



# POST OFFICE LIMITED REMUNERATION COMMITTEE REPORT

<b>Title:</b>	3 Transformation Incentive Scheme outturn and recommendations	<b>Meeting date:</b>	22 February 2022
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## Input sought: Approval

The Committee is asked **APPROVE** the recommendations for awards from the Transformation Incentive Scheme (TI scheme) for payment in March 2022.

## Previous governance oversight

The TI scheme and Implementation approach received final approval from the Committee in July 2021. The Committee were provided with an update on progress against the TI scheme performance metrics in January 2022.

## Executive Summary

We have carried out a detailed review and assessment of all the performance metrics and underpinning targets, using evidence provided by the metric owner in each area. A summary table is provided below. Green means that our assessment is that the target was met in full, Amber that the target was met to some degree and the Committee are requested to use their discretion to make an award:

Metric	RAG status	Proposed Award level
Postmaster Satisfaction	AMBER	50%
Inquiry	GREEN	100%
SPM	GREEN	100%
Organisational Design	AMBER	75%
<b>TOTAL</b>		<b>81.25%</b>

An award in the region of 80% of the TIS target payout, equates to 20% of salary for most participants.

We recommend that additional awards are made to 7 individuals on the basis of consistently high performance over the plan period.

The total payout recommended is within the amount accrued against the plan.

## Report

### 1. Performance achievement for each key metric

Performance against each of the 4 metrics is set out below

#### Postmaster Satisfaction

*Delivery of a step change in Postmaster engagement through delivery of key milestones and metrics aligned as part of the Culture change programme. Measure the effectiveness through delivery of top priority areas identified from the feedback and ensure this represents a significant change by January 2022 vs. the existing feedback from the Postmaster Consultation with Quadrangle.*

Metric	Target	Achievement
Quadrangle survey: B1	Improve from 17% to 30%	25%
Quadrangle survey: B7	Improve from 25% to 30%	31%
Action plan	Delivery of top priority areas	Achieved

#### How reviewed and assessed

We reviewed the results from the Postmaster engagement survey which ran through January 2022 and received over 1300 responses. Quadrangle have verified that the sample was representative, statistically significant and that the matched sample validation confirms that the results are reliable as indicators of change. We reviewed the headline results from the survey which also included data on levels of Trust, and feedback from Postmasters on the overall action taken by POL in response to feedback from the Postmaster consultation process in January 2021. We also reviewed the action plan provided to us by Amanda Jones which sets out a number of actions that have been delivered in response to Postmaster feedback.

#### Recommendation

We recommend 50% award against this metric.

#### Rationale

Whilst we have not hit the targets, we do believe that it is appropriate to recognise the progress that has been made in building levels of Postmaster satisfaction. The targets set were very challenging and substantially above the levels which Quadrangle recommended as realistic targets for improvement over this period of time. We have exceeded normal expectations (which would have been for a 4% increase in scores).

In addition, we have seen very encouraging results in indicators of improved trust. An analysis of the trust drivers shows most Postmasters do believe there is genuine intent to change the relationship and purposefully engage. Over 50% agreed that "Post Office is genuinely trying to improve the relationship with Postmasters", and nearly 50% agree that "Post Office interacts with me in a purposeful and engaging way".

Finally, there has been substantial delivery against the action plan with a number of concrete actions in Remuneration, IT systems and processes, communication, training, access to senior management and innovation & working groups.

## Inquiry

*Delivery of all the required information and support for the Horizon inquiry satisfying the requirements of Sir Wyn Williams, ensuring there is a clear measurable plan created to demonstrate action on improving the overall culture to be Postmaster centric and to ensure processes for Postmasters are addressed in line with recommendations from the inquiry. Any actions or plans must have been endorsed by the inquiry and the Board.*

