

THE POSTCODE ADDRESS FILE ADVISORY BOARD (PAB)

Minutes of meeting held at 13:00 on 29<sup>th</sup> October 2020

By video conference

PRESENT

Ian Beesley	Chairman
Ian Paterson	Mail Competition Forum
Iain McKay	Improvement Service, Scotland (items 1 – xx)
Paul Brough	Mail Users Association
Charles Neilson	Mail Competition Forum
Judith Donovan	Strategic Mailing Partnership
Steve Goodsell	Royal Mail Group
Paul Cresswell	Experian Data Services
Paul Roberts	Secretary

Also in attendance

Ian Evans	AMU
Tom Foyle	AMU

Apologies

David Green	GB Group
Nick Chapallaz	GeoPlace
Dan Cooper	Allies Computing
Tim Drye	Direct Marketing Association
Steve Rooney	AMU

## 1. Welcome and Introductions

The Chairman welcomed everyone to the 4<sup>th</sup> and final scheduled meeting of the PAB for 2020 and formally announced Paul Brough from Baker Goodchild (representing the Mail Users Association) and Paul Cresswell from Experian (replacing Paul Malyon) as new PAB members.

The Chairman reported that 3 PAB members (Paul Malyon, Jason Goodwin and Carolyn Valder) had left the PAB due to changes in their employment. Paul Cresswell from Experian had already been appointed to the PAB (see above) and discussions were ongoing regarding potential other replacements.

**ACTION:** The Chairman to update the Board further once appointment outcomes had been reached.

## 2. Chairman's Update

The Chairman advised that Steve Rooney had a new role, following the recent RMG Executive restructure exercise, which would include taking on responsibility for Revenue Protection. Steve would be retaining leadership of the AMU as part of his new role. This was warmly welcomed by the PAB, given the positive, proactive nature of the existing relationship between the PAB and the AMU leadership team.

## 3. Outstanding PAB Actions

3.1 PAB meeting with Ofcom. PAB members advised that, due to the emerging Ofcom timetable for reviewing regulation of the postal sector due in 2022, it would be a good time to meet with Ofcom and that Ofcom were currently being very receptive to meetings with stakeholders.

**ACTION:** The Chairman to follow up with Ofcom to arrange the meeting

3.2 Benchmarking of PAF. The Chairman advised that the activity would be deferred until 2021/22 due to financial considerations.

3.3 'The Address Book'. The Chairman confirmed that unfortunately it would not be possible to add any PAF information to the published book.

3.4 PAB Terms of Reference (ToR). The Chairman advised that there was now an ongoing regular monthly meeting planned between the AMU Leader and the PAB Chairman, and confirmed that the suggested amended ToR would be on the agenda for discussion at the next meeting.

**ACTION:** The Chairman to update the PAB following the meeting.

3.5 AMU SLA with RM Operations. The SLA review group (AMU & PAB members) had held a first meeting to understand the scope of the existing SLA, and had identified a potential suite of questions to follow up on, covering performance measurements, governance approaches and future improvement opportunities (quality and cost effectiveness). Initial feedback from PAB members was that the existing SLA would benefit from a more

rigorous service specification and approach to governance of performance. Board members also requested to see a copy of the existing SLA if possible, to add extra context to meeting notes.

**ACTION:** The Secretary to request if a copy of the SLA could be shared with the PAB members.

**ACTION:** The Chairman invited Board members to give any additional input to the Secretary by 4<sup>th</sup> November, prior to a follow-up meeting of the review group.

**ACTION:** The Secretary to arrange a follow-up meeting with the AMU to go through the areas identified.

#### **4. Scottish Census Trial Actions**

Iain McKay and Steve Goodsell updated the PAB on the activity arising from the Trial. Steve advised that the next step of activity was to discuss identified delivery failures with the offices concerned to understand reasons for failures and opportunities for future improvement. Due to the ongoing impacts of the Covid-19 pandemic and the upcoming pre-Christmas resource pressures, it was expected that this review would be conducted early in 2021.

**ACTION:** The Board invited Steve Goodsell to update the Board further once the local Operation review activity had taken place.

