



Chairman Briefing Session

Sparrow

2 June 2014

DRAFT NOT POLICY

v4





Agenda

1. Introduction and context
 2. Options and recommendation
 3. Communications plan, narrative and stakeholder handling
 4. Conclusion
- Annexes





Annexes

- A. Progress of the Scheme
- B. Case MO22
- C. Options to amend existing ToR
- D. Financial modelling
- E. Horizon definitions
- F. Tony Hooper
- G. Justice For Subpostmasters Alliance
- H. Second Sight
- I. Timeline
- J. Draft PO / Linklaters 'Horizon report' (separate Word document, work in progress)
- K. Alternative narratives





1. Introduction and context

Today is an informal opportunity to discuss:

- Position with the Scheme
 - ahead of sub-committee meeting
 - following Board and sub-committee requests for information
- Assessment of opportunities, benefits, handling and risks of core options
- Assessment on likely outcomes if we are to maintain status quo position
- Case progression
 - PO has completed 24 investigations
 - Second Sight has provided its report on three of those investigations
 - One recommended for mediation





1. Introduction and context

We are in a challenging position with the Scheme – our session is aimed at assessing all options openly and frankly.

Whatever decisions are made by the sub-committee, we believe that we can develop and deliver communications and stakeholder approaches which will manage and respond to adverse publicity and reaction. However, we do recommend a specific option.

We have developed communications approaches for all the options set out here.

We have engaged a senior PR professional to work solely on Sparrow over the next three months and are in discussions with Brunswick PR.





1. Introduction and context

Post Office Board/Chair has asked for:

- Consideration be given to changes that could be made within the existing ToR
- Whether the caseload could be “triaged” to allow the caseload to be minimised
- Steps to be taken to settle case M022

Sub Committee has asked for the following to be developed:

- An implementation plan following their agreement in principle to PO “taking control” of the Scheme
- Linklaters letter, drawing on the further independent assurance work, for potential use in the context of this plan

James Arbuthnot MP has written to the Post Office Chief Executive to:

- Express concerns over how long the Scheme and investigations are taking
- Request a draft letter for MPs and a meeting in July to update MPs on Scheme progress

Post Office Minister Jo Swinson MP returns to role in late June:

- with BIS pre-brief on June 9

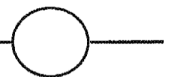




1. Introduction and context

What does success look like?

- We bring a close to the discussion on the Horizon IT system as there is no evidence there are systemic issues with it (independent assurance provided)
- 150 applicants feel that their concerns have been addressed
- MPs and the media are interested in our strategy and modernisation as opposed to our IT systems
- In run up to the election the Horizon issue does not cause the minister any problems
- We can proactive to changes in our IT systems and ensure they are received positively
- Limited internal resource (from chairman to administration)/money spent on Horizon and more on profit-making activity
- Second Sight no longer producing poor quality work that POL cannot rebut publicly
- Existing subpostmasters and customers continue to have confidence in our systems and processes, particularly in relation to digital and financial services development
- Impact of Scheme on the brand re-launch and commercial agenda is minimal

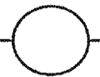




1. Introduction and context

Principle concerns:

- Mounting cost and use of management time
- Potential for Scheme to continue until the end of 2015 (if Second Sight submit three cases a week)
- JFSA and Second Sight are increasingly taking a harder line – in the case of JFSA escalating to Ministers and threatening to go to media
- Governance of Scheme as constituted does not allow Post Office any ability to amend approach in best interests of the Business and applicants
- Second Sight's reports are of poor quality and inflammatory and will become public (with no opportunity for Post Office to rebut)
- Prospect of sustained media and stakeholder activity (possibly to tie into election sensitivities)
- Controversial cases and high profile decisions on a monthly basis, plus one off adverse media/stakeholder reaction when process completed





1. Introduction and context

Principle concerns (continued):

- Due to Conditional Fee Agreements there is an increasing likelihood of sub-postmasters entering detrimental financial arrangements
- Potential impact the continuation of the Scheme could have on confidence in the business
- This is all in the context of:
 - Post Office having very limited legal liability, based on the Linklaters report
 - Further evidence of there being no systemic issue with the Horizon computer system through the independent assurance report and the results of 26 Post Office investigations





2. Options and recommendation

An assessment of options has been undertaken by the Programme, Legal and Communications and Corporate Affairs teams:

- i. Continue with the Scheme as it is
 - i.e. current arrangements
- ii. Continue with the Scheme but seek to refine its work within the existing Terms of Reference
 - including 'triaging' cases post-investigation
- iii. Completing the Post Office investigation in each case and moving the governance and management of the Scheme in-house
 - including 'triaging' cases post-investigation and disbanding Working Group and ending Second Sight's engagement





2. Options and recommendation

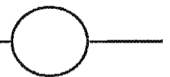
i. Continue with the Scheme as it is, i.e. current arrangements

Benefits:

- Delivers on Ministerial and Post Office commitments
- Potential for short term stability (in external context)
- Delayed adverse PR impact (potentially)

Risks:

- Number of dissatisfied applicants increases
- Media coverage and speculation increased as ratio of dissatisfied applicants grows
- Scheme costs continue to rise as it continues for further 18 months
- Diverting management time from core business
- Scheme damages credibility of the Post Office
- Continued pressures for MP meetings





2. Options and recommendation

ii. Continue with the Scheme but seek to refine its work within the existing Terms of Reference

Press for a number of reforms to its operation:

