



Sparrow Sub-Committee

Scheme briefing

9 June 2014

DRAFT NOT POLICY

FINAL – CIRCULATED 03 June 2014

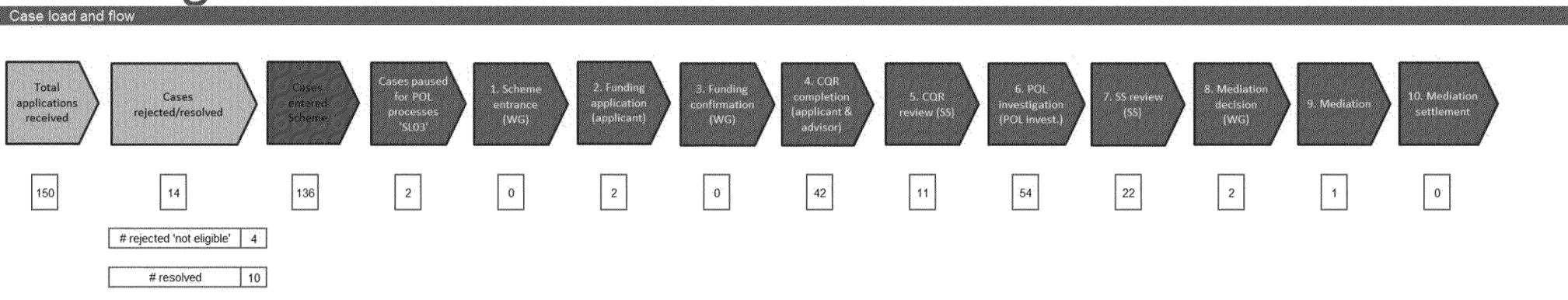


Agenda

1. PROGRESS ON SCHEME
2. COSTS PROJECTIONS
3. POSSIBLE CHANGES WITHIN TERMS OF REFERENCE
4. COMMUNICATIONS APPROACH FOR OPTION 2 AND 3
5. STAKEHOLDER HANDLING
6. TIMELINE
7. TRIAGING
8. NEXT STEPS