Metric	Target	Achievement
Inquiry support	All required evidence and information supplied on time, with confirmation from Sir Wyn and team that POL's performance supported and enabled the Inquiry to finish in line with expectations	Achieved
Culture change programme	Deliverables and actions from culture change programme achieved with clear evidence to support this on improvements and overall symbols of change e.g. rhythms and routines, new ways of working, activities undertaken to bring our people closer to Postmasters etc.	Achieved
Operational Processes and change plans transitioned to BAU	Clear documented plan on all major operational process, with defined change plans in progress as per recommendations from the Judgements and Inquiry  Deliverables from these changes transitioned to BAU with appropriate controls in place	Achieved
Validation of HIJ/CIH actions	External sign-off of IT Audit on HIJ External sign-off of execution of plans instigated by Deloitte work	Achieved

### How reviewed and assessed

**Inquiry Support:** We have reviewed a redacted copy of the Rule 9 Notice updates to the Steering committee that indicate that we have responded in a timely fashion to all requests for information. Sir Wynn's announcement of 16 November 2021 on the Inquiry website regarding POL's waiver of legal privilege publicly acknowledges the efforts POL is making to support the inquiry. We have also reviewed letters sent by the Inquiry and signed by Sir Wynn which indicate that he has been pleased with the level of support provided by POL.

**Culture Change programme:** We reviewed the deliverables from the Culture Change programme as reported to the Improvement Delivery Group (IDG). These deliverables cover an number of initiatives and activities that have been put into place to achieve the goal. Examples of the deliverables achieved include training to build a customer focussed mindset, "Week in the Life of a Postmaster", key appointments such as Postmaster Director, Leading to Serve programme, and Ways of Working launch conference and supporting toolkit.

**Operational Processes and change plans transitioned to BAU:** These processes were covered in the Deloitte audit reports as noted below.

**Validation of HIJ/CIH actions:** We have reviewed the Deloitte report, which verified that for the 17 CIJ activities in scope:

- 17 out of 17 of the improvements in scope for TIS have been completed.

And for the 13 HIJ activities in scope, plus follow-up of previous audit actions from HIJ phase 0 and 1:

<ul style="list-style-type: none"> <li>• 6 activities with a December 2021 due date have been validated as complete.</li> <li>• 1 activity with a 2022 due date was validated as complete.</li> <li>• 6 activities with 2022 due dates (March and beyond) are in progress and are being tracked. 3 of these activities are reported as 'delayed' (management's own assessment).</li> <li>• All actions from our Phase 1 audit have been closed or are being progressed as part of Phase 2.</li> <li>• All 9 actions from our Phase 0 audit have been closed.</li> </ul>
<b>Recommendation</b> We recommend 100% award against this metric.
<b>Rationale</b> Our assessment is that this objective has been achieved in spite of shifting requirements associated with the Inquiry and recognises the substantial work and efforts of our people.

## SPM

<i>Create a Board approved SPM plan and business case to move off Horizon dependence (first version by 31 March 2021, final by 31 December 2021) and deliver a prototype to operate an 'express' proposition fully outside Horizon by 31 January 2022 with ability to subsequently scale across the POL network.</i>		
Metric	Target	Achievement
Prototype express proposition	Prototype express proposition in place by 31 January 2022.	Achieved
SPM roadmap	Clear understanding and Board approval for the roadmap, major milestones, overall business case and overall programme cost to incrementally stand-up a core IT platform that eventually allows for the retirement of Horizon over the next 3-5 years.	Achieved
SPM module	A functional SPM module, which includes a retailer-facing device and new Postmaster interface, that allows Postmasters to process transactions from the "basic" and "express" propositions without the need of a Horizon terminal.	Achieved
SPM rollout	A roadmap and timeline for the rollout of that SPM module to 400 new or existing POL locations in order to meet the first business objectives of the Network Strategy.	Achieved
Investment assessment	Remco to assess whether the investment has been spent wisely.	Achieved
<b>How reviewed and assessed</b>		
<p><b>Prototype express proposition:</b> We reviewed the Board papers for November 2021 and January 2022 which reported the achievement of the first Drop &amp; Collect post-Horizon branch with NBIT technology in October 2021, with 4 locations live (Hull, London, Stockport, Doncaster) by January. The performance has been extremely robust and incident free through December and January, with seamless integration with both POL and Royal Mail system. There has been very positive feedback from the new Drop &amp; Collect Postmasters.</p> <p><b>SPM roadmap:</b> We reviewed the extract from the minutes of the Board meeting from 3 June 2021 which recorded "The Board APPROVED proceeding with the Strategic Platform Modernisation Programme (SPMP) multi-year business case as presented to the board for approval by BEIS."</p>		

