



## POST OFFICE LIMITED GROUP EXECUTIVE REPORT

<b>Title:</b>	Postmaster Losses – Process Update	<b>Meeting Date:</b>	25 <sup>th</sup> January 2023
<b>Author:</b>	Jo Milton, Senior Operational Improvement Manager	<b>Sponsor:</b>	Martin Roberts, Group Chief Retail Officer

### Input Sought: Decision

In November, the Group Executive agreed to support a recommendation to recover established losses from postmasters, [IRRELEVANT], using deductions from remuneration. We are also proposing to apply the same process to those who have disagreed with Post Office findings but have been through the dispute resolution process. It was agreed that further work was required to design the associated process and recommend timescales and our communications approach. This paper will update the Group Executive (GE) on our progress and seek decisions on the following points:

1. Does the GE agree with the proposed process detailed in this paper and implementation of the process from 3<sup>rd</sup> April 2023? (Points 4 to 16)
2. Does the GE agree with our high-level postmaster communications strategy? (Points 17 to 20)
3. Is the GE in agreement that upon implementation of the process, only established losses agreed from that point onwards will be in scope for recovery (with no backdated established losses given this treatment at this stage)? (Point 23)
4. Does the GE agree with our recommendation to proceed with the process before we have a firm policy approved and signed off by RCC and ARC? (Point 22)

### Executive Summary

The total amount of postmaster losses provisioned for stands at £25.3m as at period 9<sup>1</sup> and increasing at c £0.7m a month. In October, a working group, comprising representatives from Finance, Retail, Central Investigations Unit and Legal was set up to seek solutions to slow this increase. An update on other initiatives can be found at the end of this paper, but to begin with, and following support from GE, it is recommended that we focus on delivering a new recovery process in the short term. Our proposal is to deduct from remuneration where the loss has been investigated, is established, [IRRELEVANT] and those cases where the [IRRELEVANT] resolution process and remains unpaid.

This paper will:

- Provide a brief overview of the current process.
- Propose a new process and timescales to implement.
- Propose a strategy to communicate to postmasters.
- Give a list of circumstances where we would not proceed to deduct from remuneration at this time, pending further proposals.

<sup>1</sup> GE are updated on the amount of provisioned losses on a monthly basis via the CIJ dashboard.



- Update GE on other initiatives considered.

## Report

### **A reminder of the current process**

1. Once a discrepancy is reported via the Review/Dispute option on Horizon, the discrepancy amount is applied to the postmaster's centralised holding account, managed by the Postmaster Account Support team (PAST). Subject to a de minimus amount the discrepancy will be investigated, and the findings explained to the postmaster. We do not propose to make any changes to this part of the current process, as we believe it to be robust and CIJ compliant. In addition, from January, the Central Investigations Unit (CIU) will be assuring the investigation process carried out by the Network Support & Resolution Team.
2. At present, no further action is taken if the postmaster can't be contacted or does not agree to pay for an Established Loss. Civil recovery of losses was stopped in c2018 and non-voluntary deductions from remuneration stopped in 2019.
3. If, throughout the process, the postmaster disagrees with Post Office findings, there are opportunities for them to formally raise this and have the findings reviewed.

### **Proposed new process**

4. The proposed new process would be used only for cases where the loss has been investigated and established to be, on the balance of probability, a genuine loss to the Post Office, caused by the error, negligence or carelessness of the postmaster or their assistants. In addition, the postmaster must have **IRRELEVANT** or has **IRRELEVANT**, but has been through the **IRRELEVANT** **IRRELEVANT** and review.

Our proposal is that we **IRRELEVANT** on a monthly basis and no more which is consistent with the previous approach taken. **IRRELEVANT** represents the maximum percentage **IRRELEVANT** previously agreed with NFSP, and currently used as guidance for all **IRRELEVANT**. We recognise that in the current environment this may be difficult for some postmasters, but we do encourage them to contact us if this is an issue.

There is currently no lower or upper limit on the value of losses to enter this process.

Our recommendation is that we **would not** proceed to deduct from remuneration in the following circumstances for the time being, and will work through each of these in turn to define the recommended approach:

- a) Where it is a criminal case which, if valued at over **IRRELEVANT** and with significant indicators of dishonesty, will be sent to the Central Investigations Unit.
- b) Where we have been unable to contact the postmaster at all and have no evidence that the postmaster **IRRELEVANT**
- c) Where the postmaster is a former postmaster or resigns part way through a schedule of deduction from remuneration.



