



**EXECUTIVE COMMITTEE  
AGENDA  
for the meeting to be held on 12 November 2013  
in Room 501**

**Present:** Paula Vennells (Chair), Martin Edwards, Mark Davies, Chris Day, Sue Barton, Fay Healey, Nick Kennett, Chris Aujard, Kevin Gilliland, Martin George

**Apologies:** Alwen Lyons, Lesley Sewell

**In Attendance:** Aidan Alston

**Start time:** 9.00

**End:** 12.30

Time	Item	ExCo Sponsor/Presenter
09.00 – 09.30	Prosecutions paper	Chris Aujard
09.30 – 10.30	Senior Management Talent Review	Fay Healey/Aidan Alston
10.30 – 10.45	BREAK	
10.45 – 12.00	SLT Talent Review	Fay Healey/ Aidan Alston
12.00 – 12.15	Performance Management Update	Fay Healey
12.15 – 12.30	Cost Reduction Update	Fay Healey
12.30	CLOSE	

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**POST OFFICE AUDIT, RISK AND COMPLIANCE COMMITTEE**

**Prosecutions Policy**

**1. Purpose**

The purpose of this paper is to:

- 1.1 update the ExCo/ARC with respect to certain aspects of Project Sparrow; and
- 1.2 request approval to adopt an approach to prosecutions different to that which has previously been adopted.

**2. Background**

- 2.1 In the last (October) CEO report to the Board, an update was given on Project Sparrow in which it was noted that "... a paper [will be submitted] to the November ARC reviewing our overall policy for investigating and prosecuting future cases." For convenience, a copy of the relevant section of that report is set out in Appendix 1.
- 2.2 Since that update, Brian Altman QC has prepared two separate reports, one commenting on "[POL's] strategy and process for reviewing past and current criminal prosecutions in light of Second Sight's Interim Report" (the "backward looking report") and the other making recommendations as to the future approach to the conduct of prosecutions (the "forward looking report"). This second report did not seek to comment on whether continuing with prosecutions was itself a sensible course of action, either from a business or reputational perspective, simply whether it was an effective use of resources from a criminal law perspective, and if so, whether there was scope for improvement.
- 2.3 The headline conclusion of the backward looking report is that the "...review [of the cases that had been prosecuted over the last few years] is fundamentally sound" and that no "systemic or fundamental flaws in the review process" were detected. In addition, a number of relatively small procedural recommendations were made regarding matters such as document retention etc.
- 2.4 The forward looking report is similarly positive in tone, with Brian Altman commenting that he had "..... seen no evidence to suggest that Post Office Ltd exercises its investigations and prosecution function in anything other than a well-organised, structured and efficient manner, through an expert and dedicated team of in-house investigators and lawyers, supported by Cartwright King solicitors and their in-house counsel..." That said, it was noted that "Post Office Ltd's prosecution role is perhaps anachronistic...", and that "POL is the only commercial organisation (albeit Government owned) I can think of (apart from RMG who retains a residual prosecuting function) that has a prosecution role, and it is, to that extent, exceptional if not unique."
- 2.5 An important fact to emerge from the 2 reports is that Post Office does **not** have any special statutory power to bring prosecutions, rather it brings prosecutions in a purely "private" capacity further to section 6(1) of the Prosecution of Offences Act 1985, which

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gives all individuals and companies the right to bring a private prosecution, should they see fit. To that extent, therefore, the decision to undertake prosecutions is discretionary: no legislation or regulation requires Post Office to undertake prosecutions, nor is there any legislative policy that mandates that prosecutions should be brought. That is not to say that the standards of evidence are in any way reduced, or that the process is less rigorous than would be the case with a public prosecution, it simply that the Post Office steps in to assume a function that typically would be undertaken by the CPS, after the referral to it of a case by the police.

2.6 The reasons why Post Office developed a private prosecutorial capability are historical; reasons given for its retention include:

- It serves as a “deterrent” i.e. it provides a clear signal to the whole network that offences of dishonesty will be taken seriously;
- It assists Post Office with its relationship with insurers; and
- It re-assures employees that “securing the company’s assets will be taken seriously”.

No empirical evidence has been given in support of the above, though from first principles it would seem doubtful that the cost of, or the terms on which, insurance can be obtained would be materially impacted by the existence, or non-existence, of a prosecutorial capability.

2.7 In addition, it has been said that it is quicker and more efficient to recover debts due to Post Office using the criminal process (in particular the Proceeds of Crime Act). This is clearly true, though the criminal recovery process, albeit very efficient, is a fairly blunt and sometimes brutal process that involves the forcible sale of assets against the backdrop of a criminal conviction and possible prison sentence. In the case of sub-postmasters that are in financial distress, this may well involve the sale of their main residence.

2.8 A similar outcome could be achieved using the civil recovery process, though making claims through the civil courts is a more cumbersome process, and the ability to obtain orders “freezing” assets ahead of trials is much more restricted than it is in criminal cases (in criminal cases, a “prosecuting authority” has the right to request a judge to make an order freezing the defendant’s assets once the investigation has commenced, but before that it has gone to court).

**3. Activities/Current Situation**

3.1 Typically, some 250 investigations are conducted each year into cases of suspected fraud or unexplained loss. In turn, this leads to around 50 prosecutions being brought against sub-postmasters, all of which result in a conviction. The most common charge is “false accounting”, itself a very serious offence carrying a maximum tariff (7 years) not dissimilar to theft (10 years); this offence of false accounting is technically committed every time the end-of-day return is made on the Horizon system declaring that the sub-postmaster’s books balance when the sub postmaster knows they do not. Indeed, more often than not, criminal investigations are started when the books have not balanced. The internal “Network Support/Audit and Training” team (a team of around 200, some of whom are charged with responsibility for undertaking stock-takes in the network) identifies the fact that there is an unexplained cash or stock shortfall, and that the

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books don't balance. In turn that team then notifies the security team which mounts an investigation and decides whether or not prosecute.

- 3.2 Prosecutions, however, are only brought to the extent that they fit within the internal prosecution policy. This policy focuses on 2 factors: sufficiency of evidence and likelihood of conviction – latterly a third factor has been added, which is the quantum of the loss (amounts below £5k are now not pursued). The highest “risk” group of offenders appears to be those sub-postmasters who have been in post for less than 5 years but more than 18 months. Amounts involved are generally less than £20,000, though there are a handful of high value cases involving outright theft of cash or very large stock deficiencies.
- 3.3 Immediately following the Second Sight report, work was done to rationalise and consolidate the pre-existing prosecution policy. That said, the consolidated policy is in substance no different to that which has been applied previously; in any event, it has in essence been held in abeyance and no further prosecutions have been initiated.

**4. Options Considered**

- 4.1 At a practical level, there are a number of alternatives to mounting our own criminal investigations and undertaking private prosecutions. In particular, most companies when faced with theft from employees, or agents, would simply contact the police, and if fraud were a persistent problem, develop processes for engaging with them.
- 4.2 Alternatively, it is open to companies (effectively) to bypass the police and go directly to the local prosecuting authority (e.g. the CPS in England and the Procurator Fiscal in Scotland); indeed for technical reasons, this is the approach that is adopted by Post Office in Northern Ireland and Scotland. The experience in those 2 jurisdictions, however, is that there is reluctance to prosecute all but the most serious, or the most clear-cut, cases, as it is seen as a debt recovery (i.e. civil) matter. We have been advised by Brian Altman that should Post Office go down the route of referring matters to the police or the CPS, there would be a limited appetite to prosecute, even if all the preparatory work (witness statements, fact finding etc.) had been done by Post Office in house.
- 4.3 In light of the above, four broad options were considered:
- a) **Preserving the status quo** – i.e. retaining prosecutorial capability and continuing with a prosecutions policy that is not dissimilar to that which has been used in the past;
  - b) **Pursuing a prosecutions policy focussed only on high value cases/cases involving vulnerable members of society**, and engaging with the police in relation to other matters;
  - c) **Ceasing all prosecutorial activities** but instead actively involving the police/CPS etc where it is felt that they are likely to take matters forward; and
  - d) **Ceasing all prosecutorial activities as per option c) BUT coupled with work (as yet not formally defined but some of which has already started as part of project Sparrow and NT):**
    - **to gather better MI from the network;**
    - **to improve the overall control framework around the branch network;**  
**and**
    - **to provide more support to sub-postmasters.**

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This option is perhaps closest to that adopted by banks and others organisations facing serious losses through fraud and criminal activity.

- 4.4 As part of the evaluation process, however, consideration was given to broader policy factors, including:

- Post Office's brand image;
- Whether undertaking prosecutions is consistent with a commercial franchisor-franchisee relationship; and
- The overall drive to develop better stake-holder engagement and a more mature working relationship with sub-postmasters.

