

Former Subpostmaster End To End Debt Review



STRICTLY CONFIDENTIAL



**Author : Andy Greening
V0.5 December 2009**

Introduction

As part of the Back Office Efficiency Programme a project was initiated in July 2009 to review and document all end to end former Subpostmaster debt activities and processes within Post Office Limited.

Objectives

- To reduce future debt.
- To improve debt recovery processes.
- To acquire consensus across key stakeholders on the short, medium and longer term initiatives to both reduce future debt and improve debt recovery processes.

Scope

- Subpostmasters that are no longer agents with the Post Office, but still owe monies in the form of debt to Post Office Limited.
- All key stakeholders involved in the e2e debt processes including; Product and Branch Accounting (P&BA), Contract Advisors, Network Field Support, Security and Investigation, Human Resources, Network, and Legal Services.

Key Deliverables

- (1) High level process maps including current, and future state where applicable.
- (2) Project report including current state, issues, and recommendations.
- (3) A 'Results Chain' identifying potential initiatives and their link to desired strategic outcomes.

Approach & Methodology

The review involved a series of interviews / discussions and workshops with the stakeholders shown in **Appendix 1**.

A list of the technical terms pertinent to this review is shown in **Appendix 2**.

Management Summary

This study is part of a much wider review which includes current and former Subpostmaster debt, Multiple Partner debt, and Crown Office losses. The focus of this review is former Subpostmaster debt. The objectives of this review are to reduce future debt, and improve debt recovery processes.

At the end of September 2009 there were 831 debt cases relating to former Subpostmasters, with an approximate value of £11.4M. The top 20% of cases represented 88% of the total debt value.

There is no 'one' single action or individual that will reverse this position. However, with a combination of existing business wide initiatives and the deployment of the 46 recommendations made in this review the Post Office can make a real difference to its bottom line. This review has identified savings of approximately £900K per annum and one off benefits of approximately £5.1M.

The review identified a large number of diverse and complex processes involving numerous stakeholders within the Post Office. These included Contract Management, Human Resources, Network Field Support (formerly Audit), Security and Investigation, and Finance. There is also additional legal support from within Royal Mail Group. With the exception of Human Resources and third party solicitors, 46 individuals are directly involved in the recovery of former Subpostmaster debt.

A conservative estimate of debt recovery costs is approximately £1.6M per annum. No attempt is made to recover these costs as part of the debt recovery process. The full year forecast for 2009/10 is debt recovery in the region of £3.4M (i.e. for every £1 cost of debt recovery, £2.12 is recovered from former Subpostmasters).

This review has made a number of recommendations to improve the current level of legal support. Without improvement insourcing legal support may be considered as a viable alternative.

There is wide recognition and agreement that all stakeholders currently involved in the existing process will play an active part in future activities to both reduce future debt and improve debt recovery processes.

Current Business Process Documentation

The review identified a large number of stakeholders and activities.

1. Network Field Support Team, (formerly Audit) Network, Post Office Limited

The primary role of the Network Field Support Team is to prioritise, plan and conduct both financial and compliance audits at Post Office branches. All 'special requests' to carry out audits are dealt with within 48 hours (e.g. Suspicious activities). A full cash check and a check of all high value stock items must be carried out in the presence of the Subpostmaster. Additionally, all suspense accounts must be cleared. All findings and discrepancies are reported in a timely fashion to the relevant stakeholder groups (i.e. Security Team, Contract Advisors and Product and Branch Accounting). The Contract Advisor is notified of all discrepancies. All discrepancies >£10K are escalated to the National Contracts Manager, and >£25K, to the Head of Business Development respectively. The lead auditor will also seek proposals from the Subpostmaster to make good the discrepancy.



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme

2. Product and Branch Accounting, Finance Team, Post Office Limited

The primary role of Product and Branch Accounting is the recovery of former Subpostmaster debt. Activities include managing open items in Post Office Limited's Finance System (e.g. Transaction Corrections, surpluses and losses), case management, viability of debt recovery, write off authority, processing repayment of debt, and production of monthly debt reports. This function also liaises with a number of key stakeholders including Security and Investigation, Legal Services and Contract Advisors.



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme

3. Crime Risk, (formerly Casework Team), Security Team, Post Office Limited

The Casework Team's primary role is recording and reporting cases under investigation. This process involves recording and tracking all incidents / discrepancies at Post Office branches that may result in some form of Subpostmaster debt. A separate strand involves monitoring the investigation and recovery of monies from Subpostmasters in the event of burglaries, robberies and theft (i.e. The Subpostmaster's culpability). The Security Team recommends the level of culpability, albeit, the Contract Advisor role has the final decision. However, it is very rare for culpability to result in former Subpostmaster debt.



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme

4. Investigation Team, Security Team, Post Office Limited

The primary role of the Investigation Team is to investigate suspicious and known criminal activity, and pursue these matters following advice from Royal Mail's Criminal Law Team. A key part of this process is identifying weaknesses and / or other failures in business process, that helps maximise recovery and mitigate against subsequent loss (e.g. The Subpostmaster failed to retain transaction documentation or failed to record the customer's identification). Another major part of the investigation process is gathering facts and further evidence, interviewing offenders, preparing the 'Committal Bundle' for subsequent legal proceedings, and attending court hearings to name but a few.



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme

5. Financial Investigation Unit, Security Team, Post Office Limited

The primary role of the Financial Investigation Unit is to investigate criminal activities and help recover Subpostmaster debt. All Financial Investigators are accredited under the 'The Proceeds of Crime Act 2002 (POCA)' (i.e. An Act which provides for civil recovery of the proceeds from crime).

These positions are very specialist roles and are heavily involved from a legal perspective (i.e. Assessing the likelihood of offenders dissipating of assets, issuing restraint orders to secure assets for subsequent debt recovery and attending Court Hearings and Sentencing to name but a few).



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme

6. Fraud Risk Team, Security Team, Post Office Limited

The 'Fraud Risk Team' also plays a key role within the wider Security Team. These include 'Fraud Programmes' that mitigate against subsequent loss / crime.



H:\Operations\Debt
Reviews\P&BA Forme

7. Legal Services, Civil law, Royal Mail Group

The primary role of Legal Services is to engage 3rd party solicitors on behalf of the Former Agents Debt Team within Product and Branch Accounting (i.e. To recover monies for debt cases which require specialist civil law knowledge). This function also employs Private Detective Agencies to conduct asset checks of former Subpostmasters (i.e. To ascertain whether former Subpostmasters have assets which can be drawn against for subsequent debt recovery). Other activities include dealing with requests for information from 3rd party solicitors (e.g. Gathering further evidence) and tracking legal costs. In summary, Legal Services is an extension to Product and Branch Accounting, providing asset checks and specialist legal support and advice. All key processes and interfaces are contained in the Product and Branch Accounting process documentation detailed earlier in this report.

8. Legal Services, Criminal law, Royal Mail Group

The primary role of the Criminal Law Team is to engage 3rd party solicitors where legal proceedings are necessary to prosecute former Subpostmasters for criminal activity. The Criminal Law Team work very closely and support the Security Team. They provide legal advice and assist with the preparation of the 'Committal Bundle'.



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme

9. Contract Management, Network, Post Office Limited

The Contract Advisor role primarily deals with the appointment and termination of all Subpostmaster contracts. There are currently 10 Contract Advisors nationwide (**See Appendix 3**). All branches have a dedicated Contract Advisor. The Finance Team supports the appointment process through Agency Business Plans, as part of the Agent Recruitment Process.