- Criminal cases: Make clear we will investigate last and are unlikely to mediate
- Bankruptcy: only engage if the Official Receiver has agreed to assign the rights
- Old cases: do not investigate where data is not available
- Case Questionnaire Response submission: A hard deadline is set and enforced
- Linklaters and independent assurance work: dissemination based on a duty to applicants
- Regular quality and delivery review meetings with Second Sight





2. Options and recommendation

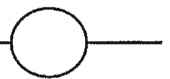
ii. Continue with the Scheme but seek to refine its work within the existing Terms of Reference (continued)

Benefits:

- Scheme administration improved

Risks:

- Likely to be resisted by Working Group, including Tony Hooper, as infringing independence
- If issues forced to disagreement Post Office will either need to back down or risk causing the Working Group to break up
- Adverse on-going media coverage and speculation agitated by JFSA to put pressure on Post Office to concede or revert
- Negative stakeholder reaction





2. Options and recommendation

iii. Completing the Post Office investigation in each case and moving the governance and management of the Scheme in-house

Publish a report in July on Horizon and the Mediation Scheme, including the Linklaters letter and the independent assurance report. We disband the working group and end Second Sight involvement. Pledge to investigate all the cases.

Benefits:

- Reduced administration costs saving millions of pounds
- Earlier Scheme completion (by end 2014)
- Ability to manage the Scheme processes and implement them effectively
- Manages the expectation gap through making clear to applicants the likely maximum legal liability leading to more realistic mediations
- PO controls timing of announcement and is prepared to manage consequent publicity
- Will release management time
- Completes all investigations and Scheme closed within current Parliament and before general election





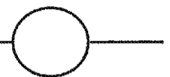
2. Options and recommendation

iii. Completing the Post Office investigation in each case and moving the governance and management of the Scheme in-house (continued)

Risks:

- Highly likely to lead to one or two days of criticism in national media
- May cause applicants to abandon the Scheme in favour of litigation
- Removes independent element from process
- Increased risk (in the short term) of parliamentary scrutiny
- Adverse ministerial and stakeholder reaction
- Irreparable damage to relations with JFSA

These are all risks which are likely to materialise in any event and under any option. This option, we believe, gives us the opportunity to manage these risks more effectively.





2. Options and recommendation

It is the view of the Programme, Legal and Communications and Corporate Affairs teams that Option iii, where we move the Scheme in-house is the option most likely to meet the needs of the Business.

We take this view in the light of the following:

The inquiry into the allegations raised by the JFSA and MPs was set up in summer 2012.

There has been no evidence in the two year period since of any systemic issue with the Horizon computer system, the central contention of the allegations.

Alongside increasing costs (with £3.2m already spent on the programme), we now have a body of evidence and other factors which suggest that we should amend the approach taken – while ensuring that all applicants have their cases heard.

We could expend time, energy and cost pursuing a process which results in the applicants and stakeholders being more dissatisfied at the end than they were at the beginning.

From a reputation perspective, one or two days of negative media is likely to have less impact than 18 months of coverage and speculation, which may damage the brand re-launch.





3. Comms plan, narrative & stakeholder handling

Proposal

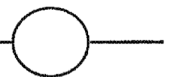
We publish a report in July on Horizon and the Mediation Scheme, including the Linklaters letter and the independent assurance report. We disband the working group and end Second Sight involvement. Pledge to investigate all the cases.

Narrative and media line to take

As a responsible business the Post Office is committed to listening and learning from its people. As such in 2012, following allegations raised with us by some subpostmasters, we set up an inquiry into the Horizon computer system. We appointed an independent firm, Second Sight, to lead this inquiry.

In the two years since the inquiry began there has been no evidence of deficiencies with the Horizon system. Indeed, Second Sight found no systemic issues in its report in 2013. It has since been investigating cases and this work supports this finding.

We have also commissioned independent assurance work to examine the Horizon system further and received assurance around the integrity of the system, which has around 68,000 users and deals with more than six million transactions every day.





3. Comms plan, narrative & stakeholder handling

As part of our commitment to investigate cases raised with us by a small number of subpostmasters we set up a Mediation Scheme in order to offer an opportunity for them to have their cases heard. At the same time we launched a Branch Support Programme to find ways of improving the support we offer the subpostmaster community.

Having fully investigated 26 of the 70 cases submitted, it has now become clear that few of the cases submitted to us raise genuine issues with the Horizon computer system. The mediation scheme will not therefore work in the interests of those who have submitted cases.

We have therefore decided to move to a new approach.

We will investigate all cases and provide applicants with a report of their investigation to help them understand what happened in their case.

When all investigations are completed we will consider what action is appropriate in individual cases and what improvements can be made in the light of any findings.

This is consistent with the approach we have taken with the Second Sight Interim Report through our Branch Support Programme.

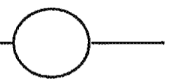
We will publish a report when all investigations have been completed.





