

POLB(08)41OPERATIONS FUNCTIONAL REPORTOctober 2008**RISKS & OPPORTUNITIES:**

- **Budgets**

We have agreed with RMCS to declare a forecast opportunity saving of £567k at period 6 against the RMCS costs. This is due to continued reduced call volumes and more efficient ways of working on the helpdesks.

- **Web platform upgrade**

Latest communication from Group Technology (25th Sept) indicates that the thinking around the proposed web platform upgrade has changed. The headline is that we are able to continue with development work for projects that are due for release by March 2009, at which point the existing platform will be 'frozen' (as it goes out of support). A new 'temporary' platform will be made available from Q1 next year for developments with a beyond March 09 go-live. An assessment of what this means in actuality for POL projects is being undertaken.

- **Paystation PLUS**

Ingenico's best plan was delivered earlier in the week and following an all day meeting to validate the plan and ensure all activities needed to deliver were included POL has accepted it as now baselined. The Sponsor has been made aware, and although there will now be no benefits seen now this financial year - POL has an amount of confidence in the plan for Ingenico to deliver.

- **CViT 'Right to Work' audit**

Due to a disagreement over resource between Royal Mail Group & Post Office® Limited, work on the 'Right to Work' audit for CViT employees ceased recently. Following escalation, Post Office Ltd has now loaned a manager to the screening team so that the audit can resume. Employers in the security industry were asked to commit to an audit of all Security Industry Authority (SIA) licensed staff at a joint SIA & British Security Industry Association (BSIA) seminar back in January 2008. The seminar was in response to the Home Secretary's announcement that some 10,500 SIA licenses were to be revoked as a consequence of checks, which indicated no 'right to work'. Employers were reminded of their responsibilities and the penalties for employing illegal workers, (up to £10k for each individual worker)

- **CViT Rate Card Review**

Review conducted with finance, further work required on costing model, this is scheduled for completion in December. Interim revised rate card agreed and revised rates implemented for applicable existing customers from November. Average increase is 4.3% or an additional £350k of income full year (£140k 08/09).

- **Operations Quarterly Team Meeting**

A number of very positive ideas / suggestions were received at the Operations quarterly meeting. These will be further developed over the next few weeks and will address the current £35m OE benefit gap.

- **OE Programme cost/benefits**

A high level review of benefits delivered to date and those "in plan" for this year has raised the level of confidence in OE Programme cost / benefits for this year. We have revised this years forecast for OE direct and indirect projects up to £8.8m.

- **Peterborough depot closure**

Peterborough depot closure achieved last week with IB property benefits of £74k FYE with £37k achievable this year. We are reviewing all other closures to ensure that all property benefits have been realised.

- **Printing of PO Logo**

An opportunity has been identified where we could invert the printing of the PO logo on sales receipts. Initial costing has identified a £700k benefit opportunity. A HLPB is being worked on.

- **Crown Office Refurbishment Programme**

The first projects in the programme have started on site. With 3 Complex and 6 Simple projects currently in progress. We are on track to deliver between 27 and 33 projects before the 24th November, with the final number being dependant on individual project costs not exceeding our legal spend limit.

Costs on the initial projects were originally much higher than forecast, but over £400k of inaccuracies have been stripped out of the 15 cost plans received to date, bringing them back on track.

ACCOMPLISHMENTS:

- **Fujitsu**

CCN negotiations concluded and now ready for sign off after many hours of input, securing benefits for POL despite late delivery of HNGx against original plan. As part of the deal there will be an increase in operating costs this year but it will be fully recovered against operating costs next year.

- **Horizon Online**

The HNG team ran an exhibition stand and held a seminar session on Horizon OnlineTM at last weekend's Subpostmaster Exhibition at Olympia. The stands were very well attended, and the response from delegates to the new system remains overwhelmingly positive.

The seminar session was a new venture, and two short films were produced to support both this and subsequent events. These were completed in very short timescales, and it was heartening that so many key players in POL and the NFSP were willing to take part at short notice. It was also reassuring that our key messages continue to be received and understood. The seminar session was a big success, with more people in attendance than for the NFSP's own Q&A session!

- **HRSAP Development**

Chaired first development forum held with POL Stakeholders, Group Technology and Steria. New process now in place and forward plan agreed for both October and November releases. All agreed this is now back on track

- **Track & Trace**

Working with RMG Service Delivery a major issue with the deployment of the Smartpost web service change to support the RMG Track and Trace project was resolved. The revised change was successfully implemented last weekend.

