

Briefing: Chairman and Chief Executive, Post Office Limited

**MEETING WITH JAMES ARBUTHNOT, MPS, JFSA AND SECOND SIGHT
24TH MARCH, 5.45PM
ROOM T – PORTCULLIS HOUSE**

1. Background

- Following on from the meeting you had with James Arbuthnot MP, 20th January 2013, Mr Arbuthnot has organised a meeting to update MPs on how the Initial Complaint Review and Mediation Scheme and business improvements are progressing.
- The Post Office contacted all MPs that received an invite from James Arbuthnot.
- MPs Priti Patel, Karen Lumley and Jonathan Djanogly have said their researchers will attend the meeting on their behalf (no other MPs responded to the Post Office email).
- Mark Davies spoke to Janet in James' office who has confirmed that they will not be proactively seeking media attention. However, JFSA could contact the media.
- ANTICIPATED NUMBERS/NAMES of attendees (DAVID OLIVER) – once we have the names we will add a note to this about questions they have asked / any issues they have.
- The meeting is a chance for the Post Office to:
 - talk about the extent of the ambition for change 'Securing the Future: Strategy 2020'
 - explain the positive work already underway in relation to improving training and support for subpostmasters
 - manage the expectations of MPs, Second Sight and JFSA.
- For context the last meeting that James Arbuthnot organised for MPs was attended by 4 MPs and 4 researchers (9th July 2013):
 - MPs - Oliver Letwin, Tessa Munt, Andrew Bridgen and Mike Wood.
 - Researchers for Jonathan Djangoly, Jonathan Lord, John Woodcock and Mark Prisk

2. Agenda

1. **Welcome and introduction, James Arbuthnot MP** – 5 mins
2. **Update on progress with mediation scheme and business improvement programme, Paula**
–15 mins
3. **Second Sight update** – 10 mins
4. **JFSA update** – 10 mins
5. **Q&A, All** – 20 mins

3. SPEAKING NOTE FOR PAULA (James will introduce Paula)

Introduction

- Thank you James.
- Before I talk about the Scheme and the improvements we are making as a business, I would like to publicly thank James for his persistence and support.
- We appreciate the time and support he has provided to subpostmasters and MPs with an interest in the Scheme.
- If I may I would also like to re-iterate what I know James has said to you all about this meeting and what it's about.
- The Scheme is in progress. I am grateful to Sir Anthony Hooper, the independent Chair of the Working Group overseeing the Scheme, and JFSA and Second Sight, as members of the Working Group for their work (overseeing the Scheme).
- I am sure you will understand that it would be inappropriate to discuss individual cases in this meeting – both to protect the privacy of individual applicants but also to avoid skewing the mediation process in any way.
- I know that you are all here today to hear about how the Scheme is progressing and the business improvements we are making and I will be talking about those.
- However, having established the Working Group, and appointed an independent Chair, I am sure you appreciate that the administration of the Scheme is a matter for the Group and it is important not to say anything which has the potential to undermine the role of the Working Group or the independence of the Chair.
- I also know that you all have an interest in and are supporters of the Post Office.
- As the Chief Executive of the Post Office I take my responsibility to the Post Office extremely seriously and so I wanted to start today by providing you with some background to the Post Office and the changes we are making in order to improve the way we operate.

Our Business is changing

- Like any other business, our model only works if we can remain competitive in what are increasingly fast-changing markets.
- And we can only do this by putting our customers first.
- So, with the assistance of Government funding we are rolling out the biggest transformation in our history.
- We are meeting customer demand for brighter retail environments and longer opening hours.

- Since April 2012 we have converted over 1,800 branches into new Main or Local models and created an extra 40,000 opening hours for our customers. This is the equivalent of every Nationwide branch and every branch of the Halifax being converted in just over a year. This is an achievement that I am proud of – and we have a further 1,140 contracts already signed too.
- Over 95 per cent of customers are saying they are happy with service in our transformed branches
- Some of you may already have opened a newly modernised branch in your constituency. And there will be plenty of further opportunities over the coming months.
- We are also providing additional support for around 3,400 crucial community and outreach Post Office branches – mainly in rural locations - with a new £20 million programme. In many cases these branches will be on the only shop left in the community providing key services and sometimes acting as a crucial lifeline for vulnerable customers.
- We are holding a series of regional events in Parliament at which you will be able to find out more about what our plans mean for your constituency.
- The team will be in contact with you with details of the event for your region. Dates confirmed so far are:
 - Tuesday 1 April: South East, Amber Rudd MP, (SSM: Martine)
 - Wednesday 2 April: London, Matthew Offord MP, (SSM: Simon)
 - Tuesday 8 April: North East, Mary Glendon MP, (SSM: Steve)
 - Thursday 15 May: East of England, Bob Russell MP, (SSM: Gary)
- As a business we recognise the challenges we face and we know that the path ahead will not always be smooth. But we have the confidence in our business and its strengths and unique role in society to know that we can deliver the business transformation of the decade.