3. Comms plan, narrative & stakeholder handling

Stakeholder	Key Message/handling
Minister	<p>Value for money considerations and potential play into general election timing.</p> <p>The longer the scheme runs, and the more dissatisfied applicants emerge, the greater the risk of calls for a public inquiry and BIS select committee involvement.</p> <p>MPs with cases could find themselves facing criticism where cases are not resolved in a way which satisfies applicant.</p> <p>Right thing for the business at time of massive change.</p> <p>LL and other independent assurance/possible further independent role</p> <p>Role for NFSP?</p> <p>Duty of care to existing subpostmasters (and applicants – expectation gap)</p> <p>If we continue the next 9 months will be littered with local negative stories</p> <p>Protection against SS quality of work.</p> <p>Independence remains in mediation process through respected mediators CEDR</p> <p>All applicants will receive the full investigation report.</p> <p>Legal options remain open to dissatisfied applicants.</p>





3. Comms plan, narrative & stakeholder handling

In relation to Ministerial handling, other factors to consider are:

- Discuss possible role with NFSP
- Post Office takes lead in media handling
- Plan communications opportunities for the minister
- Timing of announcement
- Network Transformation factors in key MP areas
- Consider independent oversight by a third party

These factors could mitigate difficult communications factors and ease handling.





3. Comms plan, narrative & stakeholder handling

Stakeholder	Key Message/handling
Media	<p>Now to summer: Allegation of white wash by POL 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 drive by and include quotes from JFSA, MPs and Applicants</p> <p>Over the summer: Potential for media coverage driven by any FoI placed by JFSA on cost of the scheme.</p> <p>Summer – Christmas: Possible regional and national stories by those who continue to follow the story e.g BBC and Computer Weekly and regionals</p> <p>Run up to election: Potential remains for follow up around any announcement on IT&C contract. Though hopefully story becoming of less interest in this scenario as no live cases.</p>
Sir Anthony Hooper	<p>Our decision to make; we need to put applicants and business first</p> <p>We have listened, given time and we need to act now.</p> <p>We understand your view and of course this is no criticism of you.</p> <p>How do we handle this in a way that helps you?</p> <p>At end of day it's a decision we need to take</p>
Second Sight	<p>Remind of obligations around confidentiality</p> <p>Legal letter.</p>





3. Comms plan, narrative & stakeholder handling

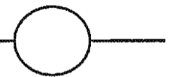
Stakeholder	Key Message/handling
James Arbuthnot	<p>Face to face meeting (AP and PV) – use letter as basis</p> <p>Play back concerns in last letter – you’ve been chasing about progress, I share your concerns and now I am taking action</p> <p>We are concerned about applicants which is why we are making the changes</p> <p>Committed to investigations.</p> <p>This and Branch Support Programme important legacy of your involvement (offer him involvement in media release on initiatives delivered as result of programme).</p> <p>We will publish a report as soon as investigations completed (and this will be before you stand down as an MP)</p> <p>If we don’t take this action, the work will not be completed before the general election.</p> <p>Opportunity to share more information about Scheme progress with him and other MPs.</p> <p>Update meetings with MPs which he could chair.</p>
Other MPs engaged	<p>Write to MPs with a constituent in the case and offer meetings.</p> <p>All cases still live so we must be mindful of that and keep information confidential</p> <p>We are committed to investigating all cases.</p>
JFSA	<p>Current arrangements haven’t worked. We are committed to investigating every case, including yours, with mediation where appropriate.</p>





3. Comms plan, narrative & stakeholder handling

Stakeholder	Key Message/handling
Applicants	Letter to all PA and Applicants at the same time Timescale of when to get CQRs in (4 weeks) Case by case basis Change in process to ensure timely investigation of their case LL advice
Other Stakeholders (consumer futures, NFSP)	NFSP – re-engage and reclaim support Consumer Futures – assurances that no adverse impact for customers.
Professional Advisors	Letter to all PA and Applicants at the same time Timescale of when to get CQRs in (4 weeks) We are committed to investigating all cases Case by case basis LL advice. Will be paid for work as committed.





4. Media handling

Holding line for media

We have decided to make changes to the approach to this issue in the best interests of applicants and the Post Office business.

We are committed to investigating all cases. It would be inappropriate to comment on individual cases. We have confidence in the Horizon computer system and this has been further consolidated through independent verification which has repeatedly shown no systemic issues within it.

We have published a report setting out the position we have reached and will publish a final report at the end of the Scheme.

This approach would attract some media coverage from outlets which have previously covered the issue (last July it was covered in a 12 hour cycle by the BBC, with the most high profile being the Today Programme and BBC News at 10. This would be a one day news cycle.





5. Conclusions

- Hope this has been a useful session
- Recognise some of the difficulties and challenges it raises
- We believe that the recommended approach is in the best interests of the business and the applicants and is deliverable in such a way that can be managed in relation to media and stakeholders
- Subject to your views our next step will be to prepare papers making this recommendation for the sub-committee





Annexes

- A. Progress of the Scheme
- B. Case MO22
- C. Options to amend existing ToR
- D. Financial modelling
- E. Horizon definitions
- F. Tony Hooper
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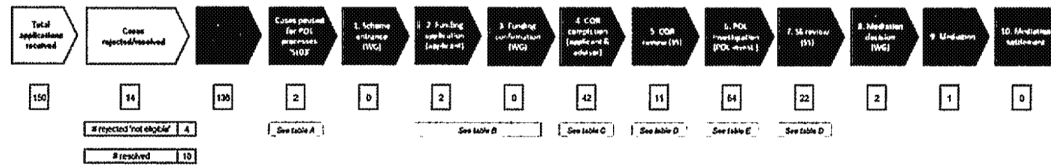
Annex A: Progress of the scheme

Case tracker: Working Group Case Overview

Case tracker: Working Group Case Overview

Report generated: 02/08/2014 00:43

Case load and flow



A Status of cases based 'SLO's'

Case ref.	Comments on recent developments	Action
M094	Findings sent on 22/04/14. Response chased on 02/05/14, 06/05/14 and 08/05/14 by email and on 14/05/14 by phone.	SLO1 pack to be sent once written confirmation received OR if no response by 02/06, SAA1 letter to be sent.
M142	Findings sent on 15/04/14. Response chased on 30/04/14 and 12/05/14. Final letter sent 21/05 - applicant wishes to proceed.	SLO1 pack to be sent once signed edited letter received OR if no response by 05/06, SAA1 letter to be sent.

