

In Strictest Confidence

POST OFFICE LTD BOARD

Noting Paper

Lessons Learned – Second Sight Investigation into Horizon

1. Issue

1.1 This paper addresses the lessons learned from the handling of the commissioning of the Second Sight investigation into Horizon and subsequent events.

2. Background

2.1 Following the publication of the interim Second Sight report into Horizon and associated issues the Board commissioned a short review to capture the key lessons learned from the experience, starting from the point at which James Arbuthnot MP first raised concerns with the Chair of the Post Office, to help increase the maturity and resilience of the business and its ability to handle similar challenges more effectively in the future.

3. Approach

3.1 Rather than attempt an in depth analysis of all the documentation relating to this subject, this review is based on individual interviews with all key Post Office personnel involved at the time this issue first arose (some of whom had left the Post Office) and is therefore based, in a large part, on people's understanding and perceptions. No attempt has been made to identify written evidence or corroboration of any information or opinion I have been given.

3.2 In undertaking the review, and presenting my 'findings' I have drawn on:

- the information gleaned from my interviews with key Post Office personnel;
- other relevant experience within Post Office; and
- my previous experience of 'independent' reviews and inquiries within Government.

3.3 Having discussed the approach previously with both the Chair and the Chief Executive of Post Office Ltd, I have positioned my findings as a 'best practice' approach which can be developed into a more detailed blueprint for handling similar challenges in the future.

4. Conclusions

4.1 There will be occasions where it is necessary for Post Office Ltd to respond quickly and publicly to an issue, as it was felt necessary to do in response to

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concerns raised about Horizon. **Appendix 1** sets out, in draft, the key high level issues and learning points presented as a generic best practice guide for managing crises and other high-profile non-BAU activity.

- 4.2 The aim of the approach is not to fetter Post Office's ability to respond to new or unexpected high profile issues, or make it slow to do so, but acknowledges that the type of issue that is likely to give rise to some sort of 'independent' review is exactly the type of issue over which particular care should be taken to ensure the response is the right one for the business and is dealt with in a way that gives internal and external confidence in the outcomes.

5. Recommendation

- 5.1 The Board is asked to note the draft lessons learned paper and provide any comments direct to me (by 10 May). I will take any comments into account before finalising the best practice guide. This will then be presented to the ExCo to inform the development of the detailed blueprint for handling similar challenges in the future.
- 5.2 To note the intention to follow the best practice principles set out in the paper when implementing any decisions on the future of the Mediation Scheme.

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Appendix 1

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Best Practice based on Lessons Learned from the investigation into Horizon

1. Enterprise wide response

- 1.1 There are a number of different circumstances where an enterprise-wide response is called for and what follows should apply to dealing with any crisis, high risk or high-profile issue, including the establishment of an 'independent' review, and, particularly, in the face of public attention.
- 1.2 It will normally be clear where accountability for managing the work rests. However, to enable the accountable person to effectively discharge their responsibilities in circumstances such as those referred to in this paper, an enterprise wide response is required which acknowledges that the issue is usually:
 - high profile and above and beyond normal BAU activity;
 - likely to be stressful (and relentless) for those involved due to the scrutiny of ExCo/Board/media/Ministers/MPs; and
 - likely to require financial and staff resource outside of BAU.
- 1.3 To ensure this non-BAU activity is given the support, attention and resource appropriate to its importance and risk profile by the ExCo and the Board Post Office should have arrangements in place which:
 - provide an 'off the shelf' (and generally acknowledged and understood) protocol, covering for example, governance arrangements, which reflects the complexity, importance and risk profile of the work;
 - enable pan-enterprise identification of BAU or project activity which could be delayed or stopped to counter the cost of the new project;
 - enable the identification and rapid mobilisation of an appropriately sized and skilled team to manage the work as a priority (see 1.4 below); and
 - require and allow ExCo to manage the work as a business wide project to ensure that the project team does not encounter cross directorate barriers and that the appropriate support is available from all areas.
- 1.4 Post Office should consider whether it has the in-house capacity and capability to effectively manage this type of issue and, if not, whether the permanent recruitment of such a resource would provide better value for money than 'buying in' suitably skilled staff when required. If the latter, the costs will probably be high (for the duration of the project) and arrangements need to be in place to access the external resource quickly and easily.

2. Clarity of message and its ownership

- 2.1 Post Office should aim to deliver and own the relevant message/narrative and keep control of it. The more high profile the issue and complexity of the stakeholder landscape, the more important this is.
- 2.2 Whilst it can be helpful for stakeholders to endorse or publicise a statement or announcement, Post Office should retain control of the content and timing of announcements, including the appropriate time to update interested parties.

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3. Engaging external services/suppliers

3.1 There will be occasions where it is necessary to engage external suppliers/contractors at short notice without going through the Post Office normal procurement processes. A rapid, bespoke engagement outside of normal processes should not mean lack of rigour and the following points should be considered when engaging suppliers/contractors in such circumstances:

- the more sensitive/high profile the work, the greater need for a rigorous engagement process;
- the absence of the robustness of a full procurement process, increases the need for other additional due diligence. This should include an interview panel, confirmation of qualifications and direct oral references from other clients to confirm capability and quality of outcomes;
- the agreement of a letter of engagement before work starts. Post Office has a comprehensive set of 'standard' terms for suppliers on call off contracts which cover all the basics and which should be adapted as required without watering down the essence of a solid framework for managing contractors; and
- a workplan should be agreed at the outset with proper, albeit light touch, control arrangements in place for varying that.

4. Managing external suppliers

4.1 The delivery of services or outputs from external suppliers should always be subject to the proper management and propriety arrangements. This is also true in the case of an 'independent' review, short of fettering the independence of the conclusions. Effective and visible management of delivery against cost, timescales etc. is a matter of propriety and Post Office has a responsibility to properly manage and account for public funding; it should therefore be clear at the outset about how it will do that and rebut suggestions that doing so is in any way fettering the independence of outputs.

5. Stakeholder engagement

5.1 **At the outset:** There may be a need to obtain stakeholder agreement or buy in to a proposed form of action or elements of it. Before committing to engage with external stakeholders, clear parameters should be set and articulated to give clarity about what external stakeholders can influence and what they cannot, and the extent of that influence.

5.2 **Ongoing:** Ongoing stakeholder involvement may be appropriate but here too the rules of engagement should be clearly communicated and should not extend to direct contact or directing activities unless within a framework agreed in advance by Post Office.

6. Public commitments

6.1 Before any non BAU public commitments are made announced or agreed to publicly (i.e. outside of the Post Office) internal agreement should be sought and obtained through proper governance mechanisms to:

- scope and Terms of Reference including outcomes and outputs; and
- understand the legal, financial and PR implications and risk.