Iain McKay also confirmed that the Scottish Census had been deferred for a minimum of one year which appeared to put the Scottish Census out of alignment with the rest of the UK and potentially cause difficulties in effectively combining datasets.

**ACTION:** The Board invited Iain McKay to check current timescales with the NRS and update the PAB once further clarity had been obtained.

#### **5. 2019/20 Financial Report**

The AMU reported that the 2019/20 financial year accounts for the AMU had been completed and were included (at page 9) within the published Royal Mail Group regulated accounts

Headlines were (rounded to £m):

- Revenue £32m
- Costs £28m (including centrally allocated overhead costs)
- Transformation Costs £2m
- Profit £2m
- Profit margin 6% (rounded to the nearest 1%)

The profit figure was c. 2% lower than in 2018/19.

The AMU reported a continuing shift from User to Transactional based licensing which, continuing the trend in recent years, had contributed to a net reduction in total PAF revenue in real terms compared to the previous year (i.e. when taking out the effect of the 2019 price rise)

Costs for the supply, quality and maintenance of PAF address data increased in 2019/20, predominantly driven by pay awards and the shorter working week impacting the cost of frontline staff in Royal Mail Operations and Customer Services. The Board recommended that the AMU continue to challenge RM Operations on the commercial terms of the agreement for PAF quality assurance work (**see** item 3.5 above).

It was noted by the Board that costs directly under AMU's control had reduced again during 2019/20.

PAB members questioned why the RM Group centrally allocated overhead cost apportioned to the AMU had risen so markedly during 2019/20 (up £800k, 46% from 2018/19). The AMU advised this was based on a different method of working out cost apportionment across the RM Group, based more on product and service value add, plus some extra one off costs that were incurred during 2019/20. PAB members still questioned this rationale and requested that this area be discussed as part of the Chairman's forthcoming meet with Ofcom (**see** item 3.1 above)

The Board asked if longer term data could be shared with the PAB, so that trends could be better understood.

**ACTION:** The Board invited the AMU to produce a 5-year view of headline data and share with the PAB for review.

PAB members questioned the expected forecast for 2020/21. The AMU advised that for the areas under their control (excluding transformation and overhead apportionment), the current forecast was similar to 2019/20.

A copy of the AMU presentation is included at Annex A.

## **6. Data Quality Update**

The AMU shared the latest 2 quarters of data quality work undertaken by the independent research company tasked with assessing the accuracy and efficient reporting of address changes by RM Operations. Each quarter, the quality audit includes 1 city, 1 urban and 1 rural postcode area (reviewing 20 thoroughfares in each) and covers both residential and business addresses.

The AMU advised that there had been a slight degradation in the scores over the course of the last 4-5 years, and this was currently being investigated. There was also some difference in accuracy between the three types of areas audited and causes were currently being assessed.

Of the addresses found during the audits, a much higher % of business addresses required subsequent change of information in PAF. PAB members commented that this was in line with the business address names research previously carried out by the PAB (see July 2020 PAB minutes) and reinforced the action plan arising from that research (**see** item 9 below)

**ACTION:** The Board invited the AMU to present a summary of their investigations at the next PAB meeting.

The Board questioned why there had been no licence compliance audit information shared with the PAB in recent meetings. The AMU advised that audit activity had moved to a virtual basis (phone and web-based) during the Covid pandemic and indicated that onsite compliance auditing may resume in the coming months, pending further Covid impacts.

**ACTION:** The Board invited the AMU to share an update on licence compliance audit activity at the next PAB meeting

A copy of the AMU presentation is included at Annex B.

## **7. AMU Operating Update**

The AMU advised that during the Covid-19 pandemic, they had significantly amended the ways that core AMU employees were working, moving to a more remote working model and maximising office safety when employees did need to be in an office.

In the wider RM Group, some of the pandemic impacts included a significant rise in parcel volumes, much lower letter volumes and higher staff absence levels in the early months. This had meant that RM was naturally focused on ensuring the continued effective collection and delivery of letters and parcels.