- **PCI**

The approach we have developed to meeting the payment card industrial data security standards has been written up by a number of organizations e.g. Corporate IT Forum and the British Retail Consortium as an example of good / best practice. Under this approach we are minimizing the incremental spend by ensuring that PCI and ISO security are maintained and managed in the same cost base. For example we estimate that we will spend less than £4m across all channels to bring ourselves into line for requirements, the DVLA face a bill of £12.5m on their web channel alone. With the agreement of the Head of Government Services we have offered the DVLA some support and advice.

- **Project Arsenal**

This was successfully deployed on the 8th September. A series of post Arsenal deployment daily operational conference calls were completed with no major issues identified

- **PIN pad**

The Marketing Managers Meeting has been briefed on our proposed business strategy for PIN pad procurement and gave their full support. The strategy was pulled together by C&IS following a workshop with nominees from the Product Teams.

- **Routers**

We have restricted the number of offices who will have their routers installed out of hours. The original plan was to cater for 2500 offices, in working with the Commercial Agency team, we have kept the overall number of offices (including Crowns etc.) to just less than 2000, and they were able to verify the selected offices or suggest alternatives. This will feed in as a cost saving for this aspect of the project.

- **C&IS Monthly Changes**

- 100 Programmed changes
 - 242 Ops Publication outputs
 - 27 High level blueprints were reviewed at this week's forum
 - 13 New Change Requests raised at this week's Business Change Control Board
- **Fleet Costs**
An exercise to challenge vehicles services monthly accounts has been undertaken and this period we are reclaiming £68k as a result of vehicle services failing to compile with the agreed contract.
- **Peterborough Depot Closure**
The Depot closed as planned on Friday 3rd October, without any IR Issues and whilst maintaining Quality of Service throughout the closure period, which is a tremendous achievement. There are a few issues still with the redeployment of the staff from the Depot to other RM Units, which are being taken forward by HR and local management
- **Sick Absence Procedural Change**
Following 12 months of strict stakeholder management we are now moving forward with a change to the sick absence procedure, and this will involve Drivers who are not directly involved in attacks being issued with stage warnings.
This has the potential to significantly reduce absenteeism and also costs of covering sick absence by several hundred thousand pounds per annum. Mark Homewood, Principal Unit Manager for London East has led on the project with support from Mark Plant Area Manager South, and Teresa Beckingham HR Business Partner.
- **Chester CVIT**
Agreement reached locally with the CWU to cease the Night Operation at Chester CVIT Depot and this will commence following the transfer of Safenet to Royal Mail. It will reduce the opening hours of the Depot and reduce staff costs somewhere in the region of £75K per annum (full year effect).
- **Operating Losses**
YTD losses at period 5 are £764k against a target of £898k. Reimbursements from Royal Mail Group, (for special delivery items lost in their pipeline), reduces the YTD loss figure by £228k, giving a 'true' supply chain operating loss figure of £536k. Cash Centre, CVIT & Bureau operating losses are at their lowest ever recorded figures, with robbery losses accounting for £433k of the total (a 98% increase year on year). Supply chain and the security team are working in partnership to manage this growing trend.
- **Cost Reduction in Stock**
A business saving of approximately £25k annually was identified for ceasing the Standing Order provision of transaction stock to branches. We have completed a survey of branches, which has had a 46% response rate to date. Of those returned, 70% of branches said they no longer require a Standing Order. 617 Standing Orders have now been cancelled with a reduction of 5,720 stock lines being issued each month.
- **Trunking review**
Trunking review 08/09 forecast benefits of £50k against use of external carriers for coin movements. Potential to achieve additional savings (Up to 6 heads) by converting two man trunking services to single, subject to CWU agreement being achieved. Further benefits are dependent on the resolution of the charging mechanism for coin movements by the Royal Mint. Benefits could increase to £100k.
- **Depot Closures**
Planned benefit of £65k against Oxford closure removed from forecast. 08/09 benefit forecast £595k subject to PIR completion.
- **Skynet**
The Skynet feasibility project will report W/C 13th Oct and high level figures and advantages look encouraging. Savings of c£95k with improvements in service levels to branches have been identified.

- **IT Roadmap - SAP Rationalisation**

We had been reviewing the responses from Steria and Fujitsu for Dev and Support and Fujitsu for Hosting and validating all associated costs to create a business case. The supplier input has been patchy, with no stand-out candidate for Dev and Support.

- **Crown Office Relocations**

- **Cirencester**

On track to open on the 10th November 2008, but this is subject to BT availability in the new shopping mall. A last minute change by the retail line from CMS to a traditional single queue layout has resulted in aborted costs.

- **Paddington**

Contract has been let for the construction to start in early November, with a planned opening in February 2009.

- **Peterborough**

Negotiations have been successfully concluded with the local council giving POL a contribution of c90% towards the cost of the relocation of the branch. As soon as the case, currently being prepared, has been approved by the POLIC and Group Property. Contracts will be exchanged on our new unit and on our vacation deal.

Mike Young