1. Progress on the Scheme



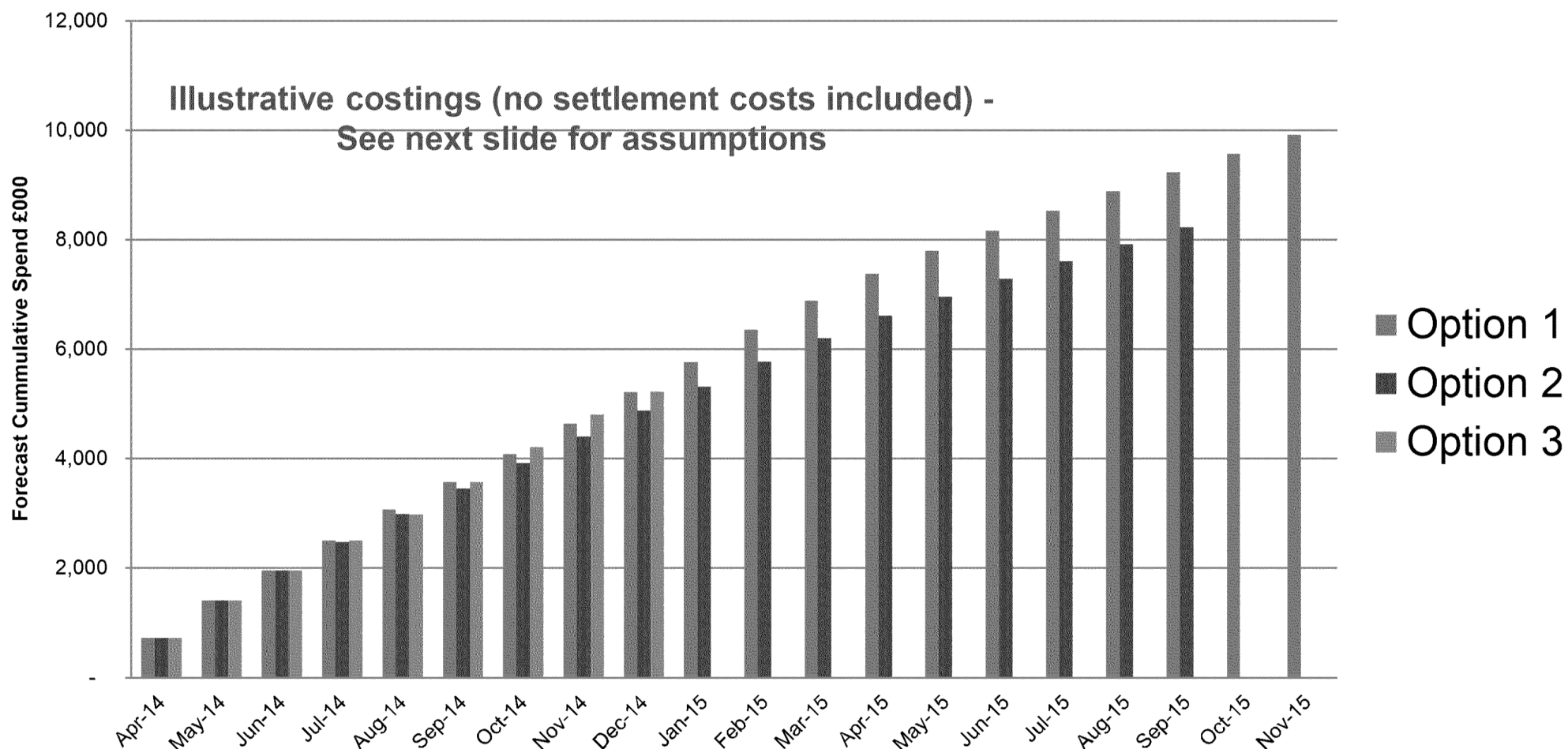
- 150 Applications to the Scheme
- 10 Cases Resolved by Business as Usual
- 57 applications have yet to reach Post Office (42 are with advisors and 11 are with Second Sight)
- 54 are under Post Office investigation
- 22 are with Second Sight for review
- 3 draft reports are with applicants
- 1 has been approved by the Working Group for mediation



2. Cost Projections

Forecast Cumulative Monthly Spend (£,000) Options 1 - 3

Illustrative costings (no settlement costs included) -
See next slide for assumptions





2. Cost Forecast Assumptions

Option 1 Continuing with the Scheme as currently configured and managed

Estimated Overall Cost of £12.5M

- Scheme duration approximately 18 months
- Second Sight producing 2 reports per week at roughly constant cost
- Programme team, legal and investigation cost reduce in September and January
- Mediation costs for mediating 130 cases as a bell curve
- All other costs constant

Option 2 Continuing with the Scheme but seeking to refine within the existing Terms of Reference

Estimated Overall Cost of £10.7M

- Second Sight moved to rate of £3K per case, productivity remains at 2 per week
- Scheme duration approximately 16 months
- Programme team, legal and investigation team cost reduce in January and May
- Mediation caseload halved to approximately 65

Option 3 Post Office investigations completed, scheme moved in house

Estimated overall Cost of £7.7M

- Scheme duration approximately 7 months
- Second Sight engagement ended by end July
- Working Group costs end in June
- Programme team and legal costs stay constant but end in December
- Mediation caseload halved and spread across three months



3. Possible changes within the Terms of Reference

	Ministerial Commitments	Detail of the scheme as published	Working Group ToR	Cost	Time	Management overhead
<i>Tighten the focus of Second Sight role (e.g. lose job 1, lose pre-CQR stage, switch to piece rate)</i>	Yes	Yes	Yes	Save £36K / month Pay £3,000 per case.	Investigation of all cases = 1 1/2 years	Increase
Limit Second Sight role to advisor to WG and POL to investigate cases	Yes	No	No	Save £50K / month	Saving 10 weeks / case (pre- and SS-investigation) Investigation of all cases = 5 months	Short term increase followed by long term decrease
<i>Replace Second Sight investigation role with external professional services provider</i>	Yes	No	No	Additional £23K / month	Investigation of all cases = 30 weeks	Short term increase followed by long term decrease
Investigate every case before deciding approach to resolution (FOS?)	Yes	Yes	Yes	Minimal	Nil	Decrease followed by spot increase at decision announcement
<i>Allow POL veto over Working Group decisions</i>	Yes	Yes	No	Minimal	<i>Avoid future WG decisions that negatively impact timeframes</i>	Decrease
Publish independent assurance / Linklaters piece	Yes	Yes	Yes	Small due to possible withdrawal of cases	Small due to possible withdrawal of cases	Short term increase followed by long term decrease