B Status of cases at 2. Funding Application, 3. Funding Confirmation

Case ref.	Stage	Comments on recent developments	Action to be taken by WG
M004	2. Funding Application	SLO1 pack issued to applicant 20/05. Signed for by applicant 22/05.	Update WGD w/c 16 June
M114	2. Funding Application	SLO1 pack issued to applicant 30/05 with response deadline of 13 June for SA or 27 June for COB.	

D Status of cases at 6. COB review (16) and 7. SF Review (55)

COB Review		SF Review	
Case ref.	Date initial COB submitted to SF	Case ref.	Final date case submitted to SF / Report due date
M013	08 May 2014	M001	30 May 2014 / 27 June 2014
M016	09 April 2014	M002	30 April 2014 / 27 June 2014
M027	06 May 2014	M007	24 April 2014 / 03 July 2014
M031	18 May 2014	M009	30 April 2014 / 27 June 2014
M044	24 April 2014	M011	21 May 2014 / 13 June 2014
M048	08 May 2014	M014	30 April 2014 / 27 June 2014
M050	12 May 2014	M015	09 May 2014 / 04 July 2014
M051	06 May 2014	M017	13 May 2014 / 11 June 2014
M075	12 March 2014	M018	27 May 2014 / 24 June 2014
M097	07 May 2014	M019	08 May 2014 / 13 June 2014
M107	14 May 2014	M021	08 May 2014 / 20 June 2014
		M028	01 May 2014 / 13 June 2014
		M029	12 May 2014 / 11 July 2014
		M030	15 April 2014 / 30 June 2014
		M035	14 May 2014 / 27 June 2014
		M048	15 April 2014 / 08 June 2014
		M052	08 May 2014 / 04 July 2014
		M053	14 May 2014 / 11 July 2014
		M057	08 May 2014 / 07 June 2014
		M062	30 April 2014 / 14 June 2014
		M072	27 May 2014 / 24 June 2014
		M076	17 April 2014 / 08 June 2014

Total COB's undergoing Second Sight review process = 11

Total case reports SF are working on = 22

C Status of cases at 4. COB completion (applicant & adviser) (118 based on 55 Thematic Issues - Mediation Cases V21)

Case ref.	Vendor	Adviser	Original due date	COB due date	Comments/suggested WG action
M047	Aver	Emma Porter	25 February 2014		
M070	Aver	Emma Porter	21 February 2014		
M073	Aver	Bill Clyburn	21 February 2014		
M083	Aver	Emma Porter	30 April 2014		
M082	Aver	Emma Porter	21 February 2014		
M102	Aver	Emma Porter	01 April 2014		
M109	Aver	Bill Clyburn	27 February 2014		
M119	Aver	Emma Porter	01 April 2014		
M128	Aver	Bill Clyburn	20 April 2014		
M130 + M131	Aver	Emma Porter	21 February 2014		
M134	Aver	Emma Porter	21 February 2014		
M137	Aver	Emma Porter	21 February 2014		
M138	Aver	Emma Porter	21 February 2014		
M139	Aver	Emma Porter	21 February 2014		
M141	Aver	Emma Porter	02 May 2014		
M144	Aver	Emma Porter	11 April 2014		
M146	Aver	Bill Clyburn	12 June 2014		
M148	Aver	Emma Porter	13 April 2014		
M149	Aver	Emma Porter	02 May 2014		
M150	Aver	Emma Porter	22 April 2014		

Total outstanding Aver cases = 20

Total outstanding Hove & Co cases = 20

Case ref.	Hove & Co	Adviser	Original due date	COB due date	Comments/suggested WG action
M010	Hove & Co	Wendy Darlington	06 December 2013	04 June 2014	
M020	Hove & Co	Wendy Darlington	21 February 2014	04 June 2014	
M055	Hove & Co	Wendy Darlington	11 February 2014	04 June 2014	
M061	Hove & Co	Graham Cade	11 February 2014	11 June 2014	
M069	Hove & Co	Danny McClellan	01 January 2014	04 June 2014	
M077	Hove & Co	Paul Mann Singh	11 February 2014	14 June 2014	
M080	Hove & Co	Deven O'Rourke	07 January 2014	14 June 2014	
M094	Hove & Co	Diagel Meehan	28 January 2014	18 June 2014	
M095	Hove & Co	Deven O'Rourke	11 February 2014	04 June 2014	
M096	Hove & Co	Paul Mann Singh	28 January 2014	14 June 2014	
M098	Hove & Co	Paul Mann Singh	21 February 2014	14 June 2014	
M099	Hove & Co	Tim Shingford	21 February 2014	04 June 2014	
M096	Hove & Co	Graham Cade	25 February 2014	04 June 2014	
M098	Hove & Co	Deven O'Rourke	11 February 2014	14 June 2014	
M105	Hove & Co	Danny McClellan	21 February 2014	12 June 2014	
M106	Hove & Co	Graham Cade	01 April 2014	02 May 2014	
M110	Hove & Co	Paul Mann Singh	21 February 2014	04 June 2014	
M113	Hove & Co	Paul Mann Singh	21 February 2014	04 June 2014	
M129	Hove & Co	Danny McClellan	11 February 2014	18 June 2014	
M140	Hove & Co	Graham Cade	01 May 2014	10 May 2014	

