

No. 176/26

17th June 2026

Dear Colleague,

Incentive Scheme for Delivery Units

In July 2025 members endorsed both the Rebuilding Royal Mail Part 1 and Part 2 agreements. Part of the commitments within the agreement was for an incentive bonus scheme to be agreed.

Talks began last year on how these schemes would work. The talks within the delivery operations were guided by the following principles:

- That the scheme would be self-funded.
- That it would be based on the opportunity to receive a bonus payment if the cost per item for an individual unit is reduced.
- That the criteria for achieving the bonus would be based on an individual unit's own budget and quality.

We have tried to make the scheme simple to understand. The principle is that if the local unit reduces the cost per item through either increased traffic or improvements in productivity/efficiency, then a bonus will be paid. The Terms of Reference (TOR) attached explain how the incentive bonus scheme will work. A more detailed brief of the scheme will be published for reps and managers in due course.

The scheme ensures that 30% of the bonus is guaranteed simply by reducing the unit cost per item. The remaining 70% is linked to quality based on the current unit's quality performance.

The national agreement reached on USO reform, as agreed within section 2.7, is as follows:

2.7 Delivery Site Incentive Scheme

RMG and CWU will introduce a new Delivery Site Incentive Scheme in delivery units following each site's USO go-live date.

- **The terms of this incentive scheme will be agreed and self-funded on an adjusted cost per item model, based on an individual unit-specific cost, to the timelines agreed by the working group.**
- **The scheme will not jeopardise resourcing to workload, or the outputs of the mandatory weekly resourcing meetings which is an absolute necessity under USO reform. Neither will it quicken nor change the mandatory review post-deployment, nor change the job security guarantees.**

- **The delivery incentive scheme will be reviewed following USO Deployment.**
- **Further talks on similar schemes in processing and other parts of RMG will continue with the aim of reaching an agreement in line with the commitments set out in Section 5.**

Currently there are 26 units across the UK which have so far deployed DM26 and they are:

Petworth	Mossley Hill
Shepperton	Irlam
Charlton	Manchester Noth
Bakewell	Manchester South East
Marple	Duns
Ripley	Runcorn
Barnard Castle	Rosendale
Brampton	Clarkston
Grange Over Sands	Campbeltown
Keswick	Alresford
Longridge	Lingfield
Garston	St Ives TR
Portland	Hebden Bridge

All of these units are already within the incentive scheme, backdated to their deployment date. All units will enter the scheme from day one of their deployment.

The important principle is that whenever a unit falls below the office budget for any quarter, our members will receive a payment. Previously this reduction would have gone back to Royal Mail.

It should also be noted that during the first period after USO deployment, the old pre-USO budget will remain in place, providing a real opportunity for our members to receive a bonus payment.

There are plenty of safeguards within the scheme, including an ongoing review, a governance structure, an escalation process, and safeguards for the Road Traffic Accident (RTA) process.

We are holding a call with the 26 units on Thursday 18th June to brief the local reps and managers of the 26 DM sites. A further briefing is scheduled for the Area Delivery Reps of the 26 DM sites. Similarly, we will be holding a briefing for Divisional Reps on 18th June.

It is the intention to hold a national online briefing on USO in the next two weeks, during which we will also explain the incentive scheme.

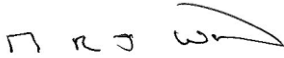
This is the first nationally agreed incentive/bonus scheme since PBS (Performance Bonus Scheme) in 2000. This scheme will allow our members within deliveries to potentially receive a quarterly bonus.

Further negotiations will now commence on reviewing how incentive schemes can be introduced across other parts of the Royal Mail Group.

Finally, I would like to place on record my thanks to the following Postal Executive members Owain Beaumont, Darren Glebocki, Steve Halliwell, and Ally Macleod South East Divisional Rep, for their hard work and support in achieving the agreement. I would also like to thank National Officers Davie Robertson and Tony Bouch.

Any enquiries relating to the content of this LTB should be referred to the Deputy General Secretary (Postal) department hford@cwu.org.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M R J Walsh' with a stylized flourish at the end.

Martin Walsh
Deputy General Secretary (Postal)

Terms of Reference for the Delivery Site Incentive Scheme

1. Introduction & Background

Royal Mail and CWU support the principle of sharing with frontline employees the benefits generated through increased productivity, reduced cost and improvements in quality, where these benefits are achieved through safe, sustainable and jointly understood ways of working.

The Agreement Between Royal Mail and CWU, *Resolution of RMG / CWU Dispute Resolution Processes: Deployment of USO Reform and Equalisation of New Entrants' Terms, Conditions*, confirms that RMG and CWU will introduce a new discretionary Delivery Site Incentive Scheme (**Site Incentive**) in Delivery units following each site's USO go-live date.