- d) Where it would not be feasible for the postmaster to repay the amount via deductions from remuneration. For instance, if the postmaster already has a repayment plan, or the amount is too large.
  - e) Strategic partners
5. It is recommended that the process is implemented to begin on 3<sup>rd</sup> April 2023, and we will do our best to meet this date. We do, however, need to make sure that Dynamics is updated to reflect the new checklists and letters, that all the teams are trained, and the comms approach is nailed down.
  6. The recommended process is mapped out and can be seen in Appendix One.
  7. Once a discrepancy is investigated and established as a loss, the postmaster will be contacted, and the findings explained on the telephone, as is the current practice.
  8. A checklist will ensure all the points are covered during the call, and this will include confirmation of the email and telephone contacts that the postmaster would prefer us to use<sup>2</sup>. We propose to send all communications via email where possible, whilst exploring the use of Branch Hub for a more secure and trackable contact method in the future.
  9. The postmaster will be asked if they agree with the findings. The call will be recorded, so a record of this verbal agreement will exist.
  10. If the postmaster agrees, a warm transfer<sup>3</sup> will be made to the Postmaster Account Support Team which will enable payment arrangements to be agreed. Steps 13 onwards only apply if payment arrangements are not agreed at this stage.
  11. Following the call, the full report will be sent to the postmaster to digest, along with a letter. This letter will contain the following:
    - a) Confirmation IRRELEVANT
    - b) A request for the postmaster to contact the Postmaster Account Support Team (PAST) to arrange payment if they have not already done so.
    - c) Full details of the decision review process, and a reminder that the postmaster has 10 working days to appeal if they wish to.
  12. The case is assigned to the Postmaster Account Support Team.
  13. The Postmaster Account Support Team will attempt to contact the postmaster once the case is assigned to them, following the guidelines below and a new checklist will support this conversation.

**Post Investigation Day 1** – Attempt telephone call. If unsuccessful send an email requesting the PM get in touch and set a task on the Dynamics system to attempt contact again on Day 6.

<sup>2</sup> It has been confirmed by Post Office Legal and Data Protection that there is no issue with Post Office using contact details to contact Postmasters for the purpose of recovering established losses.

<sup>3</sup> A warm transfer is when the colleague, who receives a call, transfers it to the PAS team along with pertinent information. This ensures that the person on the receiving end of the transferred call is adequately prepared with the right information and the postmaster won't have to explain the situation themselves.



**Post Investigation Day 6** - Attempt telephone call. If unsuccessful send an email requesting the PM get in touch and set a task on the Dynamics system to review the account on Day 11.

**Post Investigation Day 11** – if still no contact with the postmaster, send out an intention letter.

14. The intention letter will set out our intent to automatically deduct the amount of the established loss from the postmaster's remuneration (within intended limits<sup>4</sup>). It will urge the postmaster to get in touch to discuss if this arrangement isn't suitable and will give the postmaster 7 days to respond.
15. If nothing further is heard, 8 days after the intention letter is sent, the deduction will be set up and confirmed in writing to the postmaster, using a confirmation letter which will inform the postmaster when the first/next payment will be taken.
16. This process will only be effective while the postmaster maintains an agreement with Post Office. If the postmaster ends the agreement, Post Office will be unable to continue deductions.

#### **Postmaster Communication**

17. As context, when the decision was initially taken to cease forced deductions from remuneration, we did not communicate this change of approach to postmasters.
18. We will have a thorough communication schedule and timeline to keep our internal colleagues, such as Area Managers and Branch Support Centre, informed, as well as our external stakeholders.
19. To communicate with Postmasters about this new change in process, and in the spirit of transparency, we propose to send a communication via Martin Robert's weekly postmaster email and via our One website and Branch Hub that will cover the following points. The exact wording will require communications and legal review to ensure clarity and good tone of voice:
  - a) That in the last few years, we have not been active in recovering monies that have been lost because of a discrepancy, due to us reviewing our processes in light of findings from the CIJ.
  - b) That we now have a robust process in place to investigate discrepancies thoroughly and are able to effectively establish those losses that are the fault of the postmaster or one of their assistants. We have developed a fair and reasonable process and will begin to recover unpaid losses once again.
  - c) This means that if you have a discrepancy investigated which is found to be due to an error in your branch, and you **IRRELEVANT** but do not subsequently **IRRELEVANT** **IRRELEVANT** we will give you notice that we will deduct this amount from your remuneration.
  - d) If the discrepancy is investigated and we believe it to be due to an error in your branch, but you disagree, you are able to dispute this using the dispute resolution process which we will tell you about. However, if the dispute process finds that Post Office were

