

ANNOTATED AGENDA

MEETING WITH SECOND SIGHT

24 FEBRUARY 2014

1300

A. Second Sight's Plans

- Second Sight have indicated that they are considering briefing/giving the Generic report to MPs ahead of the Arbuthnot meeting.

B. Scope of Second Sight's Engagement

- Letter of Engagement - current disagreement focusses on the Scope of the letter and whether it should reflect the wider work Second Sight believe they are engaged to carry out
- Job One – Second Sight have commented this week that they are engaged on two jobs. Job one is for MPs and is separate to their work on the Scheme (although overlapping). They believe Post Office has committed to support and fund this work.
- Job Two – Job Two is the work Second Sight are carrying out for the Scheme which is currently being delivered in parallel to Job one.

C. Second Sight's capacity

- So far there have been delays on both Post Office side and from Second Sight who have indicated they will not meet the 27 February deadline for the generic report but hope to have two individual reports ready.
- Post Office need a firm commitment on the number of cases Second Sight will be able to review and report on a week
- We suggest five cases a week from the point at which the generic report is produced and by mid March at the latest.

D. AOB

1) Second Sight's Plans

- Second Sight have been in contact at the end of the week to discuss the Arbuthnot meeting – which they were surprised that Post Office were invited to.
- In the course of that discussion they also raised the possibility of them presenting the MPs with a copy of their generic report or briefing them on its contents.
- This kind of intervention will not be helpful in terms of maintaining a clam environment for Post Office to settle the mediation cases in.
- However you might wish to offer the compromise that they can brief James Arbuthnot on the contents of their report after it has been reviewed by the Working Group – providing the Working Group agree to this.

2) Scope of Second Sight's Engagement

- This is an important opportunity to hear what Second Sight are willing to say about their engagement by Post Office.
- They have repeatedly been clear with Post Office that they are engaged on two pieces of work.
- They have declined to sign the first engagement letter as it is too narrow and does not cover the MPs work explicitly.
- They have asked for a second engagement letter to cover that work. So far Post Office have declined to provide a second letter as we do not believe there is any agreement for an ongoing piece of work.
- To soften this news you may wish to offer to include the production of a final report in the engagement letter.
- The other key issue of contention with the engagement letter is the ability of Second Sight to act against Post Office at some future point. This was included at the Board's request but Second Sight have portrayed this as an unlawful interference in their ability to trade. Post Office are clear that the proposed clause is legal.

3) Second Sight's capacity

- Second Sight are currently working on five individual case reports and the production of the generic report.
- From their invoice we know that they are also spending a substantial amount of time at the front end of the process talking to advisors and they are currently working on at least five Case Questionnaire Responses.
- The timeline of 27 February for the production of the generic report and the first four case reports has slipped (again) and Second Sight currently envisage delivery two individual case reports on 27 February.
- This pace is concerning as Post Office currently have six cases in the final stage of legal sign off and 15 full reports with Bond Dickinson and Cartwright King for review.
- Post Office are investigating a further 18 reports using an investigative team of 22.
- Second Sight do not appear to have the capacity to cope with the volume that is coming and this will materially impact on Post Office's ability to conclude the Scheme by the end of the year.

Options to increase the capacity of the Initial Complaint Review and Mediation Scheme

In discussion internally and in Post Office we have identified three key options to increase the capacity of the Scheme to ensure it completes in a timely fashion. The Status Quo has been examined and discarded as it is felt it places both public money and the delivery of the Scheme at too great a risk.

- 1) **A clean break from Second Sight** engaging an alternative firm to review all the cases for mediation and to produce a final report.
- 2) **Supporting and Managing Second Sight** moving Second Sight to a fixed price contract for reviewing cases and a fixed price for producing a final report. This option needs to be coupled with an agreement that if necessary Post Office can choose to increase the capacity to review reports with an independent firm of Post Office's choosing.
- 3) **Narrow Second Sight's Scope** moving Second Sight to a fixed price contract for producing a final report and introduce an independent firm of accountants to take on the mediation case review, whilst retaining Second Sight on the Working Group – with working group Terms of Reference clarified so that it is clear that they oversee the Scheme only.

The Three options are not mutually exclusive and in fact may provide a course of escalation for Post Office to pursue with Second Sight should the current concerns continue or intensify.

On that basis it is recommended that **Option two is pursued at this point**. While holding option one and three in reserve.

A short assessment of the pros and cons of the options is set out below.

| | Option One | Option Two | Option Three |
|------|--|---|--|
| Pros | <ul style="list-style-type: none"> ✓ Safeguards public money ✓ Clean break with Second Sight ✓ More resource available to conclude the Scheme ✓ Long term reduction in drain on senior management time ✓ Post Office ability to manage the Scheme established | <ul style="list-style-type: none"> ✓ Post Office ability to manage the Scheme increased ✓ Public money partially safeguarded ✓ Avoids conflict | <ul style="list-style-type: none"> ✓ Post Office ability to manage the Scheme increased ✓ Public money partially safeguarded ✓ Scheme more likely to complete on time ✓ Satisfies ministerial commitment |
| Cons | <ul style="list-style-type: none"> ✗ Will draw media attention and MP attention ✗ May lead to a focus in Parliament ✗ Difficult to sell to BIS and Minister ✗ May lead to loss of trust in the Scheme ✗ No binding contract with Second Sight in place | <ul style="list-style-type: none"> ✗ Risks delaying the issue rather than tackling it ✗ Continued long term drain on senior management time ✗ Successful delivery of the Scheme is not assured ✗ Will eventually lead to adverse media coverage and reputational damage ✗ Will be difficult to agree with Second Sight | <ul style="list-style-type: none"> ✗ Continued long term drain on senior management time albeit reduced ✗ Will eventually lead to adverse media coverage and reputational damage ✗ Will be difficult to agree with Second Sight |