In light of these considerations:

- Option a) above was felt to be, at best, sub-optimal and was not explored to any great extent, other than to ask the question of Brian Altman whether it was "efficient" in terms of the criminal process (which it is);
- Option b) carried with it the risk that any residual prosecutions undertaken by Post Office would be conducted so infrequently (probably only a handful each year) as to mean that it was not efficient to maintain an internal team to handle them. Accordingly, it too was discounted; and
- Option c) was rejected as carrying an unacceptable risk of fraud and loss given the scale of the "losses" currently suffered through theft and false accounting.

**5. Proposal**

- 5.1 It is proposed that Option d) be adopted and that, at an appropriate point in time, Post Office no longer exercise prosecutorial rights against sub- post masters. It is further proposed that:

- a) Work now commence to ascertain the scope, and estimate the cost, of any additional work that would need to be undertaken to gather better MI from the network, improve the overall control framework, and provide better support to sub-postmasters whilst protecting public funds. Part of this work could also be focussed on exploring additional (non-criminal) sanctions that could be used against sub-postmasters who have committed fraud; and
- b) An analysis be undertaken of the ways in which civil proceedings can be used more effectively to reduce the financial impact once Post Office becomes unable to continue to use the Proceeds of Crime Act to recover money that has been mis-appropriated.

- 5.2 This last piece is important. Under the terms of the sub-postmasters contract, sub-postmasters are liable to Post Office for all "losses" of stock/cash etc. Accordingly, a "fraud" involving the loss of stock or cash gives rise to receivable in the hands of Post Office, which if not recovered leads to a bad debt. Anecdotal evidence suggests that up to 75% of all bad debts are recovered via the criminal debt recovery process, and that around £1.5m is recovered annually. It is likely that a civil recovery process would lead to a slower, and slightly lower, recovery rate, possibly of the order of £1 to £1.2m.

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**6. Commercial Impact/Costs**

- 6.1 See 5.2 above. There may well be an offsetting impact on the headcount in certain areas, in particular the security team and the legal team, though this has yet to be quantified. However, there will be additional costs associated with enhancing the MI and control framework, but these too have yet to be quantified and may to some extent fall within BAU budgets (for example to the extent that they form part of the audit function, they may be part of that budget).

**7. Key Risks/Mitigation**

- 7.1 These pertain mainly to the potential increased risk of fraud, and being seen to be “soft” with public money, but should be capable of being addressed by enhanced MI and improvements to the control framework etc.

**8. Long term considerations – horizon scan**

- 8.1 Not taking action now in relation to the prosecutions policy could lead to, or exacerbate, the impact of further adverse publicity regarding Post Office’s treatment of sub-postmasters.
- 8.2 Taking this action may assist in developing better stakeholder engagement.

**9. Communications Impact**

- 9.1 The communications team are already heavily involved in Project Sparrow, and it is proposed to manage the communications of the above through that channel. A key issue will be to ensure that any change of policy is properly positioned with MPs, the JFSA and the wider Network.

**10. Recommendations**

The ExCo/ARC is asked to:

- 10.1 note the update set out above; and
- 10.2 approve proposals set out in paragraph 5.1 above.

**Chris Aujard  
8 November 2013**

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- The Mediation Scheme has received 64 applications from sub-postmasters since it was opened at the end of August, with more expected before the deadline of 18 November. The Working Group overseeing the running of the scheme is now reviewing these applications to decide which should be accepted onto the scheme, which should be excluded and which require further information before a decision can be made. The aim is to get a few cases started on the mediation process before the end of 2013 with the majority happening between January and March next year. Sir Anthony Hooper has now been appointed as the Chair of the Working Group, and will lead his first meeting on 25 October.
- We are in the process of developing our internal settlement policy for the scheme, the purpose of which is to ensure that a consistent approach is taken to each case based on a clear understanding of the potential range of costs and outcomes from the process. A first draft will be discussed by the ExCo in November, although it will be subject to further refinement in light of the additional information that emerges about the caseload and our initial experiences of the full mediation process.
- Our external firm of criminal solicitors, Cartwright King (CK), has now completed a review of 301 cases subject to past prosecution to identify whether we have a duty to disclose the findings of the Second Sight report and associated issues. CK has concluded that disclosure is appropriate in 10 of these cases, and a short letter has therefore been sent to each of the defence teams to bring their attention to the report. It is now a matter for the defence in each case to determine what action, if any, they might take in light of this additional information. We are also awaiting an unknown number of further historical prosecution files from Royal Mail, although at this stage we have no reason to believe these will substantially increase the number of actual disclosures. In view of the potential interest from the Criminal Cases Review Commission, we have also asked our criminal barrister, Brian Altman QC, to conduct an independent review of the overall process we have taken to review past cases, reaching the conclusion that our approach is “fundamentally sound”.
- We will submit a paper to the November ARC reviewing our overall policy for investigating and prosecuting future cases. This will be informed by a separate report that Brian Altman is preparing on the effectiveness of our current prosecutions approach from a criminal law perspective, but will also take into account wider business considerations such as value for money and reputational impacts.
- The first stage of the workstream looking at improvements to our sub-postmaster training and support processes will be completed in November, identifying the key gaps and shortcomings in our current approach, a detailed plan for delivering ‘quick wins’ and an overarching plan for taking forward the more fundamental reforms to our organisational structure and culture over the next 6-12 months. The process will be informed by the new Branch User Forum, the inaugural meeting of which will be convened in November once the recruitment process for sub-postmasters has been completed.



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# Senior Management Talent Review Pre- Reading

November 12<sup>th</sup> 2013





# Introduction

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- As part of our talent strategy we aspire to develop a greater proportion of our senior managers internally (currently 66% of hires at grade 3A and above are external)
- This is why we have introduced a greater emphasis on talent identification as part of the performance management process
- In October, 449 senior manager (grades 3A/4) had a career development discussion which enabled line managers to allocate an individual potential rating
- These ratings were then mapped onto a 9 Box performance / potential matrix which Directorate teams calibrated
- From this we have now identified our 'Top Talent' (individuals with PDR of 4 or 5 and potential rating of A)

**ExCo are asked to discuss and review the provisional list of 'Top Talent'. Each Director is asked to talk about their respective 'Top Talent' – providing an overview of their potential (including aspirations), possible future roles and key development needs.**



# Senior Manager (Level 3A / 4) Performance – Potential Matrix



This is the distribution of senior manager performance and potential ratings (total population is 449)

Potential Rating 13/14 HY	Performance Rating 12/13 FY		
	1 or 2	3	4 or 5
<b>A</b> Has potential to progress to a larger/broader role within the next 2 years and then beyond	<b>Mismatch</b>  0%	<b>Grow</b>  2% (11 people)	<b>Top Talent</b>  4% (17 people)
<b>B</b> Potential to progress to a larger/broader role within the next 2 years	<b>Development Required</b>  1% (5 people)	<b>Asset</b>  23% (103 people)	<b>Grow</b>  12% (55 people)
<b>C</b> Likely to remain at current level for the next 2 years	<b>Development Required</b>  6% (26 people)	<b>Asset</b>  42% (188 people)	<b>Asset</b>  10% (44 people)



# Senior Manager 'Top Talent' (1)

(Individuals with PDR rating of 4 or 5 and potential rating of A)



Name	Role	Directorate
Joel Davies	Digital Marketing Manager	Commercial
Kim Lindsay	Product Manager	Commercial
Rachael Walter	Product Manager	Commercial
Piero D'Agostino	Lawyer	Legal
Rob Pearce	Senior Product Manager (Current Account)	FS
Jayaan Tank	Senior Development Manager (Savings)	FS
Iain Gilbert	Senior Product Manager (Payment Services)	FS
Antonio Jamasb	Branch IT Service Manager	Strategy (IT)
Mario Michael	Senior Operations Manager	Strategy (IT)



# Senior Manager 'Top Talent' (2)

(Individuals with PDR rating of 4 or 5 and potential rating of A)



Name	Role	Directorate
<b>Sophie Bialaszewski</b>	Public Affairs Manager	Communications
<b>Pam Heap</b>	Regional Sales Manager	Network
<b>Aidan Alston</b>	Talent and Diversity Manager	HR
<b>Martyn Lewis</b>	HR Strategy & Governance Manager	HR
<b>Sarah Long</b>	Financial Accounting & Governance Manager	Finance
<b>Adam Page</b>	Senior Finance Analyst	Finance
<b>Robin Gregory</b>	Investment & Benefits Manager	Finance
<b>Fay Chandler</b>	Senior Procurement Manager	Finance (Procurement)