The Contract Advisor is empowered to suspend and / or terminate a Subpostmaster's contract, particularly where there is evidence of debt. The Network Field Support Team (i.e. Formerly Audit) will notify Contract Advisors of all branch discrepancies. All Subpostmasters who are reinstated must repay debt. Where a Subpostmaster's contract is terminated and there are no monies available to repay the debt, the Contract Advisor will notify the Former Agent's Debt Team. All Contract Advisors have objectives to carry out 46 cash checks (i.e. 460 asset checks per annum). In the event of a robbery or burglary (See Casework Team and Culpability processes above), the Contract Advisor role will decide the level of culpability and subsequent repayment terms.

The Contract Advisor role also intervenes when there are branch transfers (i.e. They will not allow branch transfers to happen where there is evidence of debt).



H:\Operations\Debt
Reviews\P&BA Forme

10. Human Resource (HR)

The primary role of HR is to support the appointment process and set up deductions from remuneration for the subsequent repayment of debt. No process documentation has been produced as part of this review (i.e. largely because it was considered non core from a debt perspective).

11. Stakeholders and Activities.

The process map below shows a high level overview of all stakeholders and their activities within the end to end former Subpostmaster debt recovery processes.



H:\Operations\Debt
Reviews\P&BA Forme

12. Results Chain

A 'Results Chain' or 'Benefits Realisation' is a technique which essentially helps identify business conditions and initiatives that are required to achieve desired outcomes. It provides an extensive set of tools to help organisations:

1. Establish what actions are required to deliver certain outcomes.
2. Help identify financial and non-financial benefits.
3. Delivers programmes of work to deliver the benefits.
4. It provides a framework for measuring the delivery of benefits.
5. Shows a clear link between deliverables and benefits.
6. It builds consensus within and across stakeholder groups.
7. Identifies risks early in the process and facilitate management as part of the framework.

The 'Results Chain' attached below provides a very comprehensive illustration and road map across the wider debt reviews (i.e. Including Current and former Subpostmaster debt, Multiple Partners and some link with Crown Offices losses).



H:\Operations\Debt
Reviews\P&BA Forme

**Please note due to the size of the 'Results Chain', specialist printing equipment is required.
All requests for hard copy prints should be made to Andy Greening.**

13. Workshop Outputs

A number of Senior Managers attended a debt workshop on the 21st September 2009. The primary objective was to gain consensus to (1) Identify preventative measures to reduce future debt and losses and (2) Improve debt recovery processes.

Outputs comprised of the following:

1. An 'agreed' decision making criteria was adopted to help prioritise the initiatives in order of importance.
2. All initiatives were ranked by order of importance.
3. An acceptance that all the initiatives were split into four categories:
 - (i) Existing projects with a direct or indirect link to reducing debt.
 - (ii) 'Quick Wins' or 'Just Do It'.
 - (iii) #Strategic initiatives.
 - (iv) Low priorities.

Agreement that the strategic initiatives would require further feasibility to allow individuals to commit additional resources.

Agreement that all stakeholders will play an active part in future activities to both reduce future debt and improve debt recovery processes.

Existing Projects



H:\Operations\Debt
Reviews\P&BA Forme

Quick Wins / Just Do It



H:\Operations\Debt
Reviews\P&BA Forme

Strategic Initiatives



H:\Operations\Debt
Reviews\P&BA Forme

Low Priorities



H:\Operations\Debt
Reviews\P&BA Forme

Current Business Process Weaknesses

1. Network Field Support Team, (formerly Audit) Network, Post Office Limited

The audit process was fairly robust and there were limited improvement opportunities from a debt perspective. The only improvement opportunity highlighted during the review was to provide as much evidence and clarity regarding the discrepancy as possible. This information is essential where legal proceedings are necessary to recovery debts.

2. Product and Branch Accounting, Finance Team, Post Office Limited

The Former Subpostmaster Debt Team within Product and Branch Accounting plays a pivotal role in the recovery of former Subpostmaster debt. Although, the Former Subpostmaster Debt Recovery Team recovers debt directly from former Subpostmasters, there are also a number of other key stakeholders involved in the debt recovery process. A key part of this team's responsibilities involves tracking and coordinating efforts with these other stakeholders. Stakeholders include Contract Advisors, Security and Investigation, and Legal Services. The interface with legal services tends to deal with all civil legal proceedings. All stakeholders recover monies either directly or indirectly via the legal system.

At the end of September '09, the Former Subpostmaster Debt Recovery Team was directly involved in the recovery of monies for 535 (or 64%) of all debt recovery cases (i.e. 535 out of 831) **(See Appendices 4 and 17)**. The total value of these cases was approximately £2.2M with an average value of approx. £4.1K per case. The total debt on hand at period 6 2009/10 was approximately £11.4M. The top 20% (167 cases from 831) by value accounted for 88% of the total debt **(See Appendix 5)**. The top 20 cases by value represented approximately 30% of the total debt. Approximately, 28% of debt is greater than 2½ years old. **(See Appendix 16)**

The current headcount comprises of 8 people with staff costs of approximately £260K per annum **(See Appendix 6)**. The amount recovered during 2009/10 YTD to P6 was £1.7M. The full year forecast is £3.4M.

The review highlighted that there was little information provided by the Network Field Support Team to pinpoint the 'root causes' of discrepancies in the event of a branch closure. It was also apparent that Transaction Corrections that had been raised by other teams within Product and Branch Accounting, often several weeks or months after the initial transaction, lacked supporting evidence and information to help recover subsequent debt.

All new cases currently require a 'hard copy' facing sheet. This is currently manually handwritten and includes branch details, Subpostmaster name, and discrepancy details to name but a few. Additionally, all new case details are recorded in Microsoft Excel (e.g. Account number, FAD code, former Subpostmaster's name, value of debt, action taken). There are a number of workbooks used to record this information. All cases and workloads are recorded and allocated on an 'out of date' organisation structure basis (i.e. Recorded by region).

Higher value debt cases are generally given a higher priority (i.e. On the basis there is more potential for recovery). However, lower value cases (e.g. £100) are also pursued either by a telephone call or via the standard UK postal system (i.e. Using 1st Class). The decision making process as to whether it is economically viable to proceed with debt recovery is repeated at various stages during the investigation. However, there is currently no form of weighting in place to review the likelihood of debt recovery (**See Appendix 7**).

Initial contact with former Subpostmasters to recover monies is made via debt recovery correspondence. After the third attempt without success, a telephone call is made between the hours of 09:00am-17:00pm. This part of the process is supported by a telephone script which was provided by the Civil Legal Services Team within Post Office Limited. However, it is important to note that often, it is more common practice to contact debtors outside the more traditional working hours of 09:00am – 17:00pm (i.e. More likely to make contact with offenders).

Other forms of written debt collection correspondence have also been reviewed and improved during this review. One of the debt collection letters is no longer issued as

part of this process. The third letter in the process or 'letter before action' is now issued by the Former Subpostmaster Debt Recovery Team and not Legal Services. A letter before action is a letter sent to the offender informing them that unless they take certain steps (e.g. Repay a debt) then legal proceedings will commence. The legal tone and the firm stance are retained to encourage a more speedy recovery of monies. Although, it is too early to review the effectiveness, lead times have been reduced from 56 days to 42 days. These changes are seen as positive steps.

A statement showing the outstanding debt is produced directly from the Post Office Limited Finance System. The 'hard copy' statement is subsequently forwarded to the former Subpostmaster with a covering letter. The statement was viewed as very unprofessional and did not easily convey the outstanding debt.

Typically where the fourth attempt to contact the offender is unsuccessful, a request is made to Legal Services to request a full trace. Tracing Agents specialise in tracing debtors and usually operate on a no trace, no fee basis. Post Office Limited is currently charged approximately £150.00 plus VAT per search. The results of searches provide authentic forwarding addresses, allowing Product and Branch Accounting to contact the former Subpostmaster (**See Appendix 8**) or piece of mind that all debt correspondence is being forwarded onto the legitimate address). It was not possible to identify how many cases involved a Tracing Agent. This information is not readily available.