Total outstanding Hove & Co cases = 20

M037	James Cooper	Robert Holland	22 May 2014	11 July 2014	55 to contact to ask for email submission
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Total outstanding James Cooper cases = 1



Annex B: Case MO22

MO22:

- First case to progress through the Scheme.
- Second Sight have produced a draft report which Post Office (as a member of the Working Group) have commented on.
- Post Office will send a detailed response rebutting the inaccuracies in the report this week.
- The applicant and their advisor have reviewed the report and are also due to comment on the report this week.
- The Working Group has already approved the report for mediation (this occurred prior to the recent Board discussion)
- Post Office is actively trying to settle the case.
- According to the agreed processes if no settlement is reached the case should reach mediation by mid July.





Annex C: Options to amend existing ToR

Ministerial Commitments

- Working Party will consider all 47 cases brought forward by JFSA and MPs
- Independent figure will chair a review
- Independence of process
- Second Sight and JFSA Working Party
- Further work on cases must be independent
- Working Party must be independent
- Scheme open from 27th August – 18th November 2013
- Working Group is independent of Government and responsible for meeting interim report recommendations





Annex C: Options to amend existing ToR

Detail of the scheme as published

- There will be a Working Group
- Second Sight and JFSA will be members
- There will be an independent Chair
- Second Sight will recommend whether a case should be mediated
- Second Sight will investigate and provide a case review
- Applicants will receive a copy of the case review
- Mediation process will be independently administered
- Post Office will pay for a professional advisor to articulate the applicants's case and attend mediation.
- Scheme will take in Criminal cases
- Scheme will take in old cases





Annex C: Options to amend existing ToR

Working Group ToR (not published)

- WG will oversee Scheme
- Membership may change by agreement of WG currently PO, JFSA, SS and Chair
- SS will be investigator and advisor
- Scheme objectives to achieve mutual and final resolution of applicants concerns about Horizon and associated issues.
- Investigate proportionately and efficiently an applicant's claims
- Scheme must ensure value for money
- WG may modify operations and practices
- WG should ensure cases are completed in a timely manner
- Ensure all cases treated consistently
- Proceedings will be confidential
- SS are non voting, JFSA and POL are voting members, Chair has casting vote
- Only confidentiality is legally binding





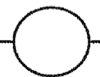
Annex C: Options to amend existing ToR

Journey to the WG and Scheme

- Ministerial commitments following SS Report set out broad way ahead.
- PO/JFSA/SS designed the Scheme and published details
- WG established and agreed its ToRs (not published)
- What changes could be made within existing ToRs?
- Ministerial commitments relatively broad - some scope for change
- Published Scheme but can be varied BY WG
- Under TORs for WG PO would need agreement of WG to change - experience to date shows reluctance to do so

Therefore:

- if PO asks for change what happens if WG refuses?
- where does that leave us?
- would we be prepared to force the issue and break the WG?





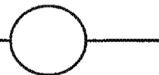
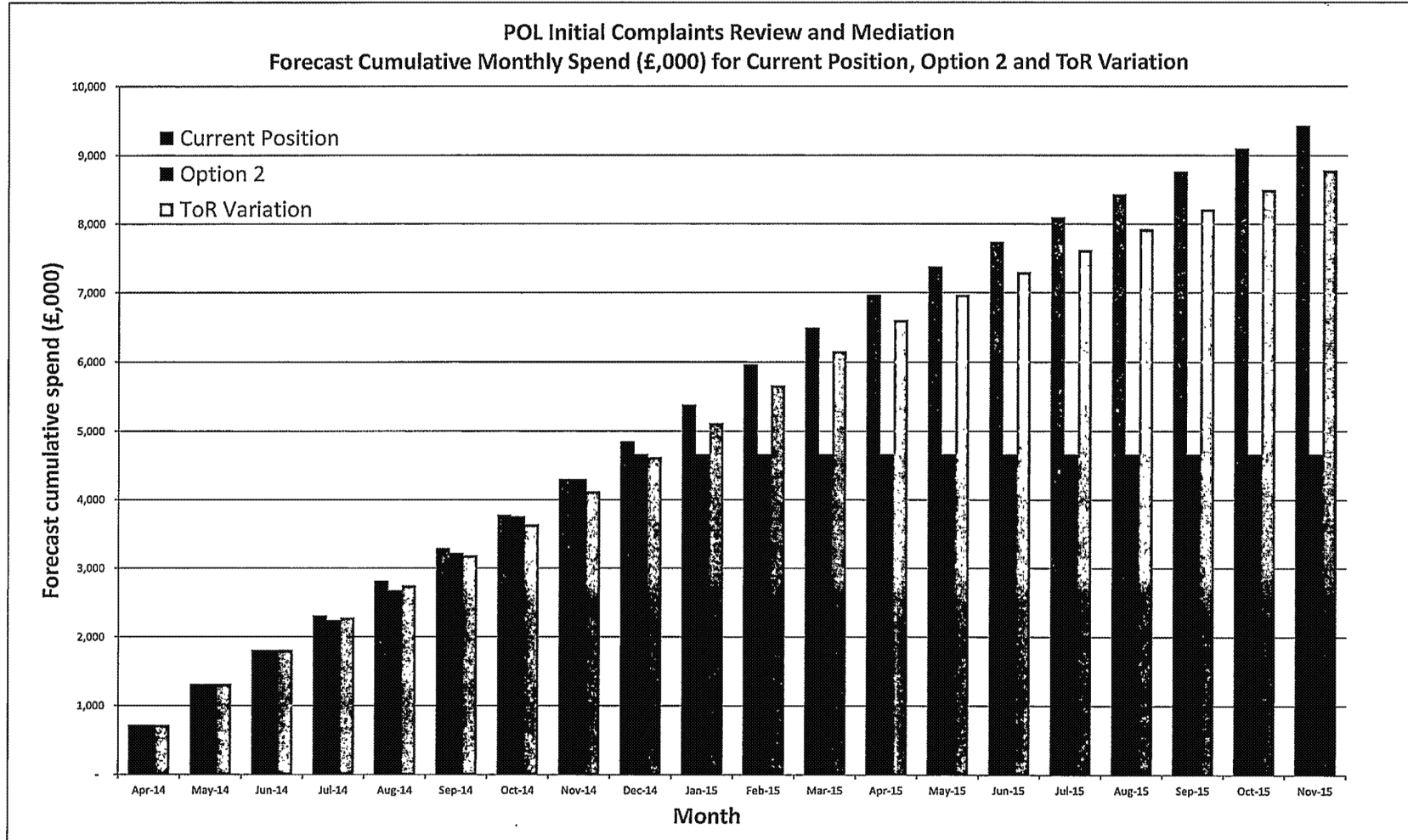
Annex C: Options to amend existing ToR