<sup>4</sup> Repayments should aim not to exceed **IRRELEVANT** of remuneration payments, unless requested to do so by the postmaster. The term will be as long as required to clear the account, based on the **IRRELEVANT** rule above.





**IRRELEVANT** and you do not subsequently **IRRELEVANT**  
we will give you **IRRELEVANT** that we will **IRRELEVANT**  
e) That this new process will come into effect from April 2023 onwards and if you are impacted by this change of process, members of our Postmaster Account Support Team will be there to help you.

20. Post Office have engaged the National Federation of Sub-postmasters (NFSP) on this proposed process, and they have stated their support. We will explore the possibility of a joint communication.

### **Other considerations**

21. There are some key differences in how payments for discrepancies are collected from Strategic Partners (SPs), so they will be out of scope for this new proposed process. We are in the process of identifying the current balances and reviewing the Target Operating Model for discrepancy management of SPs.
22. A draft Established Loss policy has been written in conjunction with Post Office legal and has been reviewed by Norton Rose Fulbright. This is available in the reading room (Appendix 2) but how we approach civil losses is still to be clarified. CIU is supporting with this, and we aim to submit the policy to RCC and ARC in March.
23. We proposed in the Executive Summary that we would only use the new process for recovery of losses established from the date of implementation onwards. Backdating the process to recover losses established in the past could be considered later once strict parameters relating to the age and investigation of the loss are agreed.
24. The Contracts, Dispute Resolution, Branch Support, CIU, and Speak Up teams have been exploring a single case management and intelligence platform on which all these teams could work. This would allow a single place for all investigation data to be stored, accessed, and analysed; easy and safe management flow of case work between teams; format standardisation; automatically generated reporting; production of internal, civil, and criminal case papers in a disclosure-assured manner; and would greatly assist with assurance and auditing of the investigation function. These systems have the facility to feed from existing systems, so will not disrupt current ways of working.
25. GE should note that there is a small risk of Postmasters threatening or bringing a legal action to judicially review the new dispute resolution process on the grounds of alleged procedural unfairness or irrationality embedded in the new process. The risk of such action being successful is low as the process and policy documents have been externally reviewed by NRF with CIJ conformance and procedural fairness in mind, and all comments have been incorporated.

### **Data and Technical Solutions**

26. Data in this area has been difficult to surface in the past, but EY should start a 3-month programme of work this week, with both Finance and Network Support and Resolution, to understand the data flows and how we could improve reporting and insights. In addition, Network Support and Resolution are working on a dashboard, which, subject to access to the multiple data sources required and adequate testing, should become operational in



---

February. The dashboard is designed to show how many cases we have established as a loss, whether that loss has been accepted by the postmaster or not, how it is being repaid and the true value.

27. In our last GE submission, we mentioned that technical solutions could help reduce the number of discrepancies where we are unable to contact a postmaster. The teams are working as part of the NBIT project to understand any changes in process that would support the investigation and recovery of discrepancies.
28. A short-term solution is that we will add the text, "Call BSC" to the Review/Dispute function key on Horizon, to remind postmasters to follow the correct process and we are progressing this (timescales to be advised).
29. Autorem 'in' is an initiative that will automatically add stock deliveries to a branch's stock holdings on Horizon. This will reduce losses arising from branches not doing this accurately, or at all. This is currently estimated for June 23, pending confirmation from suppliers that they can complete their delivery work to facilitate this date.