# Top Talent Next Steps

Date	Activity
November 12 <sup>th</sup>	ExCo discuss and agree upon individuals who are senior management Top Talent. These are the individuals worth investing as the future SLT.
November 12 <sup>th</sup> onwards	Line Managers feedback to individuals on their on-going development. This includes telling people they are 'Top Talent' and will be invited to apply for the senior management talent pool.
December	'Top Talent' invited to apply for senior management talent pool
January/Feb	<p>'Top Talent' attend development centre to assess their potential (facilitated by Hay Group):</p> <ul style="list-style-type: none"> <li>- Direct feedback provided to individual and line manager</li> <li>- Recommendation on potential of individual to develop to SLT</li> </ul> <p>This information will be used to make a decision on who will be included in senior management talent pool programme.</p>
March	<p><b>Senior Management Talent Pool launched</b></p> <p>This is a two year programme designed to support and raise the profile of our future SLT members. The programme will include:</p> <ul style="list-style-type: none"> <li>• 3 events per year where the cohort come together</li> <li>• External training in personal brand and presenting with impact</li> <li>• External leadership experience (1 day business challenges at partner organisations including British Airways and Selfridges)</li> <li>• Coaching support to form development plan</li> <li>• Networking events to raise profile to ExCo and Board</li> </ul>



## SLT 9 Box Performance : Potential Matrix (DRAFT)

- 46 SLT allocated mid-year performance and potential ratings by their Director
- Where potential ratings were tentative (i.e. A/B) the lower rating has been used to ensure robust and clear differentiation of high-potential

### Potential Rating

- A**  
Has potential to progress to a larger/broader role within the next 2 years and then beyond
- B**  
Potential to progress to a larger/broader role within the next 2 years
- C**  
Likely to remain at current level for the next 2 years

		Nina Amott	Jeremy Law		
			Henk Van-Hulle		
			Alana Renner		
		Stewart Fox-Mills	Harry Clarke	Jonathan Hill	Andy Garner
		Alan Smith	Julie George	John Wilcock	Paul White
		Paul Havenhand	Sarah Hall	Colin Stuart	Sharon Bull
		Nick Sambridge	Brian Deveney	Dave Mason	Tom Moran
		Rod Ismay	Hugh Flemington		Angela VDB
			Mike Granville		
		Kevin Sellar	Joe Connor	Roger Gale	Dave Hulbert
		Jeremy Woodrow	Andrew Thompson	Nick Beal	Michael Larkin
		Richard SurrIDGE	Martin Rouse		
		Charles Colquhoun	John Dutton		
		Peter Goodman	Russell Hancock		
		Malcolm Zack	Dave Harcourt		
		Neil Ennis	Richard Walden		
		Natalie Wilkins	Ann Miller		
		Keith Rann	John Scott		

1 or 2

3

4 or 5

PDR RATINGS (2012/13 MID YEAR)

### KEY AND DISTRIBUTION

Mismatch (0%)	Grow (2%)	Top Talent (7%)
Development Required (9%)	Asset (24%)	Grow (20%)
Development Required (1%)	Asset (39%)	Asset (9%)

8 New SLT Appointments (no PDR rating)	
Natasha Wilson	B
Jane Hill	A
Michelle Ranger	B
Deborah Betts	C
Sarah Malone	A
Julie Thomas	TBC
Nick Hougham	A (Hay)
Ian Crumpton	B (Hay)
2 SLT Leavers (no potential rating)	
Blake Griffin	3
Simon Baker	3

**Confidential****POST OFFICE LTD EXECUTIVE COMMITTEE / BOARD****Approach to Performance Management – Noting Paper****1. Purpose**

The purpose of this paper is to update the Executive Committee / Board on:

- 1.1 Analysis of employee turnover across management grades
- 1.2 The actions in place to drive a culture of high performance

The paper was discussed at the NomCom on 6 November 2013.

**2. Introduction**

- 2.1 In order for the Post Office to achieve its strategic objectives and journey towards a culture fit for mutualisation, it needs to create a high performance culture.
- 2.2 To achieve this, we must have a robust performance management approach which aligns employee performance and behaviours with organisation goals and objectives, differentiates and rewards great performance whilst ensuring that under performance is effectively addressed.

**3. Employee Turnover Statistics – the current situation**

- 3.1 All data covers 12 months from September 2012 – September 2013.
- 3.2 Overall turnover and employer driven turnover is highest in the SLP population (16% and 12% respectively) following the assessment exercise for that group over the last year.
- 3.3 Below SLP, lower rates of turnover are evident for managerial and non-managerial employee groups (see table 1 below). By comparison, the median rate of employee turnover in the public sector was measured at 9.4% and across the UK overall (all sectors) at 11.9% according to the CIPD Resourcing and Talent Planning Annual Survey Report 2013.

Grade Area	Overall Average Headcount	Employee Driven Turnover	Employer Driven Turnover	Turnover Overall
SLP+	1%	4%	12%	16%
Manager	24%	3%	5%	8%
Non-manager	75%	4%	4%	8%
Overall	100%	4%	4%	8%

Table 1: Post Office employee turnover in the year ending September 2013

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- 3.4 Employer driven turnover shown below is higher for Middle Managers (6%) than for Senior Managers (3%), with overall turnover at 8% for both managerial grade groups.

Grade	Employee Driven Turnover	Employer Driven Turnover	Turnover Overall
Senior Managers	5%	3%	8%
Middle Managers	2%	6%	8%

Table 2: Employee Turnover in the year ending September 2013 split by Senior Manager and Middle Manager grades.

- 3.5 Of the manager grade employees who received a high PDR rating of '4' or '5' at year end 2012/13, only 2% have left the business (as of 30 September 2013).
- 3.6 Of the manager grade employees who received the lowest PDR ratings at year end 2012/13, 57% of those rated with a PDR '1' and 14% of those with consecutive PDR '2' at mid-year and year end, have left the business (as of 30 September 2013). Appendix 1 provides details of these exits.
- 3.7 Whilst we have reasonable turnover across management grades, more needs to be done to ensure that we are adequately addressing under performance.

#### 4. Actions to support the creation of a high-performing work-force

- 4.1 **Advisor Plus (My HR Help) line manager support calls:** With sponsorship from SLT members and support from HR Business partners, line managers of individuals who received a PDR rating '1' or a consecutive PDR rating of '2' will be contacted by an Advisor Plus (My HR Help) specialist in a planned outbound calling campaign following the current Mid-Year performance review process. These calls will offer guidance and support, ensuring managers understand and can apply the options available to them to support their underperformers. Actions will be monitored and progress tracked, providing clear visibility to SLT members.
- 4.2 **Improving Performance Procedure (IPP) for managers process:** Following the NomCom meeting there was an additional action to review this process. Manager feedback has indicated the time required for an individual to complete the formal stages of the procedure is excessively long. The current process requires 18 weeks of formal performance monitoring (which follows at least 4 weeks of informal monitoring). Guided by this feedback, along with comparison benchmarking with other organisations, a proposed shorter timescale will be outlined for the formal monitoring stages. Individuals will receive focused development plans and support, encouraging them to demonstrate an improvement in performance in a shorter, but still reasonable timeframe. The existing process was agreed with the CMA, therefore any change will require union consultation. A plan for implementation is outlined in Appendix 2.
- 4.3 **Driving Performance through Honest Conversations Workshop:** This workshop will target selected first line managers, with the objective of building capability and confidence in effectively managing underperformance and difficult



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situations with their team members, helping address any issues immediately. There is a planned series of workshops that will be rolled out by 31 March 2014.

- 4.4 **Introduction of Discovery Day 2 for new line managers:** All managers who are new to the Post Office, or new to the role of managing others, attend a two day workshop created to ensure that all their line management responsibilities and the associated processes are understood.
- 4.5 **FY 2013/14 Mid-Year focus on personal and career development:** To support our belief that everyone in the Post Office has the potential to grow and to continue building a high-performing and engaged work-force, we introduced a greater focus on personal and career development, with targeted development plans in our performance management process.
- 4.6 **Talent development:** We are able to identify managers who show potential through the Mid-year review process and nurture them through our talent initiatives. The aim is to ensure we have bench strength at all layers in the organisation and that we pay attention to stretching and developing talent to raise organisational capability.
- 4.7 **Crown Leadership Programme:** a key part of the plan to bring the Crown network back to profit is investing in our managers to enable them to lead, inspire and transform their branches. This represents a huge investment in developing capability to ensure managers have the support, development and confidence to lead their branch as part of the back-to-profit vision. Launched this year, part of the programme includes managers creating their personal development plan, with modules focused on key aspects of leading and managing teams, including performance management.

**5. Conclusion**

- 5.1 The focus of performance management in the Post Office is to build a capable workforce to support delivery of business goals. This will help ensure a healthy turnover that supports creation of opportunities for new and existing talent in the business
- 5.2 Our employee turnover position is slightly lower than other organisations. We will continue to provide direct support to those managers who are managing underperformers.
- 5.3 Sponsorship from SLT is required for the line manager support calls campaign following the current half-year performance review process.

**6. Recommendations**

- 6.1 The Executive Committee / Board are asked to note the update and actions set out above.

**Fay Healey**  
**7<sup>th</sup> November 2013**

**Confidential****APPENDIX****Appendix 1: Underperformers and leavers – the current situation for manager grades**

FY 2012/13 PDR ratings**	No. of Managers	Leavers January – September 2013					Total Number of leavers
		Dismissed	Compromise Agreement	Resignation to Avoid Conduct	Voluntary Resignation	Redundancy	
Year End PDR rating '1'	28	3	3	3	3	4	16
Year End PDR rating '2', having also received a '2' rating at Mid- Year	174	1	3	1	1	18	24

\*\* PDR ratings shown for manager grade employees.