There are a number of tailored debt recovery and tracing tools available on the open market that can help locate former employees, and manage effective debt collection strategies in a much more timely and cost effective manner. However, further investigation would be required to mitigate against liability to Post Office Limited for using and sharing this type of information (i.e. largely due to data protection and other sensitivity reasons) (**See Appendix 9**). The Security and Investigation Team are currently exploring opportunities to carry out financial checks both during the recruitment stage of Subpostmasters and on an ongoing basis. However, there are a number of data protection and legal ramifications to address.

It is not currently possible to identify with any degree of accuracy how much debt was recovered by each stakeholder involved in the existing debt recovery process. (e.g. Product and Branch Accounting includes recoveries made by both Contract Advisors and the Civil Law Team). Similarly, Security and Investigation is grouped together with the Criminal Law Team. There are also three separate functions within the Security Team. The total amount recovered during 2008/09 was approximately £3.1M (20%) of the total debt. The amount recovered at the end of September 2009 was approximately £1.7M (12.8%) of the total debt, an improvement of approximately 5% compared to last year (**See Appendix 10**). Targeted recoveries for 2009/10 are approximately £3.42M (**See appendix 15**).

A further issue is that the costs increase as correspondence is transferred between Product and Branch Accounting / Legal Services and 3rd party solicitors. There is no standard check list of information required by 3rd party solicitors which are required to take subsequent legal proceedings.

There are currently a number of ways in which former Subpostmasters can repay debts owed to Post Office Limited (**See Appendix 11**). There is no information readily available to show the split of repayment by repayment type. As a consequence, it is difficult to understand the costs associated with repayment of debt (i.e. Repayment of debt using credit cards is very expensive compared with standing orders and debit card repayment methods). Similarly, there is no recovery of debt repayment costs, where credit card payments represent a % of the total debt value.

Where the former Subpostmaster doesn't make good the debt (i.e. At quite a late stage in the process – Step 38) it is sometimes necessary to initiate alternative means of debt recovery (e.g. Placing a charge against the offender's property and / or an attachment of their earnings). At this late stage in the process there is often a requirement to engage a Tracing Agent to complete a more thorough asset check of the defendant (i.e. Assets that may be used to recover monies). However, by the time these checks are complete, significant time and resource has already been committed by both Product and Branch Accounting and Legal Services. This process is often mirrored by the Security and Investigation Team.

Communication with stakeholders and 'real time' visibility of all former Subpostmaster debt cases was less than adequate (e.g. Where Subpostmasters are suspended, but reinstated at a later date, it is important that Contract Advisors advise Product and Branch Accounting of their intentions). This provides clarity as to what corrective action(s) is necessary. A further example is where the Security and Investigation Team are already prosecuting a former Subpostmaster but Product and Branch Accounting have not been made aware of the situation. Additionally, with such a large number of stakeholders involved in the recovery of former Subpostmaster debts there is no 'real time' visibility or 'coordination' throughout the lifecycle of a case (**See Appendix 12**). Although cases were reviewed intermittently there was no formal review date.

The write-off authority levels are fairly transparent (**See Appendix 13**). The decision making process to write-off debt is usually where the cost of recovery outweighs the debt (e.g. Very high legal costs) and / or the debt is unrecoverable (e.g. Insufficient evidence, legalities such as 'Time Spent', or where there are no assets available to recover monies). It is important to note that every case is unique, and therefore all cases are assessed on a case by case basis.

There is a challenge as to whether the organisation should attempt to sell on debts, specifically where the costs outweigh the benefits, or the debt is unrecoverable by PO Ltd. Typically, 3rd party debt collection agencies charge a % of the debt recovered.

The review identified that there was little 'root cause' analysis to aid decision making (i.e. To reduce debt and improve debt recovery processes). The 'root causes' are currently split into four discreet categories. (Suspensions, resignations, Network Change Programme and Other) (**See Appendix 14**). These were considered more symptomatic and not in the true sense 'root cause's.

A further issue is the absence of having a consolidated view of all Subpostmaster debts. (e.g. Non transaction debt e.g. nil repayment for bullet proof counter screens or property debt). This project didn't have time to review this aspect in any detail.

A 'Witness Statement' is a statement that summarises the evidence that a witness will give at trial (i.e. Specific information relating to an offence committed by a former Subpostmaster). In contrast, a 'Product Statement' details the procedural aspects of how specific transactions should be completed (e.g. Operation Manuals). The 'Witness Statement' usually highlights the disparity between the procedural aspects and what 'actually' happened (i.e. Offence). Witness and Product Statements are an integral part of the legal process (**See example below**). The review identified a number of key issues.



H:\Operations\Debt
Reviews\P&BA Forms

There is a significant resource commitment required by the witness and 3rd party solicitors to complete these essential statements. Seldom do external solicitors understand the nature of Post Office Limited's business and therefore there are often large numbers of follow-up questions and clarity required. As a consequence, there are much longer lead times and higher costs. It is not currently possible to quantify all the associated costs but there are some individual cases where these have costs have exceeded £30K. Additionally, although most debt cases are unique, the process largely remains the same. No 'Witness' and 'Product Statements' are currently retained for subsequent reuse.

A further issue identified during the review is estimating the costs of taking cases to court. There is some concern that existing third party solicitors are only motivated to deal with less challenging cases and will attach higher costs to those more complex (e.g. Bond Pierce estimated an £89K cost versus a £45K debt for the Wednesbury case), often resulting in writing off the debt. There is little existing support to help challenge legal costs.

A further observation is the provision for bad debts. A bad debt provision is usually the extent to which an organisation expects to write off in its accounts. The provision for bad debts at the end of September was 36 times or £11.1M overstated (**See Appendix 32**) and even exceeds the current level of debt. The current calculation methodology does not take into account that the Post Office employs 57 employees with overall debt recovery costs in the region of £1.6M.

There were 170 less cases between April '09 and the end of October '09 (i.e. approximately 18%). Staffing levels have remained constant with 7 full time employees (**See appendix 28**) Although, the figures indicate staffing levels are a little on the high side (i.e. an additional 1.25 heads) it is recommended that this level is maintained until the end of March 2010.

There are two key activities that involves processing raw data derived from the Post Office Finance System (POLFS). These are detailed below.

1. Management Information

A comprehensive pack of information is produced each month. This is produced immediately following the close of the financial accounting period (**See example below**).



H:\Operations\Debt
Reviews\P&BA Forme

The objective is to update the 'green' shaded cells with the appropriate data downloaded from POLFS. There are 5 separate downloads to acquire the salient information.

The 1st download provides a 'snapshot' of all former Subpostmaster debt on hand, at the close of each financial accounting period. There are 2 separate downloads. The

1st download shows all debt up to, and including the 2004/2005 accounting year. However, it is important to note that the 1st download does include repayments after this time (i.e. denoted by types DZ and DG in the attachment below). This essentially contains all the information that was migrated from the previous Counter Business Database (CBDB) into POLFS (i.e. essentially stored in a separate table) (**See example below**).



H:\Operations\Debt
Reviews\P&BA Forme

A further download includes all debt post 2004/2005 accounting year, right up to the present day. An aggregate of the 2 downloads represents all former Subpostmaster debt. The total debt is manually input into the monthly reporting pack. Clearly, all manual handling is susceptible to error, rework and incorrect decision making.

The 2nd set of downloads separate aged debt by financial accounting year (i.e. a separate download is required for each financial accounting year). A routine has been created in POLFS to make light work of this activity. The information is subsequently manually input into the monthly reporting pack. (**See examples below**).