This document sets out the shared understanding of how the Delivery Site Incentive Scheme will be developed, deployed, reviewed and iterated through the Joint Working Group. It outlines the principles, governance and ways of working required to deliver the scheme transparently and in alignment with USO Reform.

The scheme has been agreed on a self-funded basis, using an adjusted cost per item model based on each individual unit's specific cost base. The roll-out of the incentive scheme will be linked to each site's USO deployment timeline and will take account of the unit's own budget, quality performance data and areas that are broadly within local control.

2. Programme Design Principles

The Delivery Site Incentive Scheme will operate under a set of core design principles that define how the programme should function and what standards it must meet. These principles ensure the scheme is credible, transparent, and delivers uplift that is fair to frontline employees and operationally sustainable for Royal Mail.

2.1. Self-Funding

- The programme must generate benefits that are sufficient to cover the cost of incentive payments and deliver a benefit to both the business and individuals in the scheme.
- The scheme for Delivery units will be based on adjusted cost per item, calculated as in-scope budget costs divided by weighted traffic.
- Improvements should be demonstrable against in-scope costs from the existing unit-based business budget.
- Unit budget position will reflect the agreed USO budgeting profile, including any planned budget adjustment over the post-deployment flightpath period.

2.2. Gated

- A unit's incentive payment will be released dependent on the number of Quality of Service metrics the unit has achieved. Delivery sites will have three Quality of Service metrics that they will be measured against. The incentive payment determined from reducing adjusted cost per item will be unlocked based on the following schedule:

Scenario	% Payout Unlocked
All gates failed	30%
Two gates failed	50%
One gate failed	70%
No gates failed	100%

- Sites will initially have their Quality of Service targets aligned to their current performance level, measured as the Quality of Service from the previous year's equivalent quarter to account for seasonal factors. Sites in the lowest 20% for a specific Quality of Service metric will initially be targeted to reach the 20th percentile for that metric.
- Following each site's USO Reform go-live date, Quality of Service targets will follow the same post-deployment flightpath as the finance profile. For the first 12 weeks after deployment, targets will continue to be based on the site's previous performance. This will then be followed by an 8-week linear transition to the new post-USO standards.
- Once the post-deployment flightpath is complete, the standard targets will be no more than 1% Delivery Loss for Tracked 24, no more than 1% Delivery Loss for Tracked 48, and 99.5% Delivery Point Coverage (measured only against the unit's performance and not subject to pipeline factors). Delivery Point Coverage is included as a supporting measure, with the 99.5% threshold reflecting the minimum level expected to support achievement of the 1C 90% target.

2.3. Meaningful to the Frontline

- The scheme should connect day to day effort with tangible recognition and reward.
- Both parties agree the intent should be that the incentive is significant enough to be worthwhile

2.4. Simple

- The model should be easy to understand, using a small number of clear performance metrics that show how payout is earned
- Rules, exceptions and carve outs should be kept to a minimum so that the scheme is transparent and consistent

2.5. Fair

- Both parties agree that the intent should be for all sites to have an ability to achieve an incentive scheme payment

3. Programme Objectives

The primary objective of the Delivery Site Incentive Scheme is to deliver a measurable and sustainable unit-based performance uplift that does not compromise safety, quality of service, or the agreed principles of USO Reform. More broadly, the programme will ensure the scheme operates effectively end to end, remains financially self-funded, and can be reviewed and iterated in line with USO deployment.

3.1 Cost Per Item Improvement

- *Deliver measurable adjusted cost per item improvement at unit level.*
- *Support increased frontline engagement, enhancing the customer experience at the doorstep and reducing attrition, thereby driving financial benefits for both the business and frontline employees.*
- *Ensure improvements are repeatable, sustainable and capable of being maintained across performance periods.*

3.2 Quality of Service Preservation

- *Ensure that performance improvement does not drive deterioration in Quality of Service metrics, including Tracked 24 Delivery Loss, Tracked 48 Delivery Loss and Delivery Point Coverage.*
- *Confirm that gains are achieved through safe, transparent and sustainable working practices.*
- *Ensure Quality of Service targets remain aligned to the agreed USO post-deployment flightpath, including the 12-week period based on previous performance, the 8-week transition to post-USO standards, and the final post-USO standard targets.*

3.3 Financial Viability

- *Ensure the programme is financially self-funded, with benefits covering incentive payments and delivering value to the business.*
- *Ensure payment timing, method and variability allow the scheme to operate smoothly and reward frontline employees effectively.*
- *Maintain clear visibility of the relationship between unit-level performance, calculated benefit and incentive payment.*

3.4 Operational Readiness

- *Ensure frontline employees clearly understand how the programme works, what drives payout and how they can influence results.*
- *Ensure all involved parties, including managers, CWU representatives and frontline colleagues, understand their role in supporting the scheme.*
- *Ensure all required systems, including data, reporting and payroll, operate effectively to run the scheme reliably.*
- *Provide appropriate training and briefing for representatives and managers, including local and area leadership.*

3.5 USO Reform

- *Ensure the Delivery Site Incentive Scheme is deployed in alignment with each site's USO go-live date wherever possible. USO Pilot sites that have already deployed USO Reform will become eligible for the scheme as soon as reasonably practicable-with the scheme*

being applied retrospectively against each Delivery unit's 2026/27 USO Reform deployment date.

