

From: Chris Aujard

CC: ExCo

14/02/2014

To: Post Office Limited Board

PROJECT SPARROW UPDATE

Purpose

1. This Paper updates the Board on the current issues facing Project Sparrow and provides a short commentary to accompany the attached slide pack.

Background

2. The Board was last formally updated in November about the progress with Project Sparrow. Since then there have been a number of further updates including via the Chief Executive's report.
3. Overall case progress remains slower than we hoped for and the expectation gap is still substantial. However there are a number of new issues which this note draws to the Board's attention.

Activities/Current Situation

4. The Scheme has had 147 applications, of which eight have withdrawn from the Scheme. Post Office have 22 investigators in post and they are currently investigating 37 cases with Second Sight looking at five. Most of the rest of the applicants have still to complete their detailed application. A rigorous quality assurance process has seen improvements to the POL report quality over the past few months. This process is now being scaled back so reports should move more quickly to Second Sight going forward.
5. Alice and Paula have had a positive meeting with James Arbuthnot and agreed to a subsequent meeting between Post Office and MPs. The meeting helped to confirm Post Office's understanding on a number of key issues such as who had engaged Second Sight (Post Office), what they should be focussed on (the Scheme) and the Post Office's commitment to transparency and to investigate thoroughly.
6. As the Board may recall from the last formal update POL were in a position where we were about to sign a letter of engagement with Second Sight and agree the Terms of Reference with the Working Group. Unfortunately neither of these agreements have been possible and the stakeholder landscape has become substantially more challenging. There are a number of potential points of conflict in the near future that this note draws to the Boards attention.
7. The Working Group have declined to agree to the draft Terms of Reference put to them by Post Office. These were extensively discussed at the beginning of January and were close to agreement with disagreement down to one relatively technical clause. However at the meeting in late January there was a concerted effort to widen the terms of reference. This was led by JFSA (and supported by Second Sight) who are seeking to give the Working Group oversight of all enquiries that Second Sight might make into Horizon and associated issues, both for scheme

applicants and others (including MPs). Anthony Hooper was broadly supportive of the broader scope, although his focus was on preparation of a final report on the Scheme and its findings.

8. Linked to the Working Group issue Second Sight have declined to sign the current draft of the engagement letter mainly on two grounds - that the letter fails to acknowledge the wider work they are doing for MPs and that the clause preventing them acting against Post Office in the future is unduly restrictive. Post Office reject both grounds as they are clear that Second Sight should only be investigating scheme cases and that the contract terms (that were requested by the Board) are not unduly restrictive.
9. Second Sight are due to produce their first four case reports and their generic report on 27 February. Once these reports are distributed to applicants it is highly likely that they will leak. Before we reach this point it is critical that we resolve the issues around Second Sight engagement and the Working Group Terms of Reference.
10. It is likely that the generic report will be highly critical of Post Office across a wide range of issues in a similar style to the Second Sight interim report and that this will come with accompanying media interest. The programme team are working closely with communications to manage this issue including developing a number of scenarios for how the stakeholder issues might play out and the likely media reaction to the generic report.
11. At the time of producing this note Anthony Hooper (the Working Group Chair) is currently unavailable but it is hoped that by the time of Board Paula will have held a discussion with him and potentially James Arbuthnot as well. At the meeting we will be able to update the Board on these meetings and related matters, together with a clearer view on the way things are likely to play out.
12. Given the sensitivity of a number of these issues and the speed at which they are moving ExCo felt that it might be helpful to arrange a conference call in advance of the Board. The call would be an opportunity to provide the Board with the latest position so that discussion on the day can focus on what may be a challenging set of decisions and issues.

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