Engagement

- We recognise that if we are to succeed commercially, we need to change the way we work.
- In short, we need to engage more effectively with everyone who has a stake in the business.
- That means becoming a more “listening” organisation. It means involving people in the way we change: how we develop and deliver products.
- A two-way engagement model which recognises the range of interests in the Post Office, from people with different perspectives e.g. customers, subpostmasters, employees and community organisations.
- We have already started on this path.

- For example, we have set up a new Post Office Advisory Council that had their inaugural meeting last week (19th March).
- The Post Office Advisory Council will provide a formal mechanism for customers, employees, subpostmasters and wider stakeholder groups to engage with the Post Office on areas such as new products, services, branches and advertising.
- We have also introduced new forums involving staff and subpostmasters in product development and branch support and training.
- As I have already said, we want to listen. We launched a new subpostmaster engagement survey at the end of September 2013 which ran until the end of October.
- We will run this every year and you can be assured that we will become a learning organisation that changes to better serve our customers, people and subpostmasters.

Business Improvements

- As you will be aware, the Second Sight report into the Horizon system produced in July 2013 found no systemic issues with the Horizon system.
- However, it suggested that improvements could be made in the training and support processes provided to subpostmasters in certain areas.
- Second Sight's work and our own reviews have highlighted the need for us to make improvements to the way we support and train subpostmasters.
- We recognise that we need to do more to support subpostmasters who are the lifeblood of our organisation.

Scheme Overview

- I'd like to firstly provide you with a bit of context about the Horizon system.
 - Horizon currently has around 68,000 users and processes more than six million transactions every day.
 - There are 2.5 billion transactions successfully undertaken every year.
- The overwhelming majority of people who work in our branch network are professional, honest and provide the highest standards of service possible.
- The overwhelming majority of subpostmasters follow processes accurately and successfully complete transactions.
- We provide subpostmasters with training and support and there are support processes in place to help them successfully complete transactions - on-screen, help-desk and field support.

- However we are a new, independent business, and know that in some cases we would want to do things differently and that's why we have established the Scheme and Branch Support Programme - it's to address the genuine concerns raised by subpostmasters.
- I'm now going to ask Angela to talk to you in more detail about the business improvements we are making (ANGELA NOTE IN ANNEX 1)
- Then I am going to ask Chris to talk about the Mediation Scheme process (CHRIS NOTE IN ANNEX 2)

Summary

- In closing, I would like to reassure you that we are taking the concerns raised by some current and former subpostmasters seriously.
- I believe that we now have improved processes in place to deal with issues as and when they arise.
- The training and support we provide for our people has been strengthened and we have learned valuable lessons from undertaking these activities.
- Today I am proud that we are a different Post Office from the one we saw a few years ago.
- Our physical network is being transformed, but in many ways that is just the start.
- Our product offering is growing and customers are at the centre of all we are doing.
- We have changed our ways of working and are listening a lot more.
- The Post Office has a bright future, one with lots of challenges, but we are up for meeting these head on and have made some great progress already.

4. Q&A Section

Will you comment on the Second Sight review / report? / Have you seen the Second Sight review/report?

Post Office can confirm that Second Sight has sent a draft of their first case review report to the Working Group overseeing the Scheme. As a member of the Working Group Post Office has received a copy of the report. It is not appropriate for us to comment on individual cases as the process is confidential and we wish to respect the privacy of the subpostmasters involved

Why is it taking so long to resolve subpostmaster issues?

The Working Group needs to balance the need to progress cases through the scheme with pace with the need to be thorough. The Post Office is a member of the Working Group as is Second Sight, JFSA and the Chair of the Working Group is Sir Anthony Hooper. We are working with all members of the Working Group to progress cases as quickly as possible.