**Appendix 2: Implementation plan to revise timescales of Improvement Performance Procedure (IPP) for managers**

<b>Activity</b>	<b>Date</b>
Finalise proposal for revised IPP timescles	<b>November 2013</b>
Engage with CMA union	<b>January 2014</b>
Communicate new approach to organisation	<b>March 2014</b>
Implement new approach in time for FY 2014/15 Performance Management Year	<b>April 2014</b>



# Half Year Performance Distribution Curves 2013/14

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The information in this pack is for noting and will only be discussed by exception at the ExCo meeting on 12 November 2013

# Content

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## **Part 1: Organisational Performance**

- Overview of business wide performance curve
- Key conclusions

## **Part 2: Directorate Performance (Middle Managers)**

- Overview of directorate level performance curve for middle managers
- Next steps



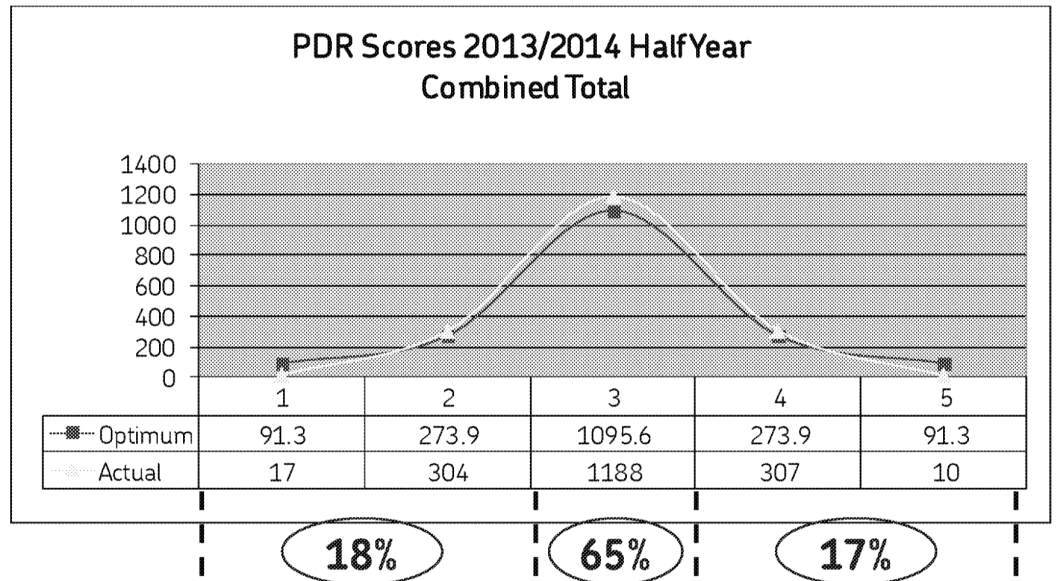
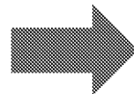


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# 2013/14 Half-Year Organisational Performance

# 2013/14 Half year overall distribution

Rating	Year End 2012/13	Mid-Year 2013/14
1+2	18%	18%
3	63%	65%
4+5	19%	17%



- As agreed by ExCo in April this year, for 2013/14 we will not force Directorates to align to a standard distribution curve and Directorates will be accountable for the curve in their own areas
- Senior manager PDRs did not go through formal peer-comparison at half-year, as the focus was on talent and high-potential identification for this group. Middle manager PDR ratings underwent peer comparison as usual
- Overall, little change in performance rating allocation compared to year-end 2012/13. There has been a 2% decrease in high (4 or 5) performance ratings
- Differentiation across whole performance rating spectrum continues to be limited with PDR 1 (1%) and 5 (0.5%) ratings.

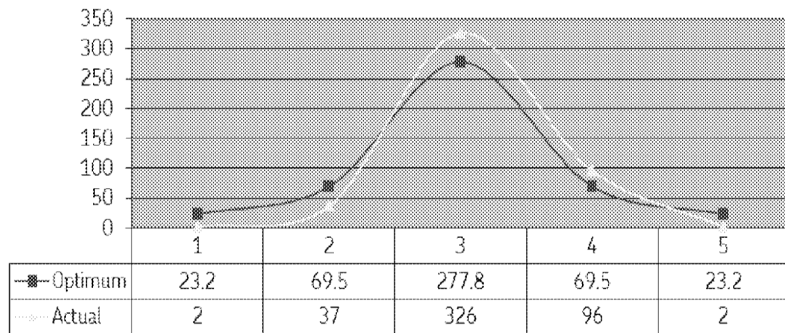


# 2013/14 Half year distribution: Senior vs. Middle managers

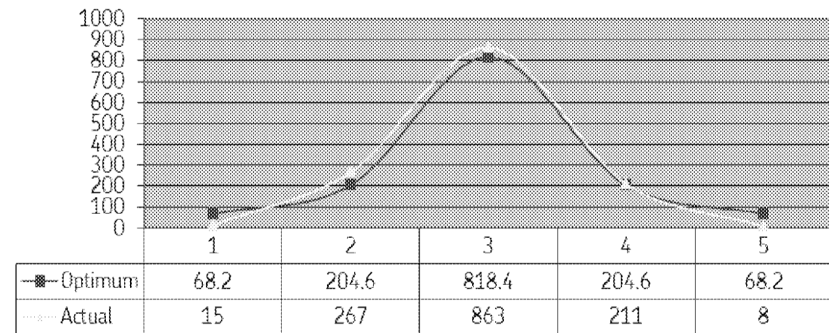
\* Year End FY 2012/13 percentage distribution shown in brackets ( ) in the table for comparison

Rating	Half-Year 2013/14 Senior Managers	Half-Year 2013/14 Middle Manager	Half-Year 2013/14 Overall
<b>1+2</b>	<b>9%</b> (12%)*	<b>21%</b> (20%)*	<b>18%</b> (18%)*
<b>3</b>	<b>70%</b> (66%)*	<b>63%</b> (62%)*	<b>65%</b> (63%)*
<b>4+5</b>	<b>21%</b> (22%)*	<b>16%</b> (18%)*	<b>17%</b> (19%)*

PDR Scores 2013/2014 Half Year Senior Manager



PDR Scores 2013/2014 Half Year Middle Manager Total



- Only 9% of senior managers allocated a low rating (1 or 2), compared to 21% for middle managers. Trend of higher performance ratings allocated to senior managers (average rating 3.1) compared to middle managers (2.9) continues (91% of senior managers rated good or above).
- Removing peer comparison for senior managers has had little impact on overall ratings distribution