The effect on PAF: The refocusing of activity had impacted the volume of PAF changes reported during the Summer but this had now recovered to an extent. The AMU recognised that some of this was a result of less activity in the economy – particularly in home moves and new build completions – but that there would also be a ‘catch-up’ of PAF change work as capacity in RM Operations allowed.

PAB members questioned if any reduction in RM Operational activity related to PAF assurance would be reflected in a lower cost of service to the AMU. The AMU advised that discussions were ongoing between the AMU and RM Operations, with a view to returning to full adherence to SLA requirements by the end of the 2020/2021 financial year.

End User Licensing of PAF had reduced during May 2020, the peak point of economic upheaval during the first wave of the Covid pandemic. This had bounced back quickly, indicating the ongoing and increasing importance for online retailers and others to have good quality address data.

The AMU reported a slight acceleration in the shift towards transactional based licensing, which may be reflective of general business uncertainty, businesses being unwilling to commit to longer term products. Transaction pricing could account for 35% of PAF Licence revenue for 2020/21.

## 8. RM Group Management Restructure

The AMU reported that further tiers of the RM restructuring exercise (that would impact the AMU) were well underway. New templates were expected to be issued in November, with a preference and matching exercise to follow. It was currently expected that the outcomes would be known prior to Christmas

The Board stressed the productive ongoing relationship between the AMU and the PAB and the desire for continuity following the conclusion of the restructuring exercise.

**ACTION:** The Board invited the AMU to update the Board once outcomes for the AMU were known.

## 9. Business Names Research – Onward Activity

The AMU advised that they had commenced activity based on the PAB business addressing report. They had sourced Companies House data to compare with PAF data. The initial work had demonstrated this could positively help with maintaining Business Name changes. Due to ongoing impacts of the Covid pandemic, the analysis work had been delayed but was hopefully going to be restarted during November.

**ACTION:** The Board invited the AMU to update the Board once the analysis work had been restarted and further action was identified.

## 10. Strategic Mailing Partnership (SMP) Survey

Judith Donovan had shared some results from a survey that had been undertaken by the SMP, to help understand the impact of Covid-19 on businesses.

Detail of the survey could be found on the SMP website: <http://the Strategic Mailing Partnership.co.uk/2020/10/27/covid-19-business-impact-survey-the-results-are-in/>

An interesting element of feedback was that 73% of respondents believed that the increase in working from home might slow down and/or redirect the switching to digital of some marketing budgets.

A number of theories surrounded this input, with some thought centred on the fact that, exacerbated by the ongoing Covid pandemic, digital channels had become saturated and viewed as less safe (including impacts to mental health and wellbeing), and consumers who were at home in greater numbers during the pandemic may prefer to receive appealing physical advertising materials.

Feedback also indicated that an immediate ruling from HMRC that VAT would be charged on Facebook would likely hit the Charity sector most and an extra 20% cost on a specific channel might persuade organisations to invest more in other channels such as mail.

## **11. Communicating the Value of PAF**

## **AMU**

The AMU reported they were continuing to promote the value of PAF and the importance of good addressing across a range of wider Royal Mail Group and specific AMU campaigns, with increased frequency and reach across a range of social media channels. It was expected that this would be a continuing theme for the future.

## **12. PAB meetings for 2021**

The Secretary advised that PAB meetings would continue to be held quarterly for 2021, with meetings taking place in January, April, July and October.

The Board endorsed this approach, but also requested an update from the AMU between PAB meetings to identify activity underway and any issues for the PAB to consider at that time, rather than waiting for the next PAB meeting.

**ACTION:** The PAB invited the AMU to produce a one-page summary for the PAB at a mid-point between each PAB meeting of 2021.

## **13. Next meeting**

Currently forecast to be 13:00 on 21<sup>st</sup> January 2021. Likely to be held by video conference, to be advised closer to the meeting date.

