

**Briefing: Chairman and Chief Executive, Post Office Limited**

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

**1. Background**

- Following on from the meeting you had with James Arbuthnot MP, 20<sup>th</sup> January 2013, he 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 invitation 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.
- You have spoken to James who has acknowledged that in light of concerns Second Sight and we have raised about maintaining confidentiality and the integrity of the Scheme he plans to cut down the amount of time Second Sight and JFSA have to speak. However, his office is keen that you explain about how you will engage with individual MPs who wish to discuss their cases with the Post Office.
- The meeting is a chance for the Post Office to:
  - o talk about the extent of the ambition for change 'Securing the Future: Strategy 2020'
  - o explain the positive work already underway in relation to improving training and support for subpostmasters
  - o 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 (9<sup>th</sup> July 2013):
  - o MPs - Oliver Letwin, Tessa Munt, Andrew Bridgen and Mike Wood.
  - o Researchers for Jonathan Djanogly, 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 – 5 mins Likely to be reduced to 5 minutes
4. JFSA update – 5 mins Likely to be reduced to 5 minutes
5. Q&A, All – 20 mins

**3. Attendees**

James Arbuthnot's office has received acceptances from the offices of:

- Simon Burns
- Stephen Crabb
- Jonathan Djanogly

- Andrew George
- James Gray
- Oliver Heald
- Oliver Letwin
- Karen Lumley
- David Willetts

In addition they anticipate that Mike Wood and Andrew Bridgen will also attend.

#### 4. Speaking note for Paula (James will introduce Paula)

##### Introduction

- Thank you James.
- I would like to start by thanking James for organising this meeting and the support he has given to all of us in raising the concerns of constituents about our systems and processes so that they can be properly dealt with.
- Can I stress at the outset that the Mediation Scheme we set up last year, and which I hope you are all familiar with, is now in progress and 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—both to protect the privacy of individual applicants but also to avoid compromising the mediation process in any way.
- 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 that none of us says anything to undermine the role of the Working Group or the independence of the Chair. I know that Ian and Ron from Second Sight have expressed similar views. Having established the Working Group to oversee the Scheme we now need to give it space to do that.
- I also know that some MPs want to meet Post Office on an individual basis. We are happy to do that. However, even on an individual basis we will not be able to discuss the detail of anything that is currently in the process of being investigated. It would be inappropriate and could undermine individual mediation discussions.
- Today I'd like to say a little bit about the Scheme, (subject to the constraints I have already mentioned), and I will invite Chris Aujard, Post Office General Counsel and a member of the Working group to do that in a moment, and also tell you about the changes to the way we provide support and assistance to subpostmasters. Angela is here to set that out in more detail.
- But I am the Chief Executive of Post Office and I hope you'll understand that I want to just say a few words, before I pass over to Angela and Chris, to put the work they will talk about in context.

##### Our Business is changing

- As you know we became an independent business in 2012. We are now transforming the business in every way, from the post offices you see in your constituency to the way we run our business. I hope you have seen evidence of the former in your areas.
- 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 greater involvement by the people who run the business, at all levels, in the way we change: how we develop and deliver products.
- It is about sharing responsibility for the turnaround we need to make – operationally and culturally – in a way which I am happy to admit we have not necessarily done in the past

as a business. We may in certain areas have adopted a command and control approach which was not the right way for a business like ours.

- 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, on the 19<sup>th</sup> March (**POAC Member MPs are listed in ANNEX 1**)
- 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 and launched a new annual engagement survey for subpostmasters.

### **Branch Support Programme**

- This is all linked to why we are here today.
- As you will be aware, the Second Sight report produced in July last year suggested that improvements could be made in the training and support processes provided to subpostmasters in certain areas.
- We welcomed that report and the opportunity it gave us, in the context of what I have already said, to review the ways we work and change them: the Second Sight work highlighted the need for us to make improvements in the way we support and train subpostmasters
- So one of the actions we took from the Second Sight report was to set up the Branch Support Programme, to review – across all aspects of our business – how we support our network.
- I think James you should take great pride in this – it is thanks to your work and that of other MPs that this has happened – and we are really grateful to you. We are a responsible business and we take our responsibilities to our people very seriously. Your focus on our work was the catalyst to what will be a cultural transformation in our ways of working
- 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 2**)

Handover to Angela then return to Paula

### **Scheme Overview**

- Thank you Angela.
- I am now going to ask Chris Aujard to talk about the second significant development which led from the Second Sight report, the creation of the Mediation Scheme.
- As you know, the Second Sight report found that there were no systemic issues with the Horizon system, which currently has around 68,000 users and processes more than six million transactions every day.
- 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.
- Angela's work will look to identify further improvements we could make.
- However as I have said we are a responsible business and given the concerns expressed by some subpostmasters about processes we were determined to provide a way to ensure those issues could be heard.
- That is why we set up the mediation scheme which I will now ask Chris to provide more detail on. (**Chris note in Annex 3**)

Handover to Chris then return to Paula



## Summary

- In closing, I hope what you have heard today will 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.
- We have changed our ways of working and are listening a lot more.
- I wanted to just add that if you would like to know more about our wider transformation 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.
- I will ensure you have full details sent to your offices.
- Thank you and I look forward to your questions.