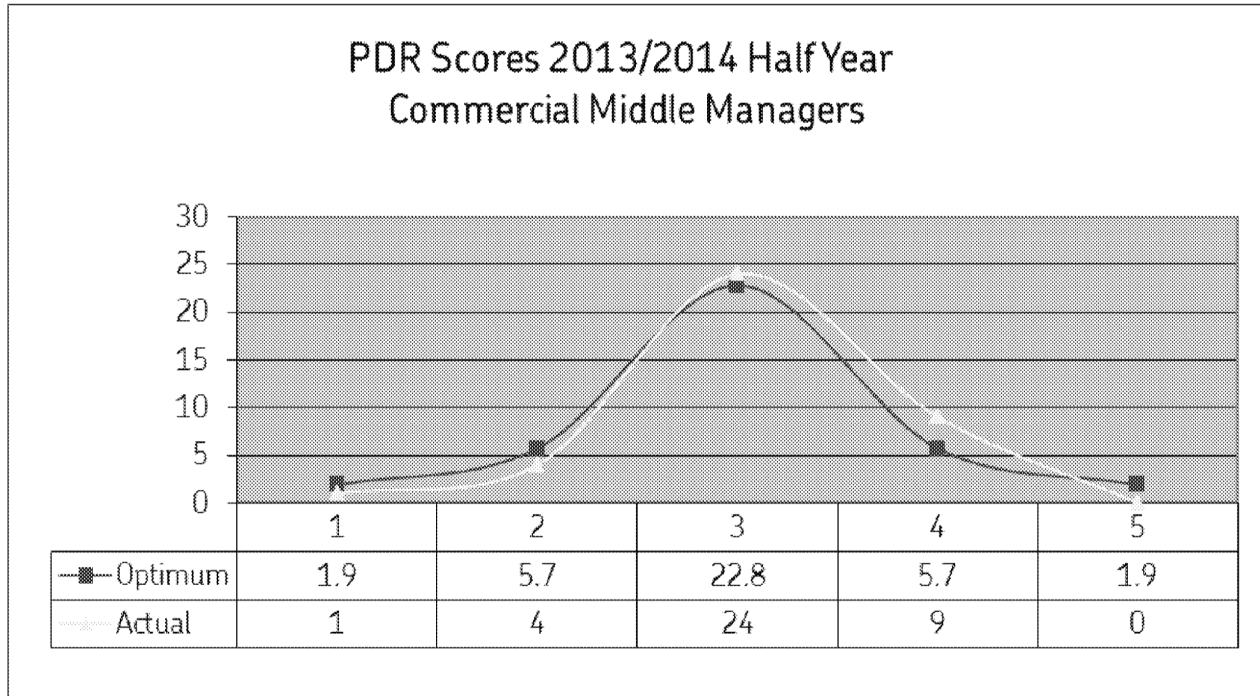


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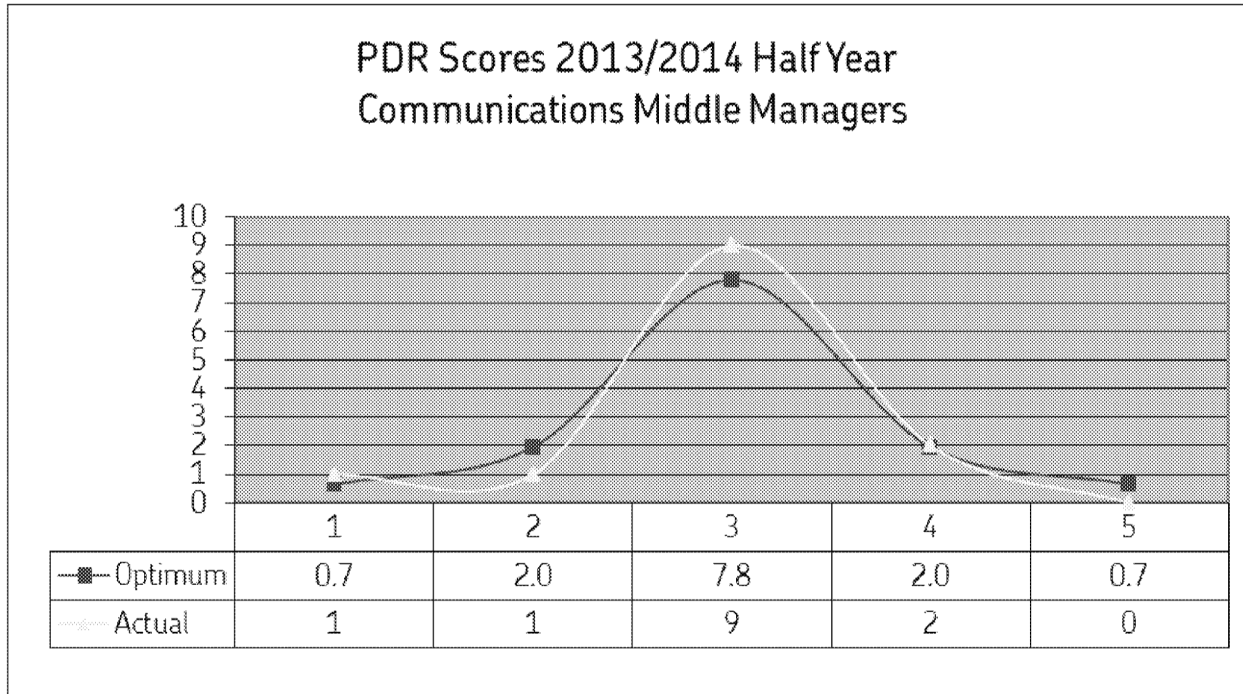
# Directorate Performance (Middle Managers)