	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 £40K / month? Pay £1,500 per case.	Saving 2 weeks / case (pre-Investigation) Investigation of all cases = 1 year +	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</i>	Yes	No	No	Additional £23K / month	Saving [X] weeks / case (pre- investigation) 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
Allow POL veto over Working Group decisions	Yes	Yes	No	Minimal	Avoid future WG decisions that negatively impact timeframes	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





Annex D: Financial modelling





Annex E: Horizon definitions

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





Annex E: Horizon definitions

Results:

- 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.





Annex F: Tony Hooper

The programme team have considered Tony Hooper's likely positioning in relation to the Scheme and any possible modifications. In summary the team believe:

- That Tony will not remain as Chair of a radically modified Scheme if Post Office take Control.
- That Tony will not assist Post Office if it looks to disband the Working Group and end Second Sight's engagement
- That he is unlikely to take a public stance against Post Office .
- That he believes that Post Office should accept that the Scheme will take around 18 months and that is normal for a Scheme of this type.
- That as Chair he will maintain the Status Quo rather than managing conflict necessary to redesign the Scheme.





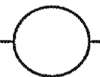
Annex G: Justice For Subpostmasters Alliance

Despite having collaborated with them since summer 2012 and given them prominent role they stance against post office continues to harden

- AB has said that he is still looking for a public enquiry
- He has said he has not confidence that post office are going to act in good faith at mediation
- He has said he is expecting to see evidence of post offices willingness to pay large sums of money
- He said he is continuing to gather and use FOI and other channels to gain evidence against post office

Summary

After 2 years of post office working closely with JFSA we have not been to establish credibility with him. This position is likely to deteriorate over the course of the scheme regardless of the option post office chooses





Annex H: Second Sight

The Post Office has a number of concerns with the state of the relationship with Second Sight:

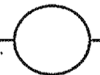
- They are a small firm who have struggled with the scale of the work they have taken on
- They are expensive (£60K pcm)
- Their work is both partisan and of poor quality
- We have written evidence of them coaching applicants and advisors to minimise any admission of guilt.
- They have resisted all attempts to manage them and to restrict the Scope of their work.
- Over the 18 months they have been reviewing Horizon they have not found anything new





Annex I: Timeline

DATE	EVENT
October 2008	Gartner report on Horizon Online (HNG-X) design
2009	JFSA established
11/05/2009	Computer Weekly article on deficits with Horizon system published
2010	Horizon upgrade
31/03/2010	AB sends a letter to Edward Davey MP, Minister for Postal Affairs (ED)
14/10/2010	Feedback AB and ED meeting. <ul style="list-style-type: none"> • States that: Horizon is the root cause of ALL issues for JFSA members. • JFSA has no other agenda than to redress the wrongs that have inflicted upon them
February 2011	Horizon integrity subject of 2 features on BBC's "Inside Out" programme
20/08/2011	<ul style="list-style-type: none"> • 4 Notification of lawsuits (Letters of Claim) being filed by SPMRs against POL on Horizon system with the Courts. • Letters of Claim cover above plus legality of SPMR contract (old one) • Implies no future in working with ED's department.
15/12/2011	JA writes to Moya Greene (RMG CEO) regarding closure of Odiham Post Office and problems due to Horizon
January 2012	JA writes to Minister and Moya Greene regarding closure of Odiham Post Office due to "irregularities" and questioned the Horizon system





Annex I: Timeline

DATE	EVENT
24/02/2012	<ul style="list-style-type: none">· JA contacts Alice raising his concerns regarding Horizon and requests a meeting.· Alice responds by agreeing to meet with JA
February 2012	Internal Audit Assurance review of Key System Controls in Horizon
27/02/2012	JA chairs a meeting at Portcullis House to discuss Horizon
13/03/2012	JA meeting with Alice Perkins (AP) and Alwen Lyons
02/04/2012	AP letter to invite JA for a meeting
15/05/2012	<ul style="list-style-type: none">· Received proposal from independent assurance to conduct a forensic investigation into Horizon. They had done similar work in the banking and telecom sectors.· Their cost estimate was £250K.
17/05/2012	Meeting with James Arbuthnot, Oliver Letwin, Alice, Paula, Alwen, and Angela where they agree to appoint forensic accounts
23/05/2012	AP agrees that MPs only should be briefed