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme



H:\Operations\Debt
Reviews\P&BA Forme

The 3rd download includes those debts that have been written off and includes write backs. The latter refers to credits i.e. where debts have previously been written off, but the business has subsequently received part or full repayment of the debt. The column headed 'Assign' (**see attachment below**) is used to show the year the debt was written off. This is manually input but makes it much easier to separate write offs by financial accounting year. As part of this review this element has been fully automated.



H:\Operations\Debt
Reviews\P&BA Forme

4. The 4th download involves retrieving discrepancies that have only recently come to light (i.e. often referred to as the 'TP6' process). These discrepancies refer to earlier transactions (i.e. late receipt of errors). The information is tabulated in the following format.

Over 1 year old
7 - 12 month old
4 - 6 month old
3 month old
2 month old
Current month



H:\Operations\Debt
Reviews\P&BA Forme

This is perhaps the most resource hungry aspect. The current process involves manually numbering each record (e.g. anything with a 1 would denote the current month, anything with a 2 would denote the discrepancy was 2 months old and so on).

An example of the type of 'rule' and Microsoft Excel formula required to automate this part of the process was presented to the team leader within the Former Subpostmaster Debt Team as part of this review.

In summary, it is estimated that production of the monthly reporting pack takes approximately 3-4 hours per month. Clearly, there are further opportunities to automate existing data flows and reduce lead times while at the same time also improving accuracy levels.

The reconciliation process involves the reconciliation of all the debts currently on hand (i.e. those cases managed by each administrative / debt collection clerk) with the debt on hand figure within POLFS. The current process is very efficient and only takes approximately 5 minutes to complete. However, it is not without complexity. The existing process has been automated using fairly complex functionality within Microsoft Excel and there is an over reliance on one key individual within the team. There are also improvement opportunities to streamline the process further by acquiring a common denominator that can match cases on hand by individual clerk with that held in POLFS. It has already been suggested that the individual who currently owns this part of the process, contacts the Post Office Helpline to discuss possibilities of using 1 or more of the existing redundant fields (i.e. they could manually input this common denominator each time a new case is created). This will simplify the process.

A further risk is that there is no business process documentation to explain the reconciliation process. This would help mitigate against some of the over reliance on one key individual within the team. The worse case scenario is that each clerk completes a manual reconciliation. Historically, this has taken 3-5 days per team member.

A further point to note is that there are 'text' entries on most of the downloads. The review did not conclude whether this was really an issue, apart from it appears that these entries are a language understood, only, by the Former Agent Debt Team. More detail regarding text entries is held on each case file.

3. Crime Risk, (formerly Casework Team), Security Team, Post Office Limited

The Crime Risk Team dealt with approximately 190 former Subpostmaster debt cases during 2008/09 with a value of approximately £3.8M. At the end of September 2009/10 the team had dealt with 80 cases with a value of approximately £1.3M this financial year. Staff costs are approximately £58.3K per annum **(See Appendix 18)**.

The key issue with this process is that a large proportion of the work involves recording and updating fundamental case information. Approximately 38% of the process time is spent updating electronic records. The remaining time is largely spent receiving, coordinating, and communicating information between the various stakeholders. A Multi-User Casework and / or Workflow System would allow individuals responsible for cases to update the information themselves.

However, it is important to observe that the existing recording systems in Microsoft Excel are also used to facilitate debt management in others areas of the business. (e.g. Supply Chain).

4. Investigation Team, Security Team, Post Office Limited

The Investigation Team dealt with approximately 191 former Subpostmaster debt cases during 2008/09 with an approximate value of £3.9M. Total recoveries for the same period were approximately £1.8M. The position at the end of September 2009 showed 83 cases with a value of approximately £1.4M. Recoveries were approximately £435K **(See Appendix 19)**.

A key issue highlighted by this review was the removal of audio transcription services (i.e. Manually typed taped interview manuscripts used for subsequent legal proceedings). This service was removed within the past three months. A separate review led by the Security Team highlighted risks of approximately £6.8K of additional resource costs to manually type tape recordings and a reduction in recoveries in the region of £74.5K per annum (i.e. lost time spent recovering former

Subpostmaster debts). However, during this review these audio transmission services have subsequently been re-instated. Again, this is seen as a positive step.

A further issue centred upon efficiencies acquiring Witness Statements. A prerequisite of the legal framework is that all statements must be signed and typed (i.e. Where legal proceedings are required). Historically, Witness Statements were acquired via face to face meetings with witnesses, which are still viewed as the preferred method. However, with the absence of portable printers this often involved a significant travelling commitment to return to the office to print the statement, only to subsequently revisit the witness to acquire their agreement and signature (i.e. To ensure it was a true representation of events). The majority of Witness Statements are now constructed via the telephone and hard copy signatures are acquired via the UK postal system. There is no measurement in place to review the effectiveness, albeit, with pressures to reduce travelling expenditure, this seemed a more efficient option.

There were no further issues as part of this review.

5. Financial Investigation Unit, Security Team, Post Office Limited

The Financial Investigation Unit dealt with 42 debt cases during 2008/09 with a value of £838.7K. Recoveries for the same period were approximately £863.1K (**See Appendix 20**). However, it is important to note that recoveries are only an estimate, based upon the actions taken by Financial Investigators and are not a true reflection of the total amount recovered on an individual case basis. Also, it is not unusual for recoveries to exceed the total amount of debt. This is because they also include recovery of costs, and other extended benefits (i.e. Where Criminals have benefited from a crime these monies are also recoverable). Staff costs are approximately £170K per annum (**See Appendix 20**). Other costs include Land Registry searches (i.e. Properties owned by offenders) which were approximately £2K during 2008/09 and £1.1K at the end of September 2009/10 (**See appendix 20**).

The review also highlighted that acquiring a Certificate of Conviction may help with a subsequent civil prosecution. In legal terms, this is a document which provides tangible evidence that the defence has already been convicted of an indictable offence. In many circumstances this is not required, albeit, where an application has been made for compensation, and the legal system does not respond to this request, because, for example, imprisonment is seen as a more appropriate sentence, or those cases where the barrister may omit a request for compensation, or the offender is not the Subpostmaster but an assistant, then a certificate of conviction is often useful when making a civil prosecution (i.e. Where the defence has agreed previous convictions then there is no further requirement to prove these in a court of law).

All Financial Investigators are accredited through the National Policing Improvement Agency (NPIA). The NPIA Proceeds of Crime Centre has statutory responsibility for training, accrediting and monitoring financial investigators who work in various organisations. The NPIA offers a comprehensive training portfolio, which upon successful completion, empowers and equips individuals with a range of skills and tools to conduct financial investigations under the Proceeds of Crime Act 2002 (See WWW.npia.police.uk for further information) **(See Appendix 21)**. No other teams involved in the debt recovery process contain this specialist knowledge or toolkit to help recover monies. Financial Investigators are also limited as to how they can share this information with other parties. There is currently little or no understanding of these limitations outside of the Financial Investigation Unit (e.g. There are 'Open' sources such as the Land Registry which can be shared with other parties. In contrast, information derived from Her Majesty's Revenue and Customs can only be used and or shared in the context in which the application was made i.e. for a criminal investigation). Other limitations that prohibit sharing information include Data Protection and Freedom of Information legislation. They may conclude a case by stating there are no identifiable assets associated with a specific individual, but are not necessarily permitted to share more detailed information **(See Appendix 22)**.

There are currently three accredited Financial Investigators within the Financial Investigation Unit. To become fully accredited it costs approximately £4-£5K, with a

lead time of approximately 12-18 months. Additionally, there are monthly examinations to retain membership. There are currently no known succession plans for this type of role.