# Commercial

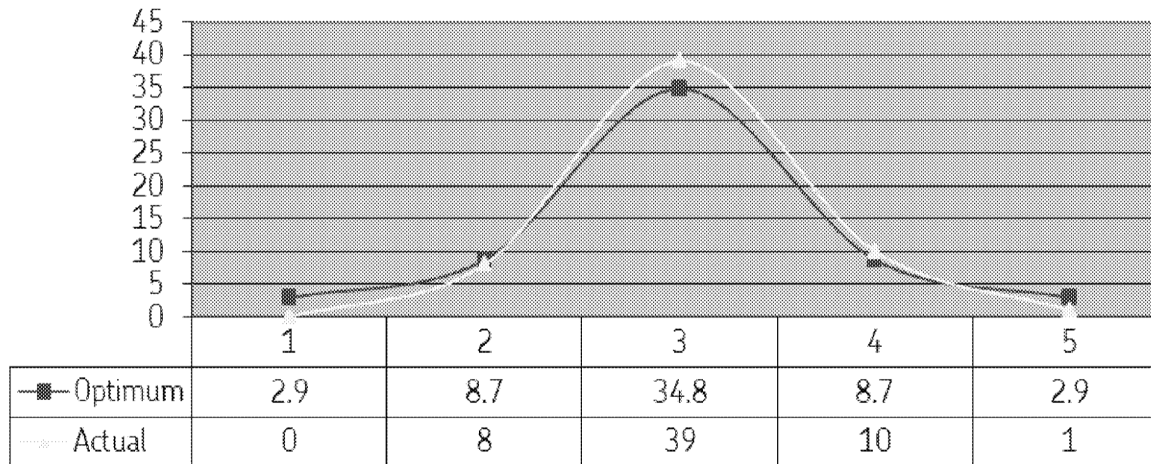


# Communications

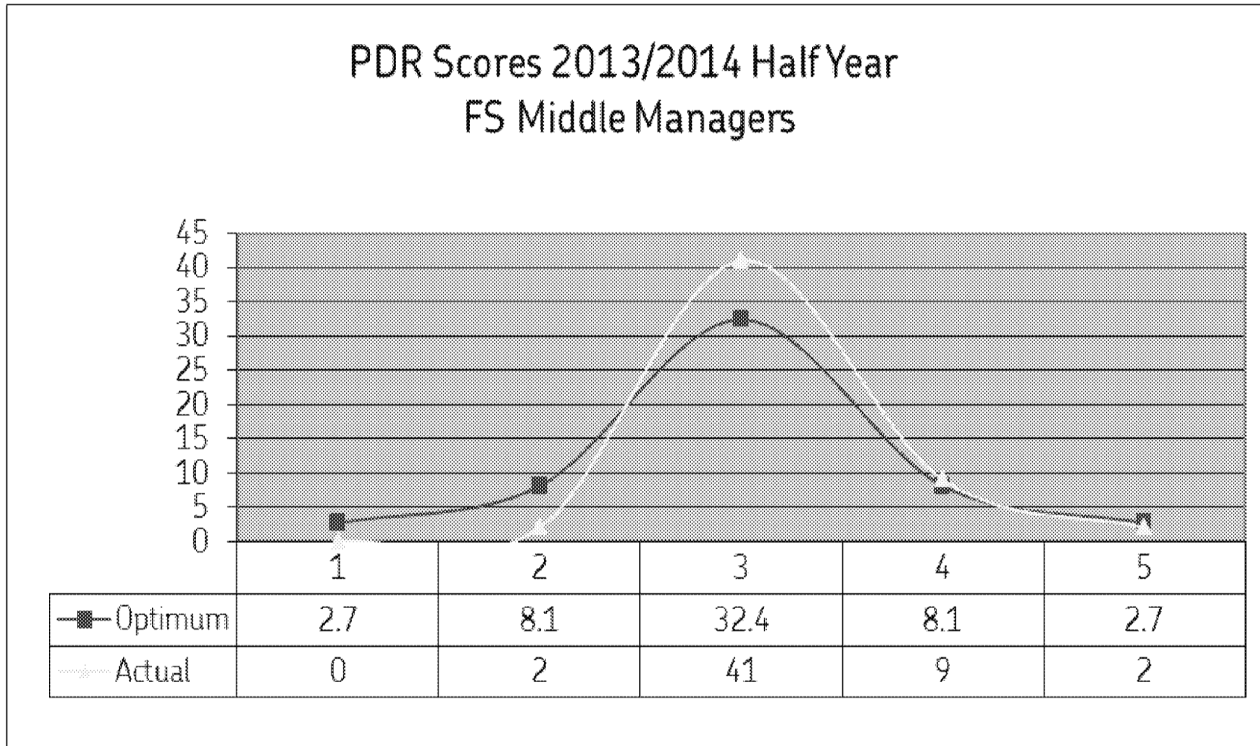


# Finance

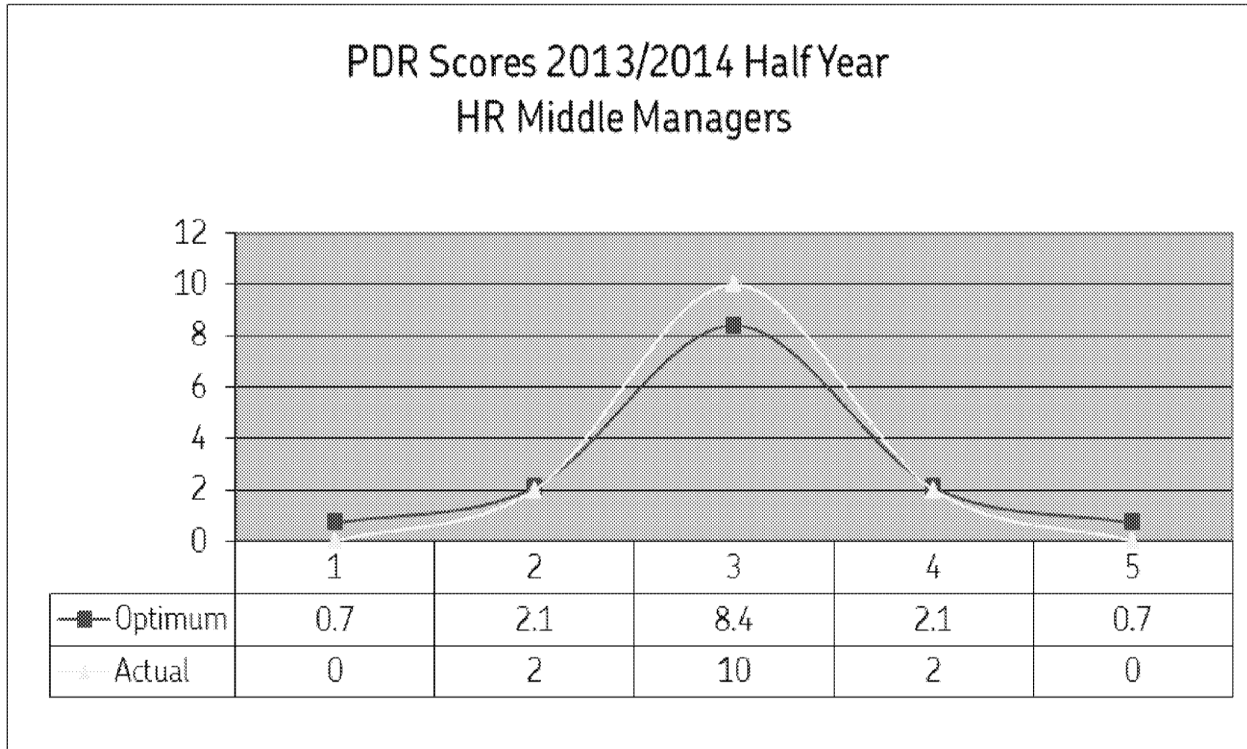
PDR Scores 2013/2014 Half Year  
Finance Middle Managers



