

PS 14/1-14/

POST OFFICE LTD

PROJECT SPARROW SUB-COMMITTEE

**Minutes of a meeting of the Project Sparrow Sub-Committee of the Board
held at 148 Old Street, London EC1V 9HQ on Wednesday 9 April 2014**

Present:	Alice Perkins (AP) Alasdair Marnoch (AM) Richard Callard (RC) Paula Vennells (PV) Chris Aujard (CA)	Chair Non-Executive Director (by telephone) (from item PS 14/1-part of PS14/4) Non-Executive Director CEO (from item PS 14/3) General Counsel
In Attendance:	Chris Day (CD) Angela Van-Den-Bogerd (AVDB) Belinda Crowe (BC) Mark Davies (MD) David Oliver (DO) Carolyn Low (CL) Gill Catcheside (GC)	CFO Network Change Operations Manager Programme Director, Project Sparrow Communications Director (by telephone) Programme Manager, Project Sparrow Programme Team, Project Sparrow Assistant Company Secretary

PS 14/1

OPENING OF MEETING

A quorum being present, AP opened the first meeting of the Project Sparrow Sub-Committee ("the Committee").

PS 14/2

TERMS OF REFERENCE

- (a) The draft Terms of Reference ("TOR") for the Project Sparrow Committee had been circulated prior to the meeting. The Chairman advised that she would like the General Counsel to be a permanent member of the Committee so that the Committee would comprise five members – the Chairman, two Non-Executive Directors, the CEO and General Counsel.
- (b) AP asked that any comments regarding the TOR should be submitted in writing to the Company Secretary, with a view to them being approved at the next Committee meeting.
- (c) AP advised that RC had indicated that he would be comfortable, whilst the Committee was at an exploratory stage with Project Sparrow, to keep Committee discussions private.

Commented [GC1]: Not sure this paragraph needs to be included?

PS 14/3

INITIAL COMPLAINT REVIEW AND MEDIATION SCHEME

- (a) AP advised that there were a number of key questions for the Committee to consider:-
 - What problem was the Post Office trying to fix? The process was taking longer than initially envisaged, with higher costs.

- What would the Post Office like to do?
 - What action could be taken in light of previous announcements?
- (b) The Committee discussed the following issues:-
- (i) The content of announcements made in Parliament and in public by both the Minister for Postal Affairs, and the Post Office, regarding the Initial Complaint Review and Mediation Scheme ("the Scheme");
 - (ii) the expectations of external stakeholders and Post Office at the time of the announcements and what has changed since then;
 - (iii) Second Sight's lack of capacity to prepare and deliver reports on time, and failure to deliver a Thematic report;
 - (iv) The expectation gap created by SPMs, and how that expectation is dealt with by Post Office;
 - (v) Lessons learnt in how Post Office behaves to SPMs and their training – Branch Support Programme now in place, and how might Post Office have handled things differently/how Post Office is now managing its operations;
- (c) Consideration was given how to take the issues forward:-
- Timing – expectations gap will only get bigger the longer things are left.
 - Linklaters report –which clarifies Post Office's legal liability and the contractual position. It should be noted that careful consideration will need to be given to the release of any of the Linklaters report as disclosure of any part of it could result in Post Office waiving its legal privilege to the contents. Post Office is comfortable there is not an unavoidable compensation bill; and
 - The need for a detailed timeline outlining next steps, once agreed.
- (d) Progress on claims made was discussed. Post Office has carried out internal investigation on 20 cases, which have been submitted to Second Sight. Three case reviews have been produced by Second Sight which have been rejected by the Working Group as they are not of an acceptable standard for Mediation. Second Sight are due to produce another 2-3 case reviews at the 1 May Working Group. If submitted for Mediation, the process could then take up to ten weeks. Financial Ombudsman of the view that all cases should be seen together, but the Working Group had directed Second Sight to focus on the cases that have no thematic issues.
- (e) The Committee discussed Second Sight's role in the process, and what help could be offered by Post Office to expedite matters. It

was agreed it would be more helpful if Second Sight had more evidence/specificity in its reports. It was noted that Second Sight was increasing the mismatch in expectations by discussing cases with advisors and raising their expectations.