4. Communication - Key Messages Option 2

- We are committed to thoroughly investigating all cases that have been submitted to the scheme.
- We are determined to be as transparent as possible and will provide applicants with a comprehensive report of these investigations.
- We believe our approach is reasonable and fair, and balances the position of applicants with wider public interest
- We have confidence in the Horizon system which process six million transactions every day.
- Applicants in the Scheme represent less than 0.3% of the 68,000 people using the system.
- The on-going investigations and previous reviews over the last two years have found no evidence of systemic issues with the Horizon computer system
- We have recognised that improvements could be made to training and support in wider areas and are implementing improvements
- We will provide a summary report when all investigations have been completed.
- It would be inappropriate to comment on individual cases as details have been provided in confidence.

**** independent assurance quoted if/when possible***



4. Communication Key Messages Option 3

- As a responsible business the Post Office is committed to listening and learning from our people. That is why we set up inquiry into Horizon computer system in 2012.
- During that time no evidence of systemic issues with the system has emerged.
- We have therefore decided to move to a new approach where Post Office will investigate all cases and provide applicants with a comprehensive report. We will mediate in cases where appropriate.
- We have full confidence in the Horizon system which process six million transactions every day. Applicants in the Scheme represent less than 0.3% of the 68,000 people using the system.
- Once we have investigated all cases we will provide a summary report and make any improvements that can be made in-light of these findings
- It would be inappropriate to comment on individual cases as details have been provided in confidence.

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4. Media assessment

- The following assesses the likely levels of media interest in the issue should we take decisive action over the coming weeks (either becoming more assertive or moving to close the Scheme)
- Now to summer: Allegation of white wash by Post Office resulting in 1-2 days media coverage (poss BBC, Computer Weekly as well as nationals such as Mirror, Mail as well as regional print and broadcast) This will be driven by and include quotes from JFSA, MPs and applicants.
- Over the summer: Potential for media coverage driven by any FoI placed by JFSA on cost of the scheme.
- Summer – Christmas: Possible regional and national stories by those who continue to follow the story e.g BBC and Computer Weekly and regionals
- Run up to election: Potential remains for follow up around any announcement on digital/ITC developments though our judgement is that while the JFSA would continue to seek to generate coverage, media interest in the issue would start to fade, certainly at national level.



5. Stakeholder handling

<u>Stakeholder</u>	<u>Concerns</u>	<u>Handling</u>
Minister	<p>The Minister will have concerns in relation to the role of Second Sight following the statements made in Parliament in July 2013, and the associated risk of calls for a further ministerial statement and BIS select committee interest.</p> <p>The prospect of adverse media coverage is a further factor as well as:</p> <p>Further issues include:</p> <ul style="list-style-type: none"> • Value for money and related FOI requests on spend • Potential to play into general election timing: • MPs with cases may become critical of the Post Office • Issue having potential to detract from positioning Post Office across Government as a good partner. 	<p>Many of the risks set out here apply whatever decision is made on the Scheme. Indeed it could be argued that the potential for hostile coverage playing out across the next 12 months, up to and including the election in May 2015 is significant.</p> <p>Our proposed approach is to seek opportunities to set out the position as fully as possible to the minister, signalling a preferred approach and associated options, but with clarity that we need to make changes to the Scheme.</p> <p>We will develop a detailed communications strategy (supported by external advice) and ensure approach where timing is carefully considered and the Post Office “fronts up” messaging.</p> <p>We would include within this detailed assessment of MP-related factors.</p>