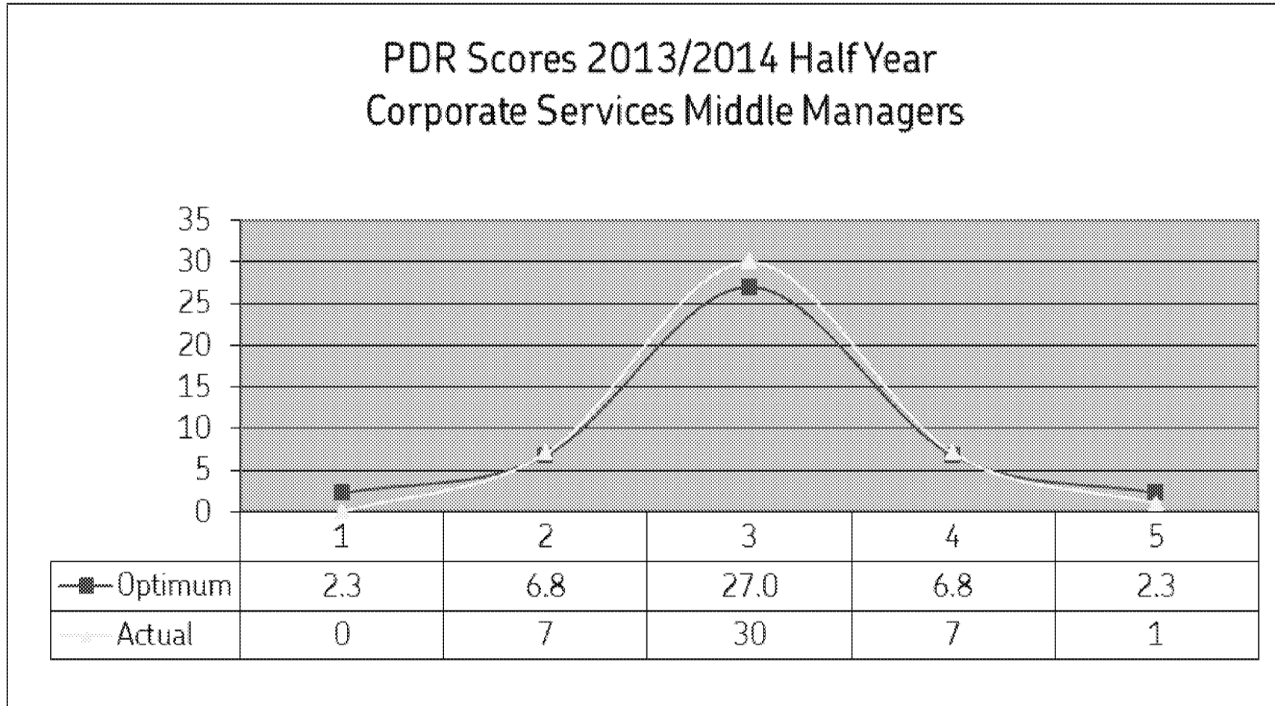
# Financial Services



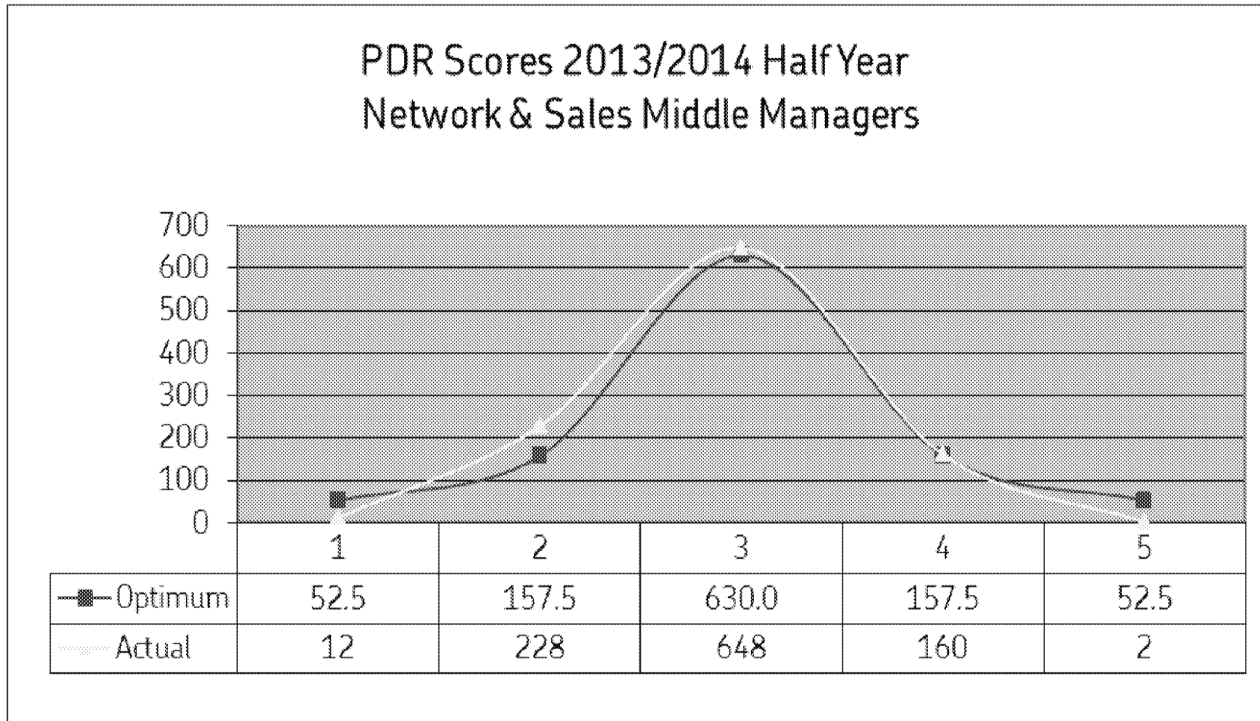
# HR



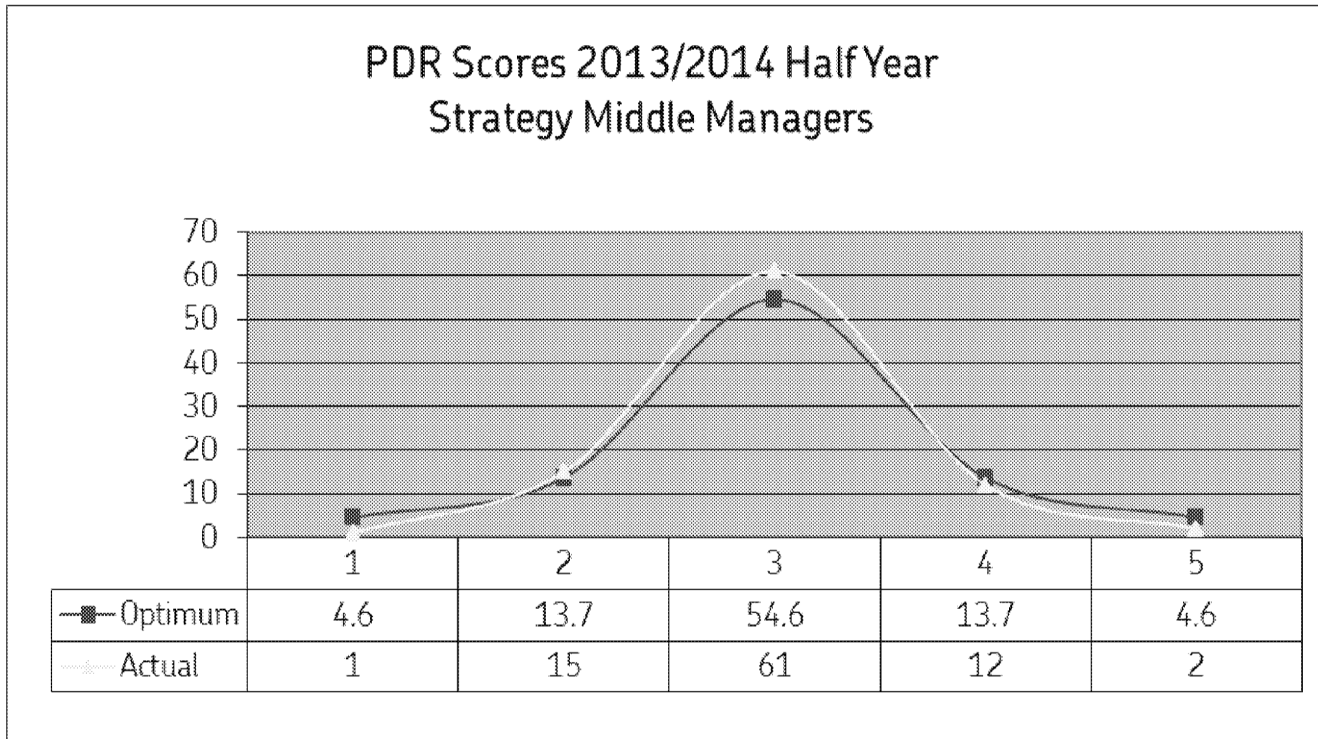
# Corporate Services



# Network & Sales



# Strategy





## Next Steps

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- Directors to let their teams know that they can release final scores to Middle Managers and PDRs completed in the ORBIT system by 6 December



**Strictly Confidential****POST OFFICE LTD EXECUTIVE COMMITTEE****People implications of cost reduction projects****1. Purpose**

The purpose of this paper is to:

- 1.1. Outline the proposed approach to managing the people implications of the cost reduction activity. This will apply to affected areas outside of the Crown Network.
- 1.2. Seek agreement from the Executive Committee to implement the proposals, including the use of compulsory redundancy.

**2. Background**

- 2.1 In response to the cost challenge, the cost management steering group has identified potential staff cost savings FY 14/15 of £9.9m, amounting to a headcount reduction of c.210 FTEs across the business. A detailed summary is shown in appendix 1.
- 2.2 The following mechanisms for managing staff costs have already been put in place to support effective cost management:
  - No external recruitment without the approval of the HRBP and functional director
  - No additions to template without the approval of the CFO and CHRO, with the underlying principle of one in, one out
  - Panel review and approval of requests for new and extensions to contractors
  - Contractor Christmas Furlough
- 2.3 Historically, the approach the business has taken to redundancy situations is to achieve it on a voluntary basis, often through a blanket preference exercise. To date this has been manageable; however as an independent business moving towards a smaller organisation, it is critical that we retain people with the capability and potential to drive the organisation forward and to achieve this will require the use of compulsory redundancy.
- 2.4 The collective agreement relevant in these situations is the 'Managing the Surplus Framework' (MTSF). Whilst MTSF does not discuss compulsory redundancy explicitly, it does not exclude it as an option.
- 2.5 Post Office has made compulsory redundancies within the management population, albeit on a limited basis.
- 2.6 To ensure that any dismissals by way of compulsory redundancy are 'fair', we will need to demonstrate that we have consulted with the relevant union, applied transparent selection criteria, put in place reasonable steps to consider 'suitable alternative employment' for individuals at risk who wish to remain with the business, prior to making them redundant. The latter step can be built into the notice period so not adding further time onto the process.

**Strictly Confidential****3. Alternatives Considered**

- 3.1. **Continue to effect headcount reduction through seeking volunteers only.** By continuing to reduce headcount on this basis the business would risk losing the talent it will need going forward. (Not recommended)
- 3.2. **Begin the process by seeking volunteers, moving to compulsory redundancy at the end of the consultation period for unresolved individuals.** (Recommended)
- 3.3. **Go straight to compulsory redundancy without seeking volunteers.** This could have a negative impact on the culture and integrity of the organisation and does not support the principle of ensuring people leave the business with dignity and respect. (Not recommended).
- 3.4. **Avoid redundancy situations altogether by redeploying to any vacancy.** This could mean the business risks mismatching people to roles, meaning we do not have the right people in the right roles at the right time. In addition, moving to a smaller organisation in the future may mean sufficient vacancies are not available. (Not recommended).

**4. Organisation Design principles**

- 4.1. The purpose of the Organisation Design principles will be to ensure good governance of any structural changes within the organisation, maintaining oversight and ensure alignment of any changes. Any change that affects roles and people will need to be handled appropriately, with well thought through design and implementation plans to ensure that long term impacts have been properly considered and ensure benefits will be realised.
- 4.2. It is important that organisation design focuses on roles not individuals. The role of OD governance is to ensure
  - A holistic view of the Organisation Design Pan-POL
  - Structure follows strategy
  - Long term requirements are not compromised with short term gains
  - Grade creep/costs are properly managed
  - Implementation (costs and process) has also been duly considered and is fit for purpose
- 4.3. Further work is on-going regarding the detail of the above and both the principles and process will be presented to ExCo for agreement by the end of November.
- 4.4. While the organisation design principles will guide structural change and roles, the resultant people implications will then need to be considered and managed.

**Strictly Confidential****5. Managing the people implications**

- 5.1. Each functional area, working with their HRBP will be accountable for describing and documenting their revised organisation structure, together with supporting rationale prior to consultation.
- 5.2. Appointments to the impacted area will be on the basis of capability. Selection criteria will need to be developed. Whilst talent retention is a key consideration it cannot itself be a selection criterion. Where roles remain unchanged the principle of flow through will apply<sup>1</sup>.
- 5.3. We will continue to work within the parameters of MTSF, ensuring the business has a robust process in place to aid the realisation of efficiencies in a timely manner whilst retaining capability and talent.
- 5.4. Line managers, supported by HR, will be accountable for communicating all decisions to the people impacted by the change.
- 5.5. Individuals who remain at risk following the selection process will have the option of electing to leave the business on voluntary redundancy. If at the end of the consultation period, individuals remain unplaced, they will be made compulsory redundant. This will apply to managerial and non-managerial grades. It is anticipated that the cost reduction targets will not be met without the use of compulsory redundancy.
- 5.6. To underpin this approach HR will ensure:
  - There are clear and consistent selection for retention criteria, though detail will vary according to function/role (these are predetermined under MTSF for non-management roles)
  - A robust redeployment process is in place (see section 5)
  - We comply with collective consultation requirements in accordance with legislation and our union agreements
  - We have a clear and simple process for line managers to follow, ensuring we comply with individual consultation and notification requirements
  - There is clear and straightforward supporting documentation and guidelines for use by line managers
  - Appropriate support is in place for managers leading on the people implications of change

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<sup>1</sup> Flow through will only apply where the number of identical roles remains unchanged. Where there is a reduction in the number of similar roles a selection criteria will be applied.

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5.7. The table below outlines the expected timings of potential redundancies as stated by each directorate through the cost management steering group.

Month	Total
Oct-13	1
Dec-13	1
Mar-14	31
Apr-14	48
Aug-14	6
Mar-14	81
TBC	42
<b>Total</b>	<b>210</b>

These numbers will need to be fully scoped and validated by HR and Finance; however, where possible for the benefit of consultation with the Unions, any discussions around redundancies should be phased. This will provide a coordinated response to the Unions and will avoid the potential perception that the business is undergoing a continuous programme of redundancies rather than a number of small tranches.

5.8. Appendix 2 outlines an indicative timeline which will need to be followed in order to ensure these principles are met and that our people are managed in line with our values.

## 6. Redeployment & transition support

6.1. As part of the consultation process we will need to demonstrate that consideration has been given to suitable alternative employment opportunities, prior to making compulsory redundancies.

