

POST OFFICE LIMITED (POL) – Q2 Review

Monday 30 June 2014, 15.30–16:30 UG-H, 1 Victoria Street, London

Present

Roger Lowe

Rachel James

Richard Callard

Tim McInnes

Peter Batten

James Baugh

Rajesh Kedia

Jeremy Ankers

Actions

- None

Financial Data

The panel reviewed the financials provided and noted that in some areas there was a lack of consistency between budgeting processes and how some revenues or costs are accounted for. It was noted that this is fully in line with all accounting standards but that it does have an impact on management remuneration and bonus thresholds. The ShEx team are working to challenge POL on this issue but are limited in terms of levers.

Mails and Retail

The Mails section of the business had a poor start to the year despite management taking action following the drop off in 2013/14 linked to changes in parcel sizes. Actuals are down on both budget and year on year comparisons, which is a concern, although POL is working on a number of actions to address the shortfall (e.g. the 'Metapack' proposal to track 1st and 2nd class post). However, there is not yet clarity on whether this will compensate for the poor performance in the early part of the year.

Nevertheless, the ShEx team believe that POL now have a tighter grip on the strategy for the business going forward and that Mails has a strong team in place. The team is however maintaining a close watching brief on trading.

Project Ivy was also discussed: a pilot exercise of 400 'kiosks' varying between automatic machines, parcel drop-off points and a combination of the two. The team noted a risk of under-delivery on this project.

Cabinet discussions

PEX(ER) (Efficiency & Reform) considered a paper which recommended government use services available from POL without lengthy procurement processes. This was welcomed however the output from the paper is likely to be limited as further discussions (e.g. at Cabinet) do not now look like they will go ahead. The possibility of a quad discussion on RM/POL was mooted.

Project Sparrow

There have been a limited number of cases where sub-postmasters have been found guilty of criminal offences, including based on evidence from the Horizon system. Doubts had been expressed that the system was reliable, calling into question these convictions, however an independent report found that there was no systemic fault. Despite this it did point to possible training and support issues, which should be addressed by POL. A working group was set up with stakeholders offering mediation to affected sub-postmasters if it was considered appropriate. It is not clear how many of these cases will enter a mediation process, given the outstanding criminal convictions and lack of identified faults in the Horizon system.

There are concerns that Second Sight, the contractor supporting the assessment of the cases and the potential mediation process, is not meeting the Terms of Reference in processing applications. Recent expenditure has been significant both on paying the panel and on reports from Deloitte and Linklaters. Replacing the contractor has been considered but would risk judicial review.

Issues to raise at Risk Committee

The panel considered whether Project Sparrow should be raised with the Risk Committee. The group agreed that it should not now, but due to the reputational risks progress should be closely monitored.