine the consequences for not following procedures. It was identified that the majority of areas within Branch Standards could be managed within the existing corrective action process for subpostmasters, franchisees and company operators.

However, it was decided that financial consequences should be introduced for areas which have the biggest financial impact on or pose the greatest Regulatory risk to Post Office Ltd and customers. The purpose was not to generate income but to encourage conformance and compliance. Following the approval to proceed by the Executive Team, a number of proposals were worked through with Post Office lawyers and an external Legal Team, Camerons McKenna. This was to ensure that Post Office Ltd could demonstrate that the financial consequences being passed to subpostmasters, franchisees and company operators were either the equivalent to or less than the costs actually incurred. Once the proposals had been approved by legal, the contractual amendments were drafted to facilitate the implementation of the financial consequences.

The proposals for the financial consequences were signed off by the Risk and Compliance Committee chaired by Alan Cook, and the Network Conformance Executive Team sub-group chaired by Paula Vennells. The business case requesting funding for the resource to manage Network Conformance activity was agreed by the Post Office Investment Committee in July 2009. The Communications Team worked with the lawyers to produce the supporting communications and contractual change, which have been branded Branch Standards. Discussions have been held with the National Federation of Subpostmasters throughout the process. However, whilst they are supportive of tackling worst offenders within the network, they are not supportive of communicating Branch Standards to the whole agency network.

Process

All agency branches will receive the following Branch Standards booklet, which is designed to act as a reminder of instructions that have been previously communicated. This is not a replacement for existing operating procedures.



C:\Documents and
Settings\gayle.laveric

The following covering letter and contract change will be sent to all individual subpostmasters.



C:\Documents and
Settings\gayle.laveric



C:\Documents and
Settings\gayle.laveric

Multiple partner operated branches will receive a copy of the Branch Standards booklet along with a different covering letter attached below.



C:\Documents and
Settings\gayle.laveric

Multiple partners will receive a copy of the Branch Standards booklet, a copy of the contractual change and a different covering letter attached below.



C:\Documents and
Settings\gayle.laveric

A scorecard has been produced for each branch and shows the performance against each of the standards. This will show the performance to date and will be received on a monthly basis.

Current corrective action processes will be followed where subpostmasters, franchisees or company operators have failed to meet Branch Standards. The following financial consequences will also apply:

- If branches fail to reach the required Overnight Cash Holding declaration standards, including those for ATM, despite remote intervention and a visit is required by the Network Support Field Team to re-train them, the subpostmaster, franchisee or company operator will be charged for the cost of the visit.
- The principle above will also apply to branches that fail to complete any Regulatory Compliance training by the required date.
- There will be a £41.50 charge per missing Motor Vehicle Licence discs.
- Remuneration will not be paid for non-compliant bureau de change transactions. This change was introduced in May 2009 and has now been included within the Network Conformance Activity.

With the exception of with-holding remuneration for non-compliant bureau de change transactions, the practice of which is already established, financial consequences will apply from the 1st June 2010.

The process for managing performance against Branch Standards will be co-ordinated and managed by the Network Conformance Team that works to the Network Performance Manager within Network Support. The team will be responsible for:

- issuing the performance scorecard to branches,
- undertaking remote intervention,
- arranging for members of the Network Support Field Team to visit required branches,
- arranging deductions for financial consequences from remuneration,
- resolving queries regarding performance, including disputes about deductions from remuneration,
- working with the Conformance Contracts Advisors to ensure that a consistent approach to managing performance is applied,
- informing the relevant network teams to inform them of action that is being taken against branches that they have a relationship with.

The Branch Standards booklet and future decisions about which standards need to be included and the relevant consequences will be owned by the Network Performance Manager.

New agents: actions for HRSC.

It is important that new agents, on appointment, receive a complete set of the documents described above. To ensure that happens, HRSC should take steps to ensure that the contractual change document and accompanying letter / booklet are sent to new agents along with the main contract and any other appropriate contract variations for that contract type.

Contacts

Gayle Peacock – Network Efficiency Programme Manager

Gayle.a.laverick GRO - (GRO)

Appendices

Appendix A – Questions and Answers

The following Questions and Answers have been provided to the Network Business Support Centre and the Human Resources Centre.



C:\Documents and
Settings\gayle.laverick

Appendix B – Key Contributors

The following people have provided input to the Branch Standards Communications.



C:\Documents and
Settings\gayle.laverick