Annex I: Timeline

DATE	EVENT
01/06/2012	NDA's with Second Sight signed
01/06/2012	Initial proposal from Ron Warmington received (they propose a cost of £15k)
06/06/2012	Alice and Susan Crichton prepare a TOR for Second Sight to work on the investigation
07/06/2012	<ul style="list-style-type: none">· Meeting with Paula, Alice, Susan, Lesley, Alwen, Simon where the independent assurance and Second Sight options are discussed.· Second Sight option was agreed as the best way forward· TOR for Second Sight was also discussed.
07/06/2012	Independent assurance make alternative proposals with lower costs.
08/06/2012	Alice makes some minor adjustments to the Second Sight TOR
11/06/2012	TOR goes to JA to approve
18/06/2012	<ul style="list-style-type: none">· JA meets with MPs , with Post Office present.
19/06/2012	JA message to Tadge Channer at Shoosmiths explaining the MP meeting outcome on 18 June





Annex I: Timeline

DATE	EVENT
25/06/2012	Susan Crichton asks SS hold off until JA endorsement secured though SS will have a TC with Simon Baker and Rod Ismay to begin work on understanding the helpdesk processes but hold off
04/07/2012	<ul style="list-style-type: none"> · Second Sight attend first meeting with JA. · The following MPs are also present: Andrew Bridgen MP, Mike Wood MP, Tessa Munt MP, Mary Glendon MP. · Primary purpose was to get JA's approval of Second Sight
05/07/2012	JA expresses that Alan Bates should have no power of veto over SS appointment or how the investigations ought to be undertaken.
12/07/2012	<ul style="list-style-type: none"> · Second Sight attend second meeting with JA. This time Alan Bates and Kay Linnell are present. · At this meeting the subject of "how to carry the sub-postmasters with us" was discussed.
23/08/2012	Post Office sends Second Sight the first CD containing documents for the initial batch of cases
13/09/2012	Ian Henderson attends a workshop with Fujitsu to get a technical understanding of Horizon
December 2012	<ul style="list-style-type: none"> · ToR for the investigation issued jointly by POL and JFSA. · ToR published on JFSA website · Submission for SPMRs to submit relevant cases to JFSA and/or Second Sight opens





Annex I: Timeline

DATE	EVENT
28/02/2013	<ul style="list-style-type: none"> • Deadline for SPMRs to submit issues to Second Sight for their Inquiry. • No indication that these issues will automatically go into any future resolution plan.
25/03/2013	Meeting with MPs
25/03/2013	JA comments on Ian Henderson's account of the MPs meeting on 25 March
01/05/2013	Captured CSC Data (7 accounts totalling 17.5Gb) sent to Second Sight
21/05/2013	<ul style="list-style-type: none"> • AB engages with POL (PV) • Meeting request post-JA meeting. Kay Linnell (independent forensic accountant) to be invited as she was monitoring SS work on behalf of JFSA. • Wants to ensure Paula is updated on all SS work. Believes evidence is sufficient to show that many POL prosecutions should not have happened.
08/07/2013	SS Interim report published on 4 cases reviewed
08/07/2013	<p>POL announcement - 3 recommendations</p> <p>"...1. The creation of a working party to work collaboratively to complete the review of cases started by Second Sight last year. This would examine the themes identified by Second Sight and consider all cases brought forward by the JFSA and MPs, together with any new themes which emerge from these cases. The JFSA have been invited to join this working party..."</p>





Annex I: Timeline

DATE	EVENT
09/07/2013	Jo Swinson reports to Parliament on SS Interim report
11/07/2013	AB Proposes barebones of scheme. Each case assessed on 2 areas. Thematics/systemic failures & issues Software/hardware problems
11/07/2013	<ul style="list-style-type: none"> • PV agrees to look at approach. • Asked if '4a' is effectively (civil) early settlement
27/08/2013	<ul style="list-style-type: none"> • Case application opens for SPMRs (past & present). • • Post Office announces independent mediation scheme for subpostmasters <ul style="list-style-type: none"> ○ "...the Post Office, JFSA (Justice for Subpostmasters Alliance), and Second Sight, the independent investigators, have formed a working group to collaboratively develop and monitor this scheme which is available to current and former subpostmasters from 27 August 2013..."
September 2013	Case Review Mediation pack published
24/09/2013	Paula Vennells, Alasdair Marnoch and Martin Edwards -Sir Anthony Hooper (AH) meeting
16/10/2013	Role of the Working Group proposed





Annex I: Timeline

DATE	EVENT
29/10/2013	<p>POL announcement of Sir Anthony Hooper appointed as independent chair of working group overseeing initial mediation scheme for Subpostmasters</p> <p>"...The Post Office, JFSA (Justice for Subpostmasters Alliance), and Second Sight, the independent investigators, have formed a Working Group to develop and monitor the scheme which is available to both current and former subpostmasters..."</p>
18/11/2013	<p>Case application closes for SPMRs (past & present).</p>