- *Ensure that both budget and Quality of Service targets are aligned to the agreed USO post-deployment flightpath, so sites are measured against the relevant expectations for their stage of deployment.*
- *Recognise that deployment at pace alongside USO Reform will require regular reviews to ensure the scheme remains aligned with the agreed Site Incentive Scheme principles.*

3.6 Ongoing Development and Iteration

- *Use learning from live deployment to identify where agreed adjustments may be required during the course of implementation.*
- *Continue to model and review additional factors not currently in scope, to consider whether further areas should be included or excluded in support of the scheme's overall aims.*
- *Ensure any adjustments, rebasing or further iterations of the scheme are reviewed and agreed through the Joint Working Group.*
- *Further talks on similar schemes in Processing and other parts of RMG will continue, with the aim of reaching agreement in line with the commitments set out in Section 5.*

4. Programme Structure & Timelines

The Delivery Site Incentive Scheme will operate on a quarterly performance cycle, with performance measured over the full quarter and incentive payments made in the following month.

Performance Quarter	Target Payment Month*
April, May, June	July
July, August, September	October
October, November, December	January
January, February, March	April

*Payment timing is subject to completion of performance validation and payroll processing, which may result in payments being made in the month following the target month in some cases.

Performance across the full quarter will be used to determine any incentive payment due. This will ensure the scheme rewards sustained unit-level improvement rather than short-term or isolated performance movements.

The scheme will be deployed in Delivery units following each site's USO go-live date wherever possible. Where a site goes live during a performance quarter, eligible employees will receive a pro-rated incentive payment for the period during which the site was live within that quarter,

noting the scheme being applied retrospectively against each Delivery units 2026/27 USO Reform deployment date.

Where a site is within the USO post-deployment flightpath, the scheme calculation will reflect the applicable budget and Quality of Service target position for that performance period, in line with the agreed USO budgeting and Quality of Service profiles.

In cases where a site deploys part-way through a performance period, full-quarter performance data will be used wherever available. Where a partial-period calculation is required, an agreed methodology will be applied to infer performance for the period during which the site was live, and reflective of the 2026/27 USO Reform deployment date. This calculation will be agreed through the Joint Working Group to ensure consistency, transparency and fairness.

The Joint Working Group will oversee deployment, review performance outcomes and agree any required adjustments during implementation to ensure the scheme remains aligned to the agreed principles, the adjusted cost per item model and USO Reform.

5. Programme Ways of Working

The Delivery Site Incentive Scheme will be supported by a structured operating model that ensures consistency across sites, maintains joint working between Royal Mail and the CWU, and enables the scheme to be reviewed and iterated as deployment progresses. The scheme recognises the need to deploy at pace in line with USO Reform while maintaining alignment to the agreed Site Incentive Scheme principles.

5.1. Joint Governance and Deployment Oversight

- The scheme will be overseen nationally by a Royal Mail and CWU Joint Working Group.
- The Joint Working Group will review deployment progress, scheme performance, communications, training materials, calculation methodology and any scheme-level issues raised by either party.
- Sites will enter the scheme in line with each site's USO go-live date wherever possible, recognising the shared aim of aligning incentive scheme deployment to the wider USO Reform deployment plan.
- The Joint Working Group will support the ongoing review and iteration of the scheme, ensuring that learning from deployment is captured and considered in a timely manner.

5.2. Consistent Communications and Deployment Structure

- Sites entering the scheme will receive a consistent communications pack from the Site Incentive team, ensuring managers, CWU representatives and frontline employees understand what is changing, why it is changing and how the scheme will operate.
- Pre-launch briefings will be held for frontline managers and CWU representatives to communicate the scheme design, metrics, calculation approach, payment principles and expectations.
- Training materials and briefing packs may be reviewed and iterated during deployment to reflect learning, improve understanding and support consistent implementation.
- Any changes to communications or training materials will be considered through the Joint Working Group, with the shared aim of maintaining clarity, consistency and alignment with USO Reform.