5. Stakeholder handling

<u>Stakeholder</u>	<u>Concerns</u>	<u>Handling</u>
Sir Tony Hooper	<ul style="list-style-type: none">• May resign as Chair if Post Office approach changes• Will not assist Post Office if it looks to disband the Working Group and end Second Sight's engagement• We do not believe he will take a public stance against or for the Post Office .• Believes Post Office should accept that the Scheme will take around 18 months and that is normal for a Scheme of this type• As Chair, will maintain the status quo rather than managing conflict necessary to redesign the Scheme.	<ul style="list-style-type: none">• Continue with one to one meetings• Discuss how we can handle any changes in a way that helps him• Stress importance of putting the business and applicants first• Build a narrative (supported by Linklaters positioning) to assist in handling



5. Stakeholder handling

<u>Stakeholder</u>	<u>Concerns</u>	<u>Handling</u>
James Arbuthnot MP/other MPs	<ul style="list-style-type: none">• Being seen to champion the concerns of subpostmasters• The rate of progress• Receiving progress updates and providing them to MPs• The impact on his legacy as he is standing down at the next election <p><i>* Oliver Letwin MP, a member of the Cabinet, has a high profile case with decision whether to mediate or not imminent</i></p>	<ul style="list-style-type: none">• Face to face meeting (AP and PV) – use letter as basis• Play back concerns raised by JA in last letter• Stress positive legacy of his involvement• If we don't take action the work will not be completed before the general election when JA stands down• Write to all MPs with a constituent in the Scheme and offer face to face meetings



6. Timeline

	w/c 9 June	w/c 16 June	w/c 23 June
Steps to implement option two	<ul style="list-style-type: none"> • Discussion with BIS re next steps at ministerial level • Further development and refinement of stakeholder and communications plans • Potential support from external PR agency 	<ul style="list-style-type: none"> • Schedule ministerial discussion (subject to further discussions with BIS) 	<ul style="list-style-type: none"> • Implement new approach and MP handling
Scheme progression	<ul style="list-style-type: none"> • Second Sight complete 2 final case reports • 2/3 new draft case reports sent to applicants 	<ul style="list-style-type: none"> • Face-to-Face Working Group meeting (16th) /mediation decision on 2 cases • Second Sight complete 2 final case reports • 2/3 new draft case reports sent to applicants 	<ul style="list-style-type: none"> • Working Group mediation decision on 2 cases • Second Sight complete 2 final case reports • 2/3 new draft case reports sent to applicants



7. Triage

At the Board's request we examined the impact of the Horizon definition on the cases where we have received detailed case questionnaire responses (70 cases). We used the definitions below:

- **Core Horizon:** ghost transactions; power/telecoms issues; recovery process; lost data; Horizon terminal/hardware failures; remote access to Horizon
- **Branch operating issues:** cash and stock remittances; synchronisation with client systems; other hardware failures (eg. pinpad/lottery/etc); branch accounting practices; ATMs; paystation;
- **Support:** training; NBSC / HSD support; lack of investigation team; lack of audit trail; allocation of risk; access to Horizon data; proof of errors
- **Other:** NT payments / branch relocations / issues with previous SPMRs / anything else

It is not possible to examine the full caseload as the quality of the initial applications is very poor. Firm conclusions cannot be drawn until the claims are investigated – currently 25 cases.



7.Triage

Results (based on applications only – not investigation findings):

30 of the 70 have raised core horizon issues

59 of the 70 have referenced branch operating issues (38 of these cases do not mention core horizon issues).

67 of the 70 have raised support issues (only 2 cases relate to support issues only).

20 cases are criminal.

38 refer to incidents that occurred prior to 2007

We also examined the history of the wider Horizon definition and found it has been in use since 2012. Given this we do not recommend using this approach to reduce the caseload facing the Scheme.



8. Next steps

Subject to the Sub Committee's decision :

- Further work to develop communications strategy possibly with an external provider (week commencing 9 June)
- Official level discussions will be opened with BIS (week commencing 9 June)
- Ministerial discussion will be arranged subject to BIS views (week commencing 16 June)
- New approach will be implemented (week commencing 23 June)