The review also highlighted that there are no Accredited Financial Investigators qualified to deal with Scottish or Northern Ireland law (i.e. There are different rules and involvement with the courts). As a consequence, there is a reliance on the Police Authorities to pursue Scottish and Northern Ireland cases on behalf of the Post Office. However, the Police Authorities do not always see these cases as important as their own, and therefore the lead times are likely to be much longer. Also, where Police Authorities workloads are high, there may be a reluctance to deal with certain cases. According to the Security and Investigation Team the Post Office may also lose control of the process and be taken into a direction the Post Office does not want to go, or which does not produce the best results (i.e. May not recover all monies available). The position on the 18th November '09 showed that there were 105 cases (i.e. from approx. 831) with a value of approximately £1.3M.

Tracking down criminals, and seizing and confiscating former Subpostmaster's assets is further toolkit in the recovery of Subpostmaster debt. A Suspicious Activity Report (or SAR) is a report regarding suspicious or potentially suspicious activity. The purpose of the Suspicious Activity Report is to report known or suspected violations of law or suspicious activity observed by financial institutions. In many instances, SARs have been instrumental in enabling law enforcement. In short, Suspicious Activity Reports made available by the financial services industry and other business Sectors provide valuable intelligence. The Financial Investigation Unit only has remote access to this database. There is also a general view that more financial checks, both at appointment stage in the recruitment process and subsequent ongoing checks will help reduce former Subpostmaster debts (i.e. Cases dealt with by the Financial Investigation Unit).

The Joint Asset Recovery Database (JARD) records asset recovery information for all law enforcement activity across the UK, and provides support to financial investigators wishing to retrieve information. No recovery of monies (i.e. Repayment

of debt) is permitted through the existing legal system unless specific details pertinent to the case are recorded onto JARD. Money Web provides further information providing access to a network of Accredited Financial Investigators in working in other institutions (e.g. Banks). A key issue with the existing process is that the Financial Investigation Unit only has remote access to these systems. As a consequence, the only way of accessing these databases is by pre-arranging visits to local and / or national Police Stations. This is clearly very inefficient and resource hungry.

Approximately £10.7K was received as a result of 'Extended Benefits' during 2008/09 (i.e. Additional recovery of monies where former Subpostmasters had benefited from their criminal activity e.g. Initial theft of £50K, but had subsequently invested these monies in other forms of criminal activity to accumulate £100K i.e. A £50K extended benefit). The amount of extended benefits received at the end of September 2009/10 was approximately £18.6K (**See appendix 29**). This process is often referred to as either the 'Post Office Crime Agency (POCA) Incentivisation Scheme' or 'Extended Benefits'. Monies are transferred to Post Office Limited by the Home Office, the government department in charge of domestic affairs. Post Office Limited is credited on a quarterly basis. All monies must be spent on initiatives that mitigate against subsequent criminal activities. Strict guidelines as to how monies can be spent are issued by the Home Office. The Financial Investigation Unit subsequently advises the Home Office as to how monies have been spent. Examples of how monies have been spent include Satellite Navigation Systems to help locate offender's premises, and Audio Transcript Services that are used to type taped interview manuscripts used for subsequent legal proceedings).

The Accredited Financial Investigators play an instrumental role in the recovery of former Subpostmaster debts. However, it is not clear from existing recording systems whether further resource (i.e. Accredited Financial Investigators) would increase the level of recoveries. The Financial Investigation Unit is currently targeted by recovering 60% of the total loss of all closed cases. (e.g. A recovery of £60K from a £100K loss). Similarly, it is very difficult to accurately attribute / apportion recoveries, by specific actions taken by the Financial Investigation Unit.

6. Fraud Risk Team, Security Team, Post Office Limited

No evaluation of these programmes has taken place as part of this review.

7. Legal Services, Civil law, Royal Mail Group

The Royal Mail Civil Law Team dealt with approximately 127 cases between April 2008 and September 2009. (i.e. Where Civil legal proceedings were necessary to prosecute former Subpostmasters). The split for 2008/2009 and 2009/10 is not readily available. The costs are made up of external solicitor's costs and internal Royal Mail staff costs. It also remains uncertain as to whether these internal staff costs are charged to Post Office Limited. External Solicitor costs for 2008/09 were approximately £130.6K and approximately £87.6K at the end of September 2009/10. Internal Royal Mail staff costs are estimated at approximately £11K per annum. **(See Appendix 23)**. There is no current measurement (i.e. internal resources) spent dealing with debt cases pertinent to Post Office Limited.

It is very difficult to pinpoint all external solicitor costs pertinent to former Subpostmaster cases in Post Office Limited's Finance System. As a consequence, there is little cost control or budgetary responsibilities, albeit, more emphasis must ensure that costs associated with debt recovery do not exceed the value of debts.

The total value of debts and recoveries on a case by case basis was not readily available. As a consequence, it was not possible to ascertain the total value of debts being pursued through the civil legal system, or correlate the level of recoveries with the total value of debts.

Additionally, the Civil law Team have no specific objectives around debt recovery.

A key part of the Civil Legal Team's responsibilities is to deal with requests from Product and Branch Accounting to arrange for Tracing Agents to conduct searches (i.e. To confirm and / or provide forwarding addresses and asset checks). It is not currently possible to identify how many cases required a Tracing Agent.

Once 'Judgement' is passed (i.e. In legal terms when the final ruling is made) debts cannot be recovered after six years as they are "statute barred" under the terms of the Limitation Act 1980, which sets time limits in which legal action can be taken to recover a debt (i.e. The offender may not have assets at the time of Judgement, but may acquire assets up to the six year time limitation in which the organisation could recover monies). At the present time no processes exist to carry out ongoing asset checks.

Another key part of the process is providing external solicitors with specific information regarding the case (e.g. Contracts of employment, audit reports). No processes currently exist to gather and provide this information upfront (i.e. With a view to reducing lead times and existing solicitor's charges), albeit, it is accepted that not all information will always be required.

Consistent with other stakeholders involved in debt recovery processes there is no effective 'Case Management System' in place to coordinate activities across other stakeholder groups.

In a wider context, there is no consolidation and overall view of all former Subpostmaster debts. (e.g. Property rent). From a legal perspective it is very important to understand the whole picture and to consolidate all legal proceedings.

It was not possible to ascertain whether there was any measurement in place to review the effectiveness of 3rd party solicitors.

It was also noted that Transaction Corrections forwarded by Product and Branch Accounting aren't always accompanied with a succinct description of the discrepancy, but often described as 'Hardship'. A hardship is essentially where a branch has accepted an error by agreeing to settle the debt centrally (i.e. resulting from a transaction correction) but hasn't yet made good the amount. However, where legal action is required to recover debts it is essential to have a much greater level of detail (i.e. Hardship is less than useful).

8. Legal Services, Criminal law, Royal Mail Group

The Royal Mail Criminal Law Team dealt with 102 cases during 2008/09 and 66 cases by the end of September 2009/10 (i.e. Where legal proceedings were necessary to prosecute former Subpostmasters for criminal activity). **(See Appendix 24)**. The costs are made up of external solicitor's costs and internal Royal Mail staff costs. The legal costs for 2008/09 were approximately £154.9K. The amount of debt recovered during the same period was approximately £199K, with the overall costs outweighing the total debts. However, the YTD position at period 6 during 2009/10 shows costs of approximately £118K with recoveries approximately £314K (i.e. £2.66 recovered for every £1 spent on debt recovery). Internal Royal Mail staff costs are not currently measured and as a result could not be included.

The value of cases for 08/09 and 09/10 YTD to P6 were not readily available.

Solicitor's costs are currently calculated on a fixed fee basis, (i.e. A Charging matrix for Royal Mail Group) albeit, no information was provided to help understand the specific impact.