How might cases be resolved?

The Post Office is committed to addressing the concerns raised by subpostmasters. Post Office is keeping an open mind to all possibilities for resolution and mediation enables the parties to explore any type of settlement which reflects the parties' realistic positions.

Only if pressed on Compensation add: Compensation is one possible solution that could be agreed by the parties. However, this will depend on what happened in each individual case. Post Office is keeping an open mind to all possibilities for resolution.

Will all cases go to mediation?

The Scheme was established to help resolve the concerns raised by some subpostmasters. If cases do not go to mediation the parties may still try to resolve their disputed outside of the Scheme [if pushed....including bringing a claim through the courts].

What happens if there is no agreed outcome at the end of mediation?

The Scheme was established to help resolve the concerns raised by some subpostmasters. If cases do not go to mediation the parties may still try to resolve their disputed outside of the Scheme [if pushed....including bringing a claim through the courts].

How does the Post Office decide whether to prosecute?

The Post Office treats all suspected cases of possible criminal conduct very seriously, and will consider each case on the facts of the individual case. In deciding whether a case should proceed to criminal prosecution the Post Office must be satisfied that it meets the two stages of the test set out in The Code for Crown Prosecutors. The first is whether there is sufficient evidence to justify a prosecution and the second is whether the prosecution would be in the public interest. A criminal prosecution will only be pursued by the Post Office if both stages are satisfied in the specific circumstances of the individual case.

Have you changed your approach to prosecutions?/I've heard you've changed them as a result of the investigation into the Horizon system?

As a responsible business we fed in to our review of our approach to prosecution the issues raised about prosecutions by some stakeholders. We have taken a number of steps as a business to ensure that we get the balance right in the way we work with all our people - so we are also improving processes, training and support for subpostmasters, for instance, and providing more forums to hear the views of all those working in the business

You dropped a number of cases recently. Why is this?

As is prudent we continue to review the facts and circumstances of individual cases to ensure they continue to satisfy the Code's test. If at any time we consider that the 'test' is no longer met we will not proceed with the case – this is something that we have always done and, indeed required to do.

Are criminal cases in the Scheme being handled differently?

The scheme was open to current and former subpostmasters and those that have been prosecuted. We have adopted a consistent approach to all cases. It is not appropriate for us to comment on individual cases as the process is confidential and we wish to respect the privacy of the subpostmasters involved

Annex 1: BUSINESS IMPROVEMENTS NOTE FOR ANGELA (if needed)

- We take our obligation very seriously to provide our people with the training and support they need. The overwhelming majority of our people have told us that our training and support fully meets their needs with latest figures showing an average 95 per cent (Agent Engagement Survey: September 2013) satisfaction level. We constantly refresh these processes and as part of our commitments to improving processes, we have further enhanced our training and support programme.
- The precise training given to subpostmasters will depend on a number of factors such as whether the subpostmaster is completely new to the role, whether he/she is taking over an existing branch with existing staff, the size of the branch and the types of products sold. Training includes pre-appointment training and competency testing, greater class room and in-branch training, and follow up reviews and branch visits from trainers.
- As part of our commitments to improving our training and support processes we will continue to work with our branches to ensure our processes meet our peoples changing needs. Enquiries made to our helplines will be constantly reviewed to ensure that follow up training can be provided where branches need further clarification.

Further Detail (if needed)

- Improvements have already been implemented with more planned for implementation in April – June 2014.
- The key areas of change are the training offered for new Subpostmasters and our approach to Subpostmaster contract breaches.
 - **Training** - we have improved the training approach by:
 - introducing an introductory call to the new Subpostmaster two weeks before they take up post.
 - having earlier contact with the Subpostmaster following their initial training and replacing the month 1 telephone call with a branch visit.
 - reviewing the effectiveness of the balancing work-aid to help Subpostmasters identify and hopefully resolve balancing problems earlier.
- **Early warning/intervention approach** – There are two areas in particular - NBSC and HORice - where we are making improvements so that we can identify at an early stage potential performance issues with branches.