Annex I: Timeline

DATE	EVENT
	PV and CA meeting with WG Chair
24/03/2014	PV meeting with JA
	PV and WG Chair meeting with MPs
	PV meeting with Second Sight
xx/03/2014	Linklaters commissioned to review legal risk
xx/03/2014	Linklaters report
xx/04/2014	independent assurance commissioned to review Horizon control environment
30/04/2014	independent assurance report produced though issues with report quality
xx/04/2014	Second Sight produce their first Case Reviews that are discussed at Working Group





Annex I: Timeline

DATE	EVENT
xx/05/2014	Factfile (Part 2) agreed
xx/05/2014	AB sends a letter directly to the Minister
xx/05/2014	Minister replies and letter notified to JA, SAH and Post Office
xx/05/2014	JA letter to AB
xx/05/2014	JA letter to PV regarding updating MPs
23/05/2014	PV meets Sir Anthony Hooper
xx/05/2014	M022 Case Review and Factfile sent to applicant and Post Office





Annex J: Draft PO / Linklaters 'Horizon report'

Separate word document - (work in progress)





Annex K: Alternative Narratives

Continue with the Scheme as it is, i.e. current arrangements

Narrative

Subpostmasters are the lifeblood of our organisation and we want them to have faith in our systems and processes. As a responsible business the Post Office is committed to listening and learning from its people. As such in 2012, following allegations raised with us by some subpostmasters, we set up an investigation into the Horizon computer system.

In the two years since the investigations began there has been no evidence of system issues with the Horizon system. We have also commissioned independent assurance to examine the Horizon system further and received assurance around the integrity of the system, which deals with 68,000 transactions every day.

As part of our commitment to investigate cases raised with us by a small number of subpostmasters we set up the initial compliant and mediation Scheme in order to offer an opportunity for them to have their cases mediated, where appropriate. At the same time we launched a Branch Support Programme to find ways of improving the support we offer the subpostmaster community.





Annex K: Alternative Narratives

Continue with the Scheme as it is, i.e. current arrangements (Continued)

We are working hard to ensure that any cases submitted to the scheme are processed as quickly as possible, and we remain committed to investigating all outstanding cases.

We will publish a report when all investigations have been completed.

If pressed on why taking so long?

Post Office has employed a dedicated team to ensure that applications are processed as quickly as possible.

The Working Group needs 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. We are working with all members of the Working Group to progress cases as quickly as possible.

If press on how cases might be resolved?

The Post Office is committed to addressing the concerns raised by subpostmasters. Post Office is keeping an open mind to all possibilities for resolution and mediation enables the parties to explore any type of settlement which reflects the parties' realistic positions.





Annex K: Alternative Narratives

Continue with the Scheme but seek to refine its work within the existing Terms of Reference. Narrative - should WG fracture

VERSION 1 (If an action is taken by a WG party is public and we do not agree with)

We are surprised and disappointed by these comments/letter/action. They are not in the spirit of the Scheme or the Working Group of which JFSA are a founding member.

The Scheme investigates very sensitive complaints and these investigations are on-going. It is critical that no party to the mediation or the Scheme administration makes any statement/take any action that harms the ability to resolve these cases. For that reason it would be inappropriate to enter into a public discussion on the detail of the Scheme.





Annex K: Alternative Narratives

Continue with the Scheme but seek to refine its work within the existing Terms of Reference. Narrative - should WG fracture (continued)

This unfortunate and very regrettable intervention has the potential to undermine the way in which the Working Group operates. Therefore, we will be working with the independent Chair, Sir Anthony Hooper, who is responsible for overseeing the Scheme, to agree a way forward.

Post Office has been working hard to ensure that any cases submitted to the mediation scheme are investigated as thoroughly as possible, and we remain committed to resolving all outstanding cases. This remains our primary concern.





Annex K: Alternative Narratives

Continue with the Scheme but seek to refine its work within the existing Terms of Reference. Narrative - should WG fracture

VERSION 2 (if action is taken within WG by a member we are not happy with)

As a responsible business, the Post Office is committed to listening and learning from its people. This is why in 2012, following allegations raised by some Subpostmasters, we commissioned an investigation into the Horizon computer system. We appointed an independent firm, Second Sight, to lead this inquiry.

In the two years since the investigation began, no evidence of systemic issues with the Horizon system have been found. Indeed, Second Sight found no systemic issues in its report in 2013. It has since been investigating cases and this work supports this finding.

We have also commissioned independent assurance to examine the Horizon system further and received assurance around the integrity of the system, which is used by 68,000 people, processing over six million transactions every day.

As part of our commitment to investigate cases raised by a small number of Subpostmasters, we set up the Initial Complaint and Mediation Scheme. At the same time we launched a Branch Support Programme to find ways of improving the support we offer our Subpostmaster community.





Annex K: Alternative Narratives

Continue with the Scheme but seek to refine its work within the existing Terms of Reference. Narrative - should WG fracture (continued)

VERSION 2 (if action is taken within WG by a member we are not happy with)

Having fully investigated 26 of the 70 cases submitted, it is clear that few of the cases submitted to us actually revolve around the Horizon computer system.

We would like to thank the JFSA and Second Sight for their input into the Scheme and would like to reassure applicants that we will continue to investigate all cases and provide a thorough report of their investigation.

When all investigations are completed we will consider what action is appropriate in each case and what improvements can be made in the light of any findings.

This is consistent with the approach we have taken with the Second Sight Interim Report through our Branch Support Programme.

We will also publish a report when all investigations have been completed.