There is no visibility of the external solicitor costs in Post Office Limited's Finance System. As a result, there is no cost control or budgetary responsibilities, albeit, more emphasis should be ensuring that costs associated with debt recovery do not exceed the value of debts.

There seemed to be lack of clarity as to where priorities lie, from both a business policy perspective and the legal system, in respect to debt recovery. It is important that business policies drive behaviours to maximise debt recovery. Similarly, it is imperative that Post Office Limited works within the legal framework to achieve the same objectives (e.g. Sometimes the court may award imprisonment without the recovery of monies for unpaid debts).

Additionally, the Criminal law Team had no specific objectives around debt recovery other than to 'get the job done'.

There was also some reference made to the fact that several cases had caused much embarrassment in court because losses and / or criminal activities had been going on for a very long time. One specific case involved losses going back some 8 years. However, it was not possible to quantify how many cases fell into this category.

9. Contract Management, Network, Post Office Limited

Contract Advisors play a key role ensuring the organisation employs high calibre Subpostmasters. A crucial part of this process involves scrutinising and vetting Agency Business Plans. However, there were concerns that the existing process did not achieve the objectives it originally set out achieve (e.g. A lack of credit checks, and inconsistencies in levelling with so many Analysts with Finance involved in the process). Although, there is no readily available information to show a direct correlation between the existing low quality Agency Business Plans and former Subpostmaster debt, getting this part right will undoubtedly mitigate against future debt.

An imminent review of this process is currently underway which will address some of these fundamental issues including loan to value, credit checks and the costs associated with 'not getting it right' (i.e. Including future debt).

Contract Advisors dealt with 229 debt cases during 2008/09 with staff costs of approximately £7.3K (135 cases during 2009/10 YTD to P6 with staff costs of approximately £4.3K slightly ahead of last year's position) **(See Appendix 25)**.

All Subpostmasters who are reinstated as a result of being suspended due to owing monies must repay debts. Subpostmasters who are unable to repay debts in a single instalment have monies are deducted from their remuneration up to a maximum of 25% of their annual remuneration. Instalments are agreed between the

Subpostmaster and the Contract Advisor and as a 'rule of thumb' are usually repaid over a 12 month period. Where the Subpostmaster incurs subsequent debts every effort is made to recover additional monies via other means (e.g. Via cheque, credit card payment). No interest is charged on repayment of debts. All Subpostmasters that are reinstated are audited 6 months later.

The review identified that seldom do Contract Advisors inform Product and Branch Accounting when Subpostmasters are reinstated. This dialogue is essential to update the case file and understand what further actions are required.

Contract Advisors are also targeted to complete 460 cash checks per annum across the entire Post Office Network. The aim is to verify assets and mitigate against loss and subsequent debt. Since the beginning of the financial year to September 2009 losses of approximately £25K across 4 Post Office branches were identified. Approximately, £18K is held against former Subpostmaster debt.

With the imminent roll out of Horizon Next Generation (HNG) a similar one off exercise is currently underway. This will involve auditing 500 branches over a concentrated 12 week period commencing 9th November 2009. The aim is to assess risks of full scale implementation. The lead time to deal with suspensions can take up to 8 weeks. Additionally, approx. 4-5% of all audits lead to a suspension that may result in some form of Subpostmaster debt.

This review acknowledges that there are also additional costs to recruit temporary and / or new Subpostmasters, where it was necessary to suspend and / or terminate Subpostmaster's contract (i.e. Where a discrepancy has resulted in debts owed to Post Office Limited). These costs are currently unknown but have a direct impact on the costs of debt recovery.

10. Human Resources (HR)

No evaluation of these processes was made as part of this review.

11. Other

Accountabilities

There was also a lack of clarity and understanding from all stakeholders, of other team's accountabilities and responsibilities across the end to end former Subpostmaster debt process. **(See Appendix 26).**

12. Outsourcing Debt Collection Activities To Debt Collection Agencies

A number of Senior Managers within the Post Office have discussed the possibility of outsourcing debt collection activities to 3rd party Debt Collection Agencies. However, this review does not recommend this course of action for a number of reasons.

There are no significant weaknesses that cannot be rectified in house within existing debt recovery processes. The Post Office already uses 3rd party solicitors and is further supported by internal legal expertise from within the Royal Mail Group. The latter is also managed separately to deal with the different aspects of law i.e. Civil and Criminal. There are also some very highly qualified Accredited Financial Investigators and a host of other expertise within the Post Office.

Additionally, debts are only written off where there are no assets from which to recover monies i.e. the former Subpostmaster doesn't have assets or when the debt is unrecoverable i.e. either because judgement has been passed in a Court of Law or where it is not economically viable to recover the debt i.e. The costs outweigh the value of debt. The Post Office is also a large and complex organisation and a significant part of existing legal costs are incurred by correspondence being passed between Post Office employees and solicitors. There is also no reason to believe that outsourcing debt collection activities would reduce lead times.

There is also a view held by many Senior Managers that outsourcing to 3rd party Debt Collection Agencies would be detrimental to the Post Office brand and as a consequence other commercial activities.

Recommendations.

No	Process Description(s)	Recommendation	Team(s)	Owner	Delivery date	Status	Benefit	
							Tangible	Intangible
1	Accountabilities and Responsibilities.	Empower Branch Conformance and Liaison Manager to be accountable for all debt recovery. i.e. Someone who is ultimately answerable for debt recovery.	P&BA.	Alison Bolsover.	30/06/10			To make one individual accountable for all debt recovery.
2	Accountabilities and Responsibilities.	Agree and implement accountabilities shown in Appendix 26. (i.e. A mix of existing and revised accountabilities and responsibilities).	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors, Network Field Support.	Alison Bolsover, Iain Murphy, Juliet McFarlane, John Breeden, Mandy Talbot.	30/06/10			To help clarify existing and future accountabilities and responsibilities. To make one individual answerable for debt recovery.
3	Objectives.	Set and align stakeholder objectives which (1) Aim to reduce future debt and (2) Aim to improve debt recovery processes.	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors, Network Field Support.	Alison Bolsover, Iain Murphy, Juliet McFarlane, John Breeden, Mandy Talbot.	30/06/10		Target to reduce overall debt by a further 5-10%. Target to improve overall debt recovery by a further 5-10%.	To maximise debt recovery and improve debt recovery processes.
4	Risk & Debt Recovery.	Introduce daily and weekly huddles to review top 20% of all debt cases (i.e. 88% of debt) to help people focus efforts and maximise debt recovery. Visibility to Senior Management and all key stakeholders involved in the former Subpostmaster end to end debt process.	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors.	Alison Bolsover	30/06/10		Not able to quantify % increase in debt recovery.	To prioritise and coordinate efforts to maximise debt recovery.
5	Risk & Debt Recovery.	Implement a weighted score approach to compute the likelihood of debt recovery (See Appendix 7).	P&BA, Crime Risk, Investigation	Alison Bolsover lead role.	30/06/10		Not able to quantify % increase in debt recovery.	Minimise cost of debt recovery. Maximise debt