5.3. Weekly On-Site Rhythm

- Existing weekly resource and operational meetings will be used to assess current operational arrangements against the scheme's targeted outputs and identify agreed actions to support performance improvement.
- These meetings should reinforce that the scheme must not jeopardise resourcing to workload, which remains an absolute necessity under USO Reform.
- Local discussions should focus on actions that are within the reasonable control of the site and support safe, sustainable performance improvement.
- Structured feedback loops will be used to capture learning from sites, share common issues and support wider scheme improvement. An agreed list of **reference sites** will be identified, with which the Joint Working Group will engage in a focused way to gather feedback, test understanding and identify any scheme-level learning during deployment.

5.4. Joint Scheme Review Panel

- A Joint Scheme Review Panel will be established to consider scheme-level issues raised by either party where there is evidence that the Delivery Site Incentive Scheme is not operating in line with the agreed Site Incentive Scheme principles.
- The panel will consist of four members:
 - Two CWU representatives
 - Two Royal Mail representatives
- Either party may raise an issue to the panel where there is evidence of a material and recurring scheme-level concern, that goes against the agreed design principles.
- The panel's role will be to consider material scheme-level learning and potential iteration. Existing operational, finance, traffic, quality and payroll processes will continue to be used to resolve site-level data queries, local performance reviews and individual payment queries in the first instance.
- The panel may consider whether a scheme-level adjustment or iteration is required. Any proposed changes will be reviewed through the Joint Working Group and implemented in line with the agreed governance arrangements.

5.5. Safety and RTC Review

- Royal Mail and the CWU jointly agree that the safety of Royal Mail employees is of fundamental importance and that Road Traffic Collisions (RTCs) should form part of the Delivery Site Incentive Scheme as an area both parties jointly want to reduce and improve over time.
- Royal Mail and the CWU jointly agree that the inclusion of RTCs is intended to support safer performance and responsible operational behaviours, and not to create disproportionate outcomes where otherwise meaningful incentive payments are entirely removed due to RTC impacts.
- During the first six months of the scheme, where review of scheme outcomes shows that, at 5% or more of participating sites, the inclusion of RTCs within the scheme has fully eliminated an incentive payment of £50 or more per eligible employee, those sites will instead receive the payment that would have applied had RTCs not been included for that performance period.

- In such circumstances, Royal Mail and the CWU will jointly review the operation and design of the RTC element through the Joint Working Group to determine whether any scheme-level adjustment or iteration is required.

5.6. *Escalation, Review and Iteration*

- Escalation will be through the Joint Working Group and should be reserved for circumstances where there is evidence of consistent and material failure against the agreed Site Incentive Scheme principles.
- Routine site-level issues, data queries or local concerns should be managed through existing operational, finance, traffic, quality or payroll processes in the first instance.
- The Joint Working Group will review scheme operation on an ongoing basis, using learning from deployment to identify where scheme-level iteration may be required.
- Any proposed scheme-level changes will be considered through the Joint Working Group, with Royal Mail and the CWU seeking to agree changes jointly wherever possible.
- The Delivery Site Incentive Scheme will be subject to a full review following USO deployment, in line with Section 2.7 of the DRP agreement.
- Both parties will complete formal reviews on the outputs from the scheme following each quarterly payment to ensure it is operating in line with the overall aims and objectives of the scheme to ensure it is delivering the expected outputs. Where there are issues and/or changes required to the scheme it will be subject to discussions via the National JWG to be agreed.
- It is the shared intention that the Delivery Site Incentive Scheme will operate for the duration of the current pay agreement period and is expected to run until 31 March 2028.
- Any future arrangements beyond this point will form part of wider Royal Mail and CWU collective negotiations on frontline reward and incentive arrangements.

6. Payment Principles

Eligibility for incentive payments will be based on employees being employed by Royal Mail and aligned to an eligible Delivery unit on the final day of a quarter.

- All employed Royal Mail frontline Delivery employees aligned to an eligible Delivery unit will be eligible for an incentive payment on a pro-rata basis, subject to the terms of the scheme.
- Pro-ration will be calculated using contracted hours, with 37 hours per week defined as the full-time equivalent baseline for the purposes of the calculation. Any contracted hours in excess of 37 hours per week will be treated as 37 hours for incentive calculation purposes.
- Inclusion in the incentive scheme will be determined by an employee's status on the final day of each quarterly performance period.

- Where a site becomes eligible part-way through a quarterly performance period, incentive payments will be calculated on a pro-rata basis for the period during which the site was live within that quarter, in line with the agreed calculation methodology.
- Incentive payments will only be reduced proportionately to pay reductions in the following circumstances:
 - Unauthorised absence, where pay abatement applies.

7. Ongoing Negotiations

Further talks on similar schemes in Processing and other parts of RMG will continue, with the aim of reaching agreement in line with the commitments set out in Section 5 of the agreement.