**SPM module:** We reviewed a video of a non-Horizon prototype which was demonstrated at the end of January 2022. The link is here if Committee members would like to see it.  
<https://web.microsoftstream.com/video/488b1190-c0d5-4f63-9fe0-971e79ecedb7?list=studio>

**SPM rollout:** We have reviewed a number of extracts and updates from the SPM Steering Committee minutes which demonstrate the plan and timelines that are being followed to achieve 400 locations by March 2023.

**Investment assessment:** The Board have approved funding drawdowns on a quarterly basis since March 2021, supported by information on programme progress and achievements (both actual and planned).

**Recommendation**

We recommend 100% award against this metric.

**Rationale**

Our assessment and review of the evidence is that this objective has been fully met.

**Organisation Design**

*Delivery of an improved organisational design and lower cost operating model through the successful implementation of Tranche 1, 2 and Tranche 3 of the organisational change plans. Measured by improving metrics on spans and layers (in accordance with the McKinsey key metrics on spans and layers and best practice), making the organisation flatter and more aligned to the Postmaster.*

Metric	Target	Achievement
FTE reduction	Reduction of net 280 FTE between August 2020 (baseline) and January 2022. NB: This excludes any capability build for IT and Data and any FTE reductions made as a result of the DMB Programme (subject to shareholder funding and sign off).	FTE reduction of 334 (significantly ahead of target)
Span of control	Average of fewer than 6 direct reports per manager	Average of 5.8 direct reports per manager (slightly ahead of target)
Line Managers	Fewer than 15% of the workforce as line managers	16.4% workforce are line managers (around 90% of target achieved)
Grade compression	Maximum 90 examples of grade compression across the structure	There are now 70 examples of grade compression (ahead of target)

**How reviewed and assessed**

We reviewed the information as tracked and reported by the OD team. This is based on data from POL's HR information system, Success Factors. All data is reported at 31/01/22.

**Recommendation**

We recommend 75% award against this metric.

**Rationale**

Our recommendation is based on the fact that 3 of the 4 metric areas were fully achieved.

## 2. Summary of recommendations and proposed total payment

The RAG status used in the table below corresponds to the following:

**GREEN** means that the target is assessed as having been achieved

**AMBER** means that the target was met to some degree and the Committee are requested to use their discretion to make an award

Metric	RAG status	Proposed Award level
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We believe that a payment at around 80% represents a level which would be considered meaningful by the plan participants and a fair assessment of the achievement reached.

## 3. Additional awards to consistently high performers

We have reviewed the performance rating information for the individuals eligible for the scheme, both year-end ratings for the year 2020/21 and mid-year ratings in 2021/22.

There are 7 individuals who have been rated as 5s (Exceptional) or 4s (Exceeds Expectations) over the period. We propose two levels of enhancement:

- i. Individuals rated as 5,5 or 5,4: multiplier of 1.75 times the base award
- ii. Individuals rated as 5,3 or 4,4: multiplier of 1.5 times the base award.

This level of enhancement is within the rules of the TI Scheme which provides for the fact that the maximum amount that an individual can be paid under the scheme cannot exceed the maximum STIP payment.

Individuals included in the first category are Nick Read. Individuals in the second category are [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

## 4. Costs

The anticipated cost of an award at 81.25%, based on current data and inclusive of National Insurance is as follows:

Core award @ 81.25% – current eligible employees (41)	£1,860,000
Enhanced award for 7 employees	£ 110,000
<b>TOTAL</b>	<b>£1,970,000</b>

This amount is within the amount accrued by the Finance team.

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## Next steps

Once the Committee has approved the recommended award levels, we will prepare individual letters to be issued ahead of the March payroll. We will be briefing the TI eligible group in early March to explain the basis on which the award was assessed and the final payment level determined.