## 4. Q&A Section

### Who is Second Sight?

Second Sight is a firm of independent forensic accountants and investigators appointed by the Post Office to undertake a review of the Horizon system. They published a report in July 2013.

### What is Second Sight's role? What are Second Sight working on?

Second Sight is a firm of independent forensic accountants appointed by the Post Office to assist in investigating individual subpostmaster complaints. Ian and Ron are also members of the Working Group.

### Are Second Sight available as an on-going MPs resource?

Second Sight are appointed by Post Office to provide independent advice to the Working Group on complaints made under the Scheme.

### What about unsafe convictions?/Are your convictions unsafe?

#### CHRIS TO ANSWER

To date we have seen no evidence that anyone has been wrongly convicted. That is a matter for the courts.

We have an enduring duty to disclose information to the defence in cases we have prosecuted where we identify new information which may be relevant to the case. That applies not only to cases in the Scheme but to all cases we have prosecuted. Following Second Sight's interim report we made a number of disclosures and to date there have been no appeals against any previous convictions

### What level of compensation will you be paying? My constituent is due Millions?

This is a mediation Scheme. Mediation provides an opportunity for the two parties to come together to discuss and, where possible, come to an agreed understanding about the issues. It does enable the parties to explore and agree, with the assistance of a trained mediator, how matters can be resolved in a way which reflects the realistic positions of the parties. However, we cannot comment on individual cases.

### What about a final report / Will Second Sight produce it?

The application process for the scheme closed on the 18<sup>th</sup> November 2013; each application is not being progressed through the Scheme, overseen by the Working Group. It is too early to speculate about what may or may not be appropriate at the end of the Scheme.

**What is the Second Sight thematic report?**

Second Sight should be invited to answer that as whatever we say about it they may say something different.

**Why is it taking so long to resolve subpostmaster issues?**

The Working Group has said it wants 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. Post Office cannot speak on behalf of the Working Group.

**Will all cases go to mediation?**

The Working Group will decide which cases are appropriate for mediation.

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

That depends on the approach the parties wish to take. For example it would be open to the applicant to pursue their case 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 your approach as a result of the investigation into the Horizon system?**

We have reviewed our approach to prosecutions. We have taken a number of steps as a business to ensure that we get the balance right between 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 are required to do and have always done.

**Are criminal cases in the Scheme being handled differently?**

The scheme was open to current and former subpostmasters and those that have been prosecuted. It is for the Working group to decide how best to handle cases in the Scheme.

**Annex 1: Post Office Advisory Council (POAC) member MPs**

In some circumstances the POAC member wanted correspondence sent to their office address and so those MPs in blue are for the POAC members office address (this is the only address we have for them).

First Name	Surname	Address line / Title	MP Name
Elizabeth	Armstrong	<b>GRO</b>	Mark Simmonds, Conservative, Boston and Skegness

		Policy and Development Director, South UK	The Director, South UK
Marcus	Buck	GRO	Jane Ellison, Conservative, Battersea
Tim	Coomer	GRO	Claire Perry, Conservative, Devizes
Simon	Crozier Meares	GRO	Charles Hendry, Wealden, Conservative
Pardeep	Duggal	GRO	Edward Garnier, Harborough, Conservative
Chris	Feliciello	GRO	Ian Lucas, Wrexham, Labour
David	Foley	GRO	Julian Brazier, Canterbury, Conservative
Rebecca	Glenapp	GRO	Andy Slaughter, Hammersmith, Labour
Farida	Iqbal	GRO	Mike Gapes, Ilford South, Labour
Nilesh	Joshi	GRO	Harriet Harman, Camberwell and Peckham, Labour
William	Keown MBEJP	GRO	Margaret Ritchie, South Down, Social Democratic and Labour Party
Marc	Kidson	GRO	Chuka Umunna, Streatham, Labour
Ismail	Loonat	GRO	Mike Wood, Batley and Spen, Labour
Alan	Lowry	Director of Community Partnerships	Director of Community Partnerships, City of London and Westminster, Conservative
Paul	Morgan	Director of Community Partnerships	Director of Community Partnerships, City of London and Westminster, Conservative
David	Patel	Assistant Secretary	Assistant Secretary, Conservative
Lynn	Simpson	GRO	Geoffrey Clifton-Brown, the Cotswolds, Conservative
Nicholas	Stuart	GRO	Albert Owen, Ynys Môn, Labour
Kevin	Twynholm	GRO	Mark Pawsey, Rugby, Conservative
Donna	Underhill	GRO	George Young, North West Hampshire, Conservative
Andy	Warriner	Director of Community Partnerships	Director of Community Partnerships, Conservative

#### Annex 2: Branch support 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 3: Scheme overview note for Chris (if needed)

##### Overview

- The Scheme has received 150 applications. They are all at different stages in the process, some at a very early stage and some more advanced.
- Post Office has already resolved 8 cases which have withdrawn from the Scheme.
- The Working Group meets weekly to oversee the progress of cases through the Scheme, every four weeks that meeting is face to face.
- We have 22 Post Office investigators trained and working on cases at the moment.
- Some cases are taking longer to investigate than originally envisaged for a variety of reasons – often because getting the information required to do a thorough investigation can take time or the issues are complex.
- Most important is that the investigation is as thorough and comprehensive as possible.

##### 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
- 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.



- o 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).
- o 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.
- o It is envisaged that mediation will take between half a day and a day.
- o 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