6.2. The points below outline the high level approach in order to create a framework to support our people whose jobs may be affected by business change to find suitable alternative employment or leave the business.

- Provide tools to assist our people in managing their career within the business by being job ready to apply for suitable alternative roles to create internal mobility and retain identified talent
- Reduce the overall cost to the business of managing a surplus population by invoking CR whilst exploring any other options. 'At risk' individuals will be given access to roles. Suitable alternatives will be assessed on capability. Where a candidate demonstrates the requisite capability they will be appointed
- Support exiting employees by providing a cost effective outplacement support service for those who volunteer to go

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6.3. Going forward, further suggested supporting mechanisms should include;

- No recruitment or permanent appointments to SLP without approval of CHRO and CEO
- Active performance management – supporting managers to address weaker performers (active campaign of support for consistent poor PDR performance)
- No internal recruitment/promotions without the approval of HRBP and functional director
- 'Promotions' only on a temporary basis until redesign and cost reductions achieved
- No job evaluations unless as a result of redesign enabling cost reduction

**7. Proposal outline**

7.1 In summary, following the decision to implement business change:

- Structural re-design and role changes agreed with the OD team
- Appropriate phased consultation with Unions ensuring a coordinated approach
- Selection criteria in place based on retention of capability
- A simple process in place to manage offers of suitable alternative employment and voluntary redundancy
- Compulsory redundancy on statutory terms will be invoked at the end of the consultation period for unresolved individuals

**8. Risks/Mitigation**

- **Adverse effect on Industrial relations** – Trade Unions may push back against the use of CR as it will be seen as the first time we have utilised it as an option. This will be mitigated by early engagement with the unions and a robust redeployment process, ensuring all other options are explored and exiting employees are treated with dignity and respect.
- **Lack of a co-ordinated approach to redundancy and redeployment across Post Office Ltd** – This will be mitigated by a communications plan supporting the proposed approach, with phased consultation with the Unions.
- **Post Office does not meet legislative requirements, leading to negative reputational impact and tribunal** – Mitigated by the proactive interventions of the HR Business Partners, ensuring the business meets legislative regulations.

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**9. Recommendations**

The Executive Committee is asked to:

- Agree to the proposed approach for managing the people implications of the cost reduction work including the use of compulsory redundancy.

**Fay Healey**  
**12th November 2013**

**Strictly Confidential****Appendix 1****Summary table of proposed efficiencies during 2013/15 <sup>2</sup>**

Directorate	FY14/15 Impact	FTEs	Key initiatives
Commercial	£1.2m	18	<ul style="list-style-type: none"> <li>Amalgamate Marketing and Digital (10 FTE)</li> <li>Restructure product teams (8 FTE)</li> </ul>
Network	£2.2m	55	<ul style="list-style-type: none"> <li>Refocus Audit &amp; Training team (25 FTE)</li> <li>Reorganise Property team (17 FTE)</li> <li>Consolidate support for Branches (7 FTE)</li> <li>Decentralise the Equipment team (5 FTE)</li> </ul>
Finance	£1.5m	27	<ul style="list-style-type: none"> <li>Fewer in FSC Chesterfield roles due to FRP (12 FTE)</li> <li>Tactical outsourcing of FSC activities (9 FTE)</li> <li>Redistribute activity in HO finance (4 FTE)</li> </ul>
HR	£0.7m	17	<ul style="list-style-type: none"> <li>New processes at HR Service Centre (10 FTE) and other efficiencies (7 FTE)</li> </ul>
Supply Chain	£3.6m	88	<ul style="list-style-type: none"> <li>Remodel CVIT services (single person operation and fewer visits) (50 FTE)</li> <li>Manchester Cash Centre Closure (20 FTE)</li> <li>Online cash ordering (12 FTE)</li> <li>Consolidate support teams and activities (6 FTE)</li> </ul>
Security	£0.5m	15	<ul style="list-style-type: none"> <li>Decentralise the Security function (15 FTE)</li> </ul>
Financial Services	£0.2m	4	<ul style="list-style-type: none"> <li>Restructure existing teams</li> </ul>
<b>Total</b>	<b>£9.9m</b>	<b>210-240</b>	

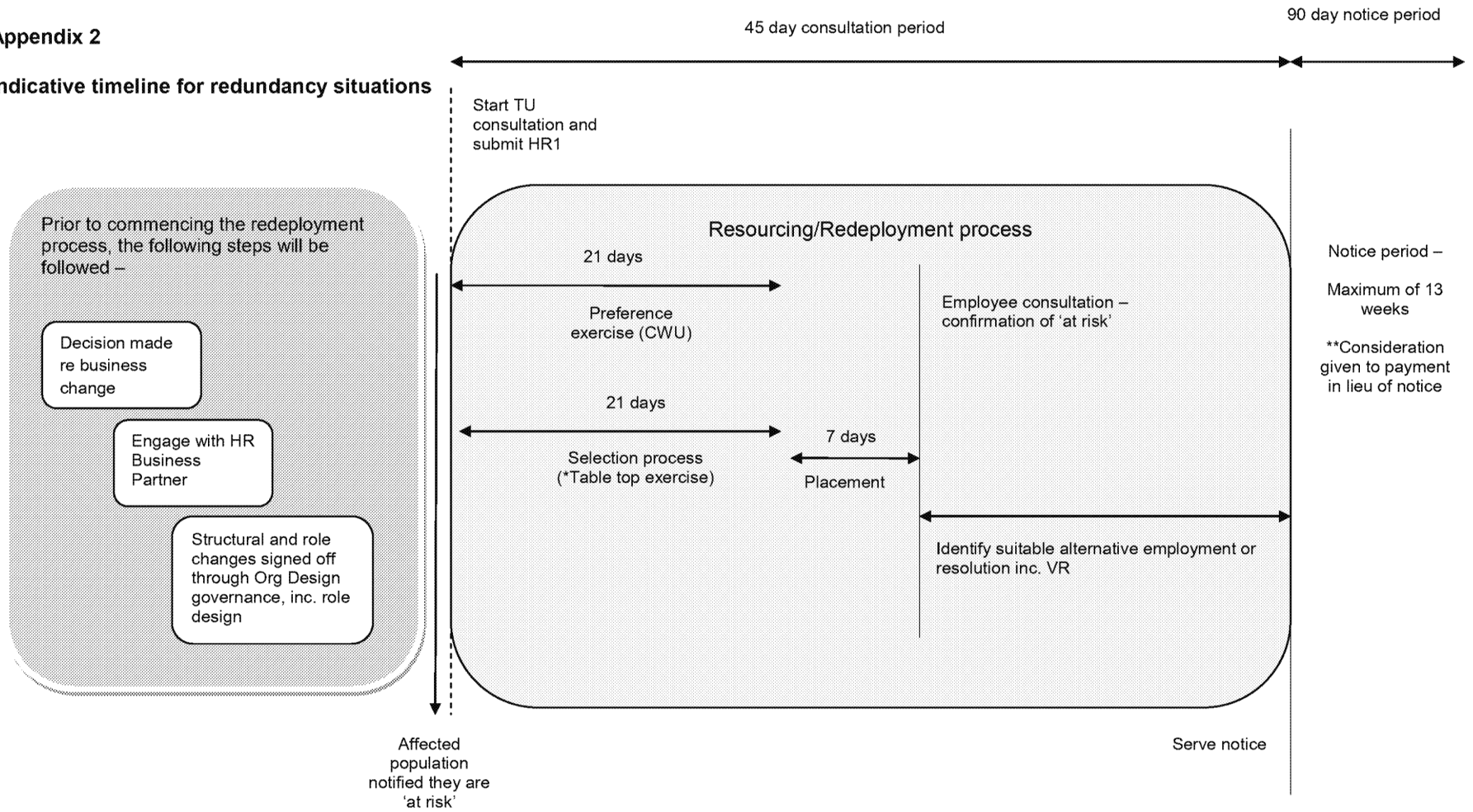
<sup>2</sup> This excludes Crown Transformation and Network Transformation programmes. Some numbers are indicative and yet to be validated through process review work.



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Appendix 2

Indicative timeline for redundancy situations



Assumptions

- \* The preferred approach for selection would be a table top exercise in order to meet timescales. Where structural and roles changes mean that new roles exist, interviews would need to be considered (impacting timescales)
- \*\*Any targeted end dates of Apr '14 would require payment in lieu of notice

Executive Committee meeting 12/11/13

**Post Office Ltd**  
**Executive Committee meeting**  
**12 November 2013**

**Location:**

Room 501, 148 Old Street, London, England, EC1V 9HQ, United Kingdom

**ATTENDANCE LIST**

<b>ATTENDEES</b>	<b>SIGNATURE</b>
Alwen, Lyons	
Aujard, Chris	
Brown, Paul	
Chris, Day	
Fay, Healey	
George, Martin	
Kevin, Gilliland	
Lesley, Sewell	
Mark, Davies	
Martin, Edwards	
Nick, Kennett	
Paula, Vennells	
Sue, Barton	