# Annex A – AMU P&L 2019/20



## Published P&L – FY19/20

### Regulatory income statement for selected products

	52 weeks ended 29 March 2020		53 weeks ended 31 March 2019	
	Network Access £m	PAF £m	Network Access £m	PAF £m
Revenue	1,551	32	1,544	31
Operating costs	(1,592)	(29)	(1,556)	(27)
People costs	(1,265)	(22)	(1,225)	(21)
Depreciation and amortisation	(69)	(1)	(71)	(1)
Other operating costs	(258)	(6)	(260)	(5)
Operating (loss)/profit before transformation costs	(43)	3	(12)	4
Transformation costs	(24)	(1)	(25)	(2)
Financeability EBIT	(65)	2	(37)	2
Financeability EBIT as % of total revenues	(4.2)%	6.2%	(2.4)%	7.9%
Volumes (million items)	6,362	-	6,709	-



£m	19/20	18/19
Revenue	32	31
Op. Costs	(29)	(27)
Op. Profit before	3	4
Transformation	(1)	(2)
Op. Profit after	2	2
Op. Margin after	6.2%	7.9%



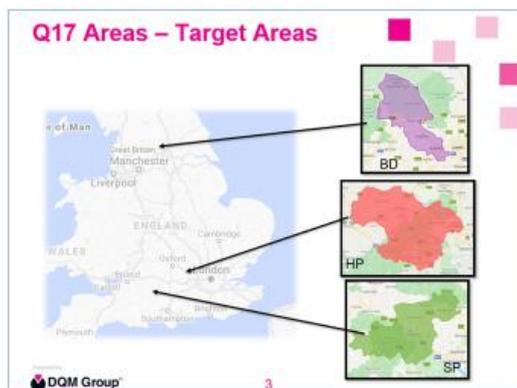
£k	19/20	18/19
Revenue	31,867	31,314
Op. Costs	(28,691)	(27,306)
Op. Profit before	3,176	4,008
Transformation	(1,192)	(1,516)
Op. Profit after	1,984	2,492
Op. Margin after	6.2%	8.0%



## Annex B – PAF Data Quality Q17 & Q18



## Q17 & Q18 – Target Areas



# PAF Scores

**Delivery Point Score 97.1% 95.3%**

	Q17	Q18
City	(BD) 97.9%	(PL) 94.8%
Urban	(HP) 96.3%	(YO) 95.4%
Rural	(SP) 96.6%	(ME) 95.8%

**Changes Score 96.3% 95.7%**

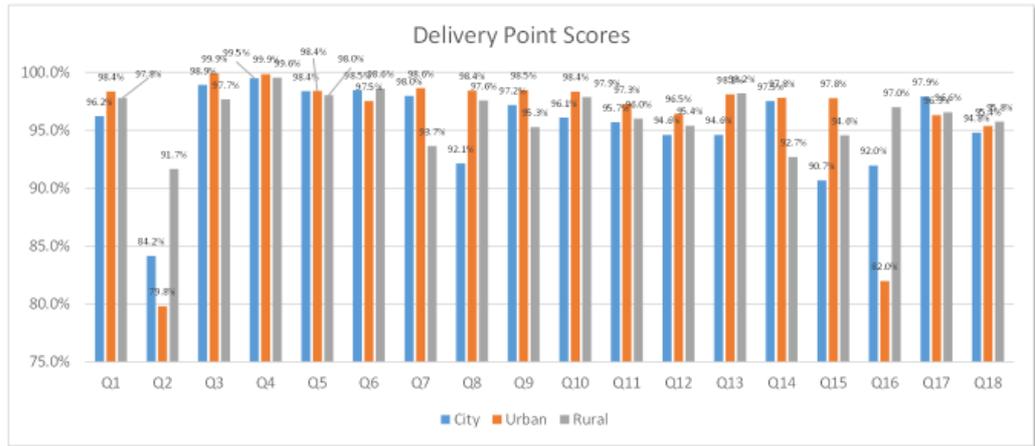
	Q17	Q18
City	(BD) 96.1%	(PL) 93.5%
Urban	(HP) 98.2%	(YO) 95.5%
Rural	(SP) 95.8%	(ME) 97.9%



2020 PAF\* | WWW.POWEREDBYPAF.COM  
Classified: RMG – Internal



## Weighted PAF Scores To Date





## Weighted PAF Scores To Date