- (f) The future of the Mediation Scheme was considered, including the length of time it would take to get a number of cases into Mediation, the cost of the process, advisors and mediators, and the possibility that the whole process would not necessarily result in a total resolution of the issues. However, it was noted that the Mediation process had been set up and would be difficult to reverse, and would also need to balance financial cost against reputational costs. It was agreed that some cases should be put through the Mediation process as a matter of urgency.
- (g) The Committee debated the number of cases likely to end up in the Mediation Scheme:-
 - Criminal cases (circa 50) – Post Office would propose that Working Group investigate these cases but not put them into Mediation – proof of redress would be available through the Criminal courts.
 - Civil cases (only 4-5) – Already considered by the Court. Post Office and Working Group should have due regard to the Court's opinion. Investigate cases but not put into Mediation.
 - Remaining cases (circa 100) – Post Office investigate and then Second Sight produce report advising on whether case should go to Mediation. Concern about Second Sight's opinion that majority of cases should go to Mediation. Mediation costs in the region of £10K per case.
- (h) It was noted that some members of the Board were keen to get some of the cases into mediation as a method of managing expectations, particularly if those cases are ones where Post Office believes that there is clearly no case to address.
- (i) Committee members understood the need for SPMs to "have their day in Court", but Post Office had a legal opinion that it was not under any obligation to pay compensation. As Post Office was a public authority, would Post Office want to make an ex-gratia payment to SPMs when it had no legal liability. The possibility of a token ex-gratia payment was considered, it being noted that the Committee did not have a view on whether a token payment was appropriate or not.
- (j) It was agreed that more comfort was needed on the Horizon work, so while that work was taken forward Post Office should continue with the Scheme. Once the Horizon work was concluded it was agreed that (providing the outcome was satisfactory) it should be used with the Linklaters report to manage expectation.
- (k) The Committee asked for greater clarity on costs, particularly around the cost of investigating every case.

PS 14/4

UPDATE ON HORIZON ASSURANCE WORK

- (a) An update on the Horizon Assurance work, being carried out by Deloitte, was considered by the Committee.
- (b) It was noted that Part 1 consisted of assurance mapping, to see if assumptions for assurance reviews were reasonable, adequate and sensible, and whether the system was fit for purpose, and could not be interfered with. Part 1 does not question whether Horizon was set up properly as this is one of the issues picked up by Part 2.
- (c) Part 2 was not an essential piece of work at this stage, but would look at the user acceptance testing at the time of the system being set up to categorically substantiate that the system was fit set up correctly and was fit for purpose. It was agreed that if there were systemic problems in the system these would have surfaced with usage. It was agreed there needed to be clarity over whether Part 2 was essential or not, and that the Chief Information Officer ("CIO") should attend the next Board meeting to discuss a more detailed paper on the assurance work.
- (d) Post Office was confident that although not absolutely "bullet proof" on Horizon until every case had been investigated, it had not yet seen any issue which could cause doubts about Horizon.

PS 14/5

ACTION

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| MD/Programme Team | (a) A paper to be produced on all of Jo Swinson's public comments on the Scheme including correspondence, PQs and other public engagements, to identify any references to the mediation Scheme or timelines. |
| Programme Team | (b) A paper to be produced on the role of Second Sight and options to support them or reduce their role. The paper should likely include Stakeholder views. |
| Programme Team | (c) A paper to be produced setting out approaches to disseminating the Horizon report from Deloitte and the essence of the legal opinion from Linklaters to advisors, applicants and MPs including action planning and Communications/Stakeholder engagement. |
| Programme Team | (d) A paper to be produced on the Post Office position on making token payments to Scheme applicants, taking account of the use of taxpayers' money, and drawing on the advice from Bond Dickinson on Settlement Policy, and the contents of the Linklaters report. |
| Carolyn Low | (e) A paper to be produced on key variables to modify the Scheme, including financial analysis and assessment of alignment with Ministerial commitments with a recommended way forward. |
| Programme Team | (f) A timeline of key actions and decision points to be produced from today through to Summer Recess. |

- Lesley Sewell** (g) CIO to attend the Board on 30 April to present the findings of Part 1 of the Deloitte work.
- Lesley Sewell** (h) CIO to attend the next Committee meeting to provide a detailed update on the Deloitte work, to include whether Part 2 is required and how long it will take.
- Angela Van-Den-Bogerd** (i) Try to accelerate cases that are not thematic and might be useful to show the Minister.
- Angela Van-Den-Bogerd** (j) Table to be produced setting out, to the extent practicable and that the case permits, demonstrating that Post Office is rebutting the concerns raised by Second Sight in relation to Horizon.
- Angela Van-Den-Bogerd** (k) A paper to the July Board mapping the lessons learnt from the Scheme.

PS14/7 **DATE OF NEXT MEETING**

- (a) The next meeting of the Committee to be held after the Board on 30 April 2014.

PS 14/8 **CLOSE**

There being no further business, the meeting closed.