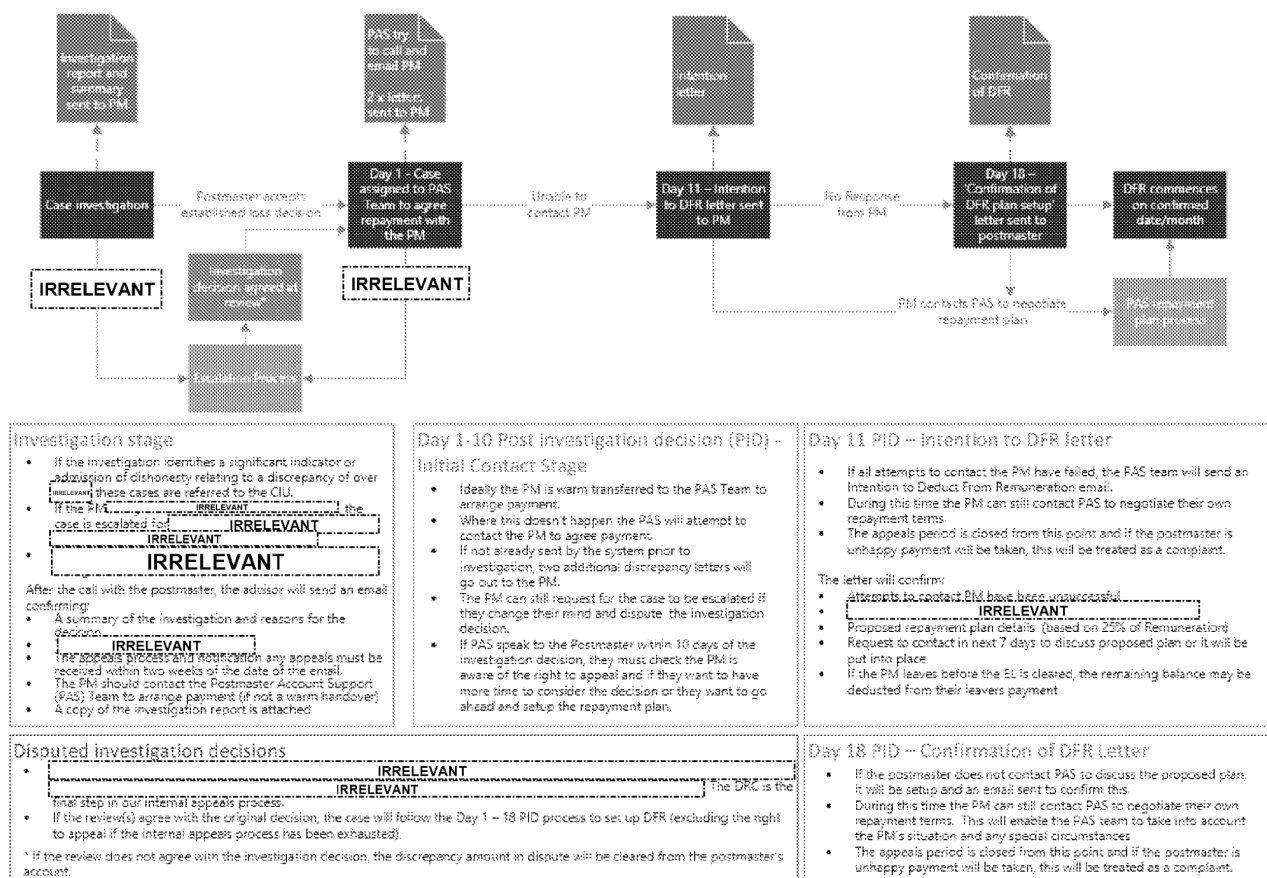
### Next Steps & Timelines

30. If agreed, deliver the communications strategy for this process.
31. If agreed, implement the process to begin on the 3<sup>rd</sup> April 2023.
32. Return to GE to recommend processes for larger value cases where civil action may be considered, and other cases that are out of scope for this process, such as those postmasters we are unable to contact at all.
33. Submit the Postmaster Established Loss Policy to ARC, either at the March meeting or via written resolution, as guided by the Group Executive.
34. Look into using Branch Hub for communications relating to recovery of established losses.
35. Continue to work on the data required for effective insight.
36. Implement the text change to the Review or Dispute option on Horizon and recommunicate the importance of this to postmasters.
37. Continue work to identify the current balance and review the Target Operating Model for discrepancy management with Strategic Partners.



## Appendices

### Appendix 1 - High Level Process Map for recovery of Established Losses



A further appendix is available in the Diligent Reading Room

Appendix 2 - Postmaster Established Loss Recovery Policy DRAFT V0.6