Former Subpostmaster End To End Debt Review

02/08/2010

			Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors.					recovery.
6	Risk & Debt Recovery.	Assess whether former Subpostmasters have assets from which to recover debts, at a much earlier stage in the process. An inherent part of computing the likelihood of debt recovery (See recommendation 5).	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit.	Alison Bolsover, Iain Murphy.	30/06/10			Minimise cost of debt recovery. Maximise debt recovery.
7	Risk & Debt Recovery.	Introduce effective controls to ensure the costs associated with debt recovery do not exceed the total value of debt(s). A link to the weighted score approach (See Appendix 12).	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors, Network Field Support.	Alison Bolsover, Iain Murphy, Juliet McFarlane, John Breeden, Mandy Talbot.	30/06/10		Included as part of recommendation 5.	To mitigate against cost of debt recovery exceeding debt value.
8	Risk & Debt Recovery.	Explore opportunities to use online debt recovery tracing tools instead of using Tracing Agents. (e.g. CallCredit Limited) (See Appendix 9). Move responsibility from Civil legal Team to P&BA. Andy Hayward is already exploring opportunities to conduct asset checks during the recruitment stage and on an ongoing basis.	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team	Alison Bolsover / Andy Hayward / Mandy Talbot	30/06/10		Opportunities to reduce costs by combining searches for other debts in the wider organisation e.g. Appointment process, Telephony.	Potential cost reduction, more comprehensive searches, shorter lead times, improved debt recovery.
9	Risk & Debt Recovery.	Monitor and review of how much debt is recovered on a case by case basis. (e.g. £100 debt, £80 recovered) Use MI to maximise subsequent recoveries.	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors, Network Field Support.	Alison Bolsover, Iain Murphy, Juliet McFarlane, John Breeden, Mandy Talbot.	30/06/10			To help monitor recovery of debts.
10	Risk & Debt Recovery.	Introduce a more effective process of estimating the legal costs of taking cases to court.	Civil law Team, Criminal law Team,	Mandy Talbot, Juliet McFarlane				

11	Case Management.	Review the quality of information provided by the Network Field Support Team i.e. regarding discrepancies and supporting evidence.	Network Field Support.	Andy Bayfield	30/06/10			Higher quality evidence to help maximise debt recovery.
12	Case Management.	Undertake feasibility study to create an end to end Casework Management System that would provide 'real time' end to end visibility of all debts across all stakeholders involved in the process (See Appendix 12). See also draft 'Terms of Reference' in Appendix 30 .	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors.	TBA.	30/06/10			Reduce debt recovery lead times, real time visibility, efficient and effective processes.
13	Case Management.	Agree and develop a list of information requirements to support legal proceedings. (i.e. A 'Committal Bundle' for both criminal and civil prosecutions). Implement standard processes to acquire the appropriate documentation and evidence to support legal proceedings. Already in place within the Security Teams.	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team.	Alison Bolsover, Juliet McFarlane, Mandy Talbot.	30/06/10		£20.5K (See Appendix 31)	To reduce lead times and legal costs.
14	Case Management.	To ensure all Transaction Corrections forwarded to legal services are accompanied with a concise description. (i.e. To help with subsequent legal proceedings).	P&BA.	Alison Bolsover.	30/06/10		Target 5% cost reduction. Included as part of recommendation 13.	To reduce lead times and legal costs.
15	Case Management.	Retain and recycle 'Witness / Product Statements' for subsequent use where legal proceedings are necessary.	P&BA, Civil law Team, Criminal law Team,	Alison Bolsover.	30/06/10		Tangible benefits Incl. in recommendation 13.	To help reduce lead times and legal costs.
16	Case Management.	Acquire a 'Certificate of Conviction' for all criminal investigations where it is likely subsequent civil action is required.	Financial Investigation Unit, Civil law Team.	Iain Murphy, Mandy Talbot.	30/06/10			To help accelerate civil legal action and subsequent recovery of monies
17	Case Management.	Conduct feasibility study to trial debt collection methods outside normal working hours (i.e. Using the telephone between the hours of 17:00pm and 08:00pm). To record increase / decrease in contacting debtors and debt recoveries.	P&BA.	Alison Bolsover.	30/06/10		3 month trial should result in a 5% increase in debt recovery. i.e. Approx £38.5K based upon 2 people. (See Appendix 31)	Reduce lead times and improve debt recovery.
18	Case Management.	To develop SLAs with existing Solicitors and review on an ongoing basis (e.g. Cost, quality and timeliness) to ensure the business receives 'value for money'.	Civil law Team, Criminal law Team.	Juliet McFarlane, Mandy Talbot.	30/06/10		Included as part of above recommendation.	To maximise 'value for money' for all 3 rd party solicitor costs.
19	Case Management.	Develop and agree formal process to improve communications between Contract Advisors	P&BA, Contract Advisors.	Alison Bolsover, John Breeden.	30/06/10			To help focus efforts and reduce

		and Product and Branch Accounting, when Subpostmasters are suspended as a result of potential debts. (i.e. To ensure P&BA can manage cases appropriately and effectively).						debt recovery lead times.
20	Case Management.	Maintain fundamental information regarding debt recovery (e.g. debt values, value of recoveries, external solicitor costs, Tracing Agents and internal staff costs on a case by case basis) to help review effectiveness of existing debt recovery processes.	Civil law Team, Criminal law Team.	Juliet McFarlane, Mandy Talbot.	30/06/10		Target of 5-10% improvement of debt recovery costs versus debt recovery.	To continuously review 3 rd party solicitors and debt recovery processes.
21	Case Management.	Conduct ongoing asset checks for all aged debt cases. (i.e. Specifically where the offender didn't have any assets at the time of 'Judgement' and there are still outstanding debts). To be achieved either by Accredited Financial Investigators or Online credit checks. (See recommendations 8 & 36).	P&BA, Investigation Team, Financial Investigation Unit.	Alison Bolsover, Iain Murphy.	30/06/10		Not able to quantify % improvement in debt recovery.	To maximise debt recovery opportunities.
22	Case Management.	Conduct feasibility study to assess costs and benefits of having direct access to Suspicious Activity Reports, Joint Asset Recovery Database, and Money Web. (See Terms of Reference in Appendix 30)	Crime Risk, Investigation, Financial Investigation Unit.	Iain Murphy.	30/06/10			Improve debt recovery and reduce lead times.
23	Case Management.	Improve the design of existing debt statements produced from POLFS.	P&BA.	Alison Bolsover	30/06/10			A more professional debt statement for former Subpostmaster to act upon.
24	Case Management.	Allocate workloads i.e. debt cases on a volume basis, not on a 'Regional' basis. All cases to be prioritised by value and likelihood of recovery.	P&BA.	Alison Bolsover	30/06/10	Rejected i.e. on the basis that team members also perform other roles such as attending court.	Approx. £16K per annum. (See Appendix 31)	Improved alignment of resource to workloads. Maximise debt recovery.
25	Case Management.	Acquire and confirm Subpostmaster address and contact details as part of the audit process. Communicate information to Product and Branch Accounting Former Subpostmaster Debt Recovery Team.	Network Field Support	Andy Bayfield	30/06/10			
26	Cost Management.	Agree and develop a monthly debt recovery cost report to identify all the costs incurred as part of existing debt recovery process. i.e. To recover debt recovery costs. e.g. Staff costs, non staff costs, and repayment costs e.g. repayment using credit cards.	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract	Deborah Holmes.	30/06/10		£305.1K of debt recovery costs (i.e. 21% of total debt recovery costs based on 2009/10 position). (See Appendix 31)	Visibility of all the associated costs involved in debt recovery. Maximise debt recovery by recovering those costs incurred within existing debt recovery process.