- NBSC – we have introduced an approach to assessing the calls received by NBSC so that we can identify the root cause of the issue; identify the solution for the branch and in doing so reduce the calls into NBSC. We also review the call information to identify the most frequent callers into NBSC and offer pro-active support to understand why they are ringing more times than other branches and to resolve the issue before it becomes a problem.
- HORice – is a Fujitsu data tool which will give access to real-time data to enable earlier identification of losses and/or non-conformance issues at branches. Having access to this information will enable us to identify anomalies in branch behaviour quickly and take early intervention to understand what is causing the issue and how it can be rectified. This will include being able to see if a branch is starting to have losses, which users are having those losses and whether any potential suspicious activity is happening to hide those losses. This information will be used to target branches pro-actively to understand whether they need extra help and support with understanding the correct procedures, to alert subpostmasters to members of staff who may be hiding losses or whether a branch is getting into difficulty with balancing. Stakeholder requirements have been identified and we are in the process of formalising the pilot with Fujitsu with a view to starting a six month pilot in April 2014.
- **Longer Term Changes:** Our Branch Support Programme has 9 work streams that capture all the touch points the Subpostmaster has with Post Office in running their branch. These are: pre-appointment process; operational support; physical support; performance management; training; communication; IT; early warning/intervention approach; leavers process.
- **Review Mechanism** - The proposed ways of working for each workstream will include an ongoing review mechanism that ensures that continuous improvement is embedded into business as usual.
- **Measuring Success** - the formal measure is the Subpostmaster annual engagement and in particular the support category of the survey. This will be supplemented with Pulse surveys undertaken by Comms at quarterly intervals throughout the year. Reviewing the life cycle of the subpostmaster and all touch points with the business. Each of the nine workstreams will have performance measurements that feed into the two main KPIs.

Branch User Forum

- The purpose of the Branch User Forum is to provide a way for Subpostmasters and others to raise issues and insights around business processes, training and support directly feeding into the organisation's thinking at the highest level.
- The forum is a forward looking mechanism to ensure the business processes and approaches are fit for purpose for users and are in keeping with Post Office behaviours and values.
- The Forum consists of 6 subpostmasters, 2 crown members and 4 PO Senior Managers.
- The fourth meeting took place on 20th March where the improvement suggestions to the Horizon user experience made via the Branch User Forum were discussed.

Annex 2: SCHEME OVERVIEW NOTE FOR CHRIS (if needed)

Overview

- We have 150 applicants in the Scheme.
- Sir Anthony Hooper has been clear that we should balance the need to progress cases through the scheme with pace with the need to be thorough.
- Overall we are progressing well but the pace is slower than was originally anticipated. However, getting it right is important and we are clear that investigations need to be both timely and thorough.
- We have 22 Post Office investigators trained and working on cases at the moment.
- 8 cases have had their concerns addressed and have withdrawn from the scheme
- We anticipate the first case reaching mediation by the end of May 2014.
- It is important that we learn from the existing scheme and our business improvement changes before we decide what will come next.

Background

- The Second Sight report into the Horizon system produced in July 2013 found no systemic issues with the Horizon system.
- However, it suggested that improvements could be made in the training and support processes provided to subpostmasters.
- We established the scheme to help resolve the concerns raised by some sub postmasters regarding the Post Office's Horizon computer system and supporting processes.
- The Scheme is being overseen by a Working Group comprising representatives from Post Office, Second Sight and JFSA.

- We appointed an independent Chair, Sir Anthony Hooper, a former Appeal Court Judge.
- The launch of the scheme was communicated to subpostmaster and ex subpostmasters
- The application process for the Scheme opened on the 27th August and closed on the 18th November 2013

Process

- It is not appropriate to comment on the outcome or review of individual cases as the all discussions are confidential between ourselves and the subpostmaster involved.
- Where possible we are working with the subpostmasters to resolve issues as early as possible
- We expect the first case to reach mediation at the end of May 2014.
- The mediation process will be run as follows:
 - Mediation is being arranged through CEDR an independent organisation who will arrange premises and appoint the independent mediator.
 - Post Office will be represented by a senior manager and a lawyer from Bond Dickinson; the applicant will be present together with their professional advisor (who Post Office is funding).
 - Each party to the mediation will be provided with a copy of the application, the completed case questionnaire response, the Post Office investigation and Second Sight's reports.
 - It is envisaged that mediation will take between half a day and a day.
 - Post Office will report at a high level on the outcome of the mediation to the Working Group, likely to be limited to numbers of cases mediated and whether a case has been resolved