27	Cost Management.	Develop a charging matrix to charge interest on outstanding debts and other costs associated with debt recovery. (See recommendations 7 & 8).	Advisors. P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors, Network Field Support.	Alison Bolsover, Deborah Holmes.	30/06/10		To charge interest rate set at Bank of England base rate or above on all debts repayable >90 days.	To maximise recovery of debt recovery costs.
28	Cost Management.	Introduce more transparency of internal Royal Mail staff costs to help understand the 'true' costs associated with debt recovery.	Civil law Team, Criminal law Team.	Juliet McFarlane, Mandy Talbot.	30/06/10		See below.	Visibility of all debt recovery costs.
29	Cost Management.	Introduce more transparency of external solicitor costs in Post Office Finance Systems including budgetary responsibility. Also, linked closely to ensure costs associated with debt recovery do not exceed the total value of debt(s). i.e. The latter is more important than exceeding a budget.	Civil law Team, Criminal law Team.	Juliet McFarlane, Mandy Talbot.	30/06/10		To ensure debt recovery costs do not exceed total value of debt.	Visibility of all debt recovery costs.
30	Cost Management.	Undertake benchmark of external solicitors (i.e. Civil legal solicitors with Criminal legal solicitors) to maximise value for money. How much would it take to take a case through the legal process?	Civil law Team, Criminal law Team.	Juliet McFarlane, Mandy Talbot.	30/06/10		Target to reduce costs by approx 5% per annum.	To reduce 3 rd party external solicitor costs.
31	Debt Provisioning.	Agree and revise how bad debt provision is calculated to better reflect the amount the organisation expects to write off (i.e. Total debt less expected recoveries).	P&BA.	Alison Bolsover.	30/06/10		One off benefit of Circa. £5.1M	To more accurately reflect bad debt provisions.
32	Debt Repayment Methods.	Introduce a monitoring and recording system to capture the repayment method. To Include the costs associated with each repayment method.	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team.	Alison Bolsover, Iain Murphy, Juliet McFarlane, John Breeden, Mandy Talbot.	30/06/10			Identify and recovery of repayment costs.
33	Debt Repayment Methods.	Influence debtors to repay debts using most cost effective repayment method (See Appendix 11).	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract	Alison Bolsover, Iain Murphy, Juliet McFarlane, John Breeden, Mandy Talbot.	30/06/10		Included in Recommendation 26 below.	Influence debtors to make good debts using the most efficient and cost effective methods.

34	Debt Repayment Methods.	Review Subpostmaster contractual arrangements for the provision and repayment of debts (i.e. No interest free loans, consolidation of debts, repayment terms).	Advisors. P&BA, HR, Contract Advisors.	TBA.	30/08/10		To charge interest rate set at Bank of England base rate or above on all debts repayable >90 days.	Improve debt recovery (i.e. Including recovery of debt recovery costs) and repayment terms.
35	Human Resources.	Agree and review former Subpostmaster Debt Team staffing levels with workloads. A reduction in workloads of approx. 18% since April '09 suggests that current staff levels are approx. 1.25 heads surplus.	P&BA.	Alison Bolsover	31/03/11	On hold. Agreed to utilise surplus resource to help implement recommendations as part of this review.	A potential saving of £24.6K per annum. (See Appendix 31)	Improve alignment of resource to workloads.
36	Training & Development.	Implement measures to review effectiveness (i.e. Debt recovery) of existing Accredited Financial Investigators, with a view to extending this level of expertise across the debt recovery processes.	Financial Investigation Unit, P&BA.	Iain Murphy, Alison Bolsover.	30/06/10		Target to improve upon current performance by approx. 5-10%.	Skill up to improve debt recovery.
37	Training & Development.	Investigate impact of not having Accredited Financial Investigators to deal with Scottish and Northern Ireland laws (i.e. Impact on debt recovery).	Crime Risk, Investigation, Financial Investigation Unit.	Iain Murphy.	30/06/10			To help improve debt recovery in both Scottish and Northern Ireland areas.
38	Training & Development.	Acquire a more indepth understanding of what information can be shared by Financial Investigators i.e. across other stakeholder groups within the debt recovery process. (e.g. A tabulation of data sources, information, and limitations).	P&BA, Investigation Team, Financial Investigation Unit.	Iain Murphy.	30/06/10		Not able to quantify % improvement in debt recovery.	More effective use of MI to help with debt recovery.
39	Management Information	Implement a business wide KPI to measure the cost of debt recovery versus the value of recoveries. (i.e. A ratio by individual stakeholder including Security and Investigation, Criminal legal Services, Civil legal Services, Former Subpostmaster Debt Recovery Team). Also, to help recover costs from offenders including those cases that result in legal proceedings.	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors.	Alison Bolsover, Iain Murphy, Juliet McFarlane, John Breeden, Mandy Talbot.	30/06/10		10% reduction in debt recovery costs (£157K) (See Appendix 31)	To help monitor all the costs associated with debt recovery.
40	Management Information.	Track all suspension / dismissals resulting from debt from a recruitment perspective.	Contract Advisors	John Breeden.	01/05/10>			Improve 'root cause' analysis to help reduce subsequent debt.
41	Management Information.	Automate and streamline all data flows acquired from POLFS to produce monthly MI reporting pack.	P&BA.	Alison Bolsover.	30/06/10		2 hours saving per month.	Reduce lead times and improve quality of information.
42	Management Information.	Contact Post Office Helpline to discuss	P&BA.	Alison Bolsover.	30/06/10			Reduce lead times

		possibilities of using redundant fields in POLFS download file (i.e. Used to reconcile debt) to enable team members to input unique case reference pertinent (i.e. To help match debt records and simplify process as part of reconciliation process).						and improve quality of information.
43	Management Information.	Provide business process documentation to explain how reconciliation process works.	P&BA.	Alison Bolsover.	30/06/10			To mitigate against the reliance of one key individual within the Team.
44	Management Information.	Explore benefits of introducing a numbering system which relates to specific 'text' descriptions within POLFS. This would help analyse trends, work patterns e.g. To describe late discrepancies, 1 = TC Correction, 2 = Tax disc not scanned into Horizon System.	P&BA.	Alison Bolsover.	30/06/10			To improve MI and analysis of trends.
45	Management Information.	Agree and develop more robust 'root cause' (e.g. Criminal activity, misappropriation of funds, fraudulent activities) analysis to aid decision making (i.e. To reduce future debt and improve debt recovery processes) (See Appendix 14). Possibly to be based upon 'suspicion' where the 'root cause' is unknown.	P&BA, Crime Risk, Investigation Team, Financial Investigation Unit, Civil law Team, Criminal law Team, Contract Advisors, Network Field Support.	Alison Bolsover lead role.	30/06/10	Rejected. It is seldom possible to identify 'root causes' unless proven through the legal process. Therefore, most 'root cause' analysis would be speculative.	Targeted correction action should lead to a % reduction in future debts. Typically, a 5-10% year on year reduction.	To help take corrective action to reduce future debts and improve debt recovery processes.
46	Business Wide Communication.	Improve visibility of this review with existing projects that have a direct or indirect correlation to debt (e.g. Agency business plans review).	Back Office Efficiency Programme.	Andy Greening.	30/06/10			To highlight importance of robust Agency Business Plans and debt.
47	Case Management	Auditors to request last three Branch Trading Statements from Subpostmasters. This will support subsequent legal proceedings i.e. provide visibility of historic financial accounting.	Network Field Support	Andy Bayfield				Help with debt recovery.

Stakeholder list**Appendix 1**

Name	Team	Role
Julian Tubbs	Security	# Senior Security Manager
Andy Hayward	Security	Senior Fraud Risk Mgr
Joanne Hancock	Security	Senior Security Programme Manager
Rod Ismay	P&BA	Head of Product and Branch Accounting
Alison Bolsover	P&BA	Senior Branch Compliance and Liaison Manager
Andy Winn	P&BA	Relationship Manager
Jackie Whitham	P&BA	Former Agents Recovery Team Leader
Michael Haworth	Network	Contract Account Manager
John Breeden	Network	National Contract Manager (North)
Gayle Laverick	Network	Network Coordination Manager
Mandy Talbot	Legal Services	Principal Lawyer
Pat Davies	P&BA	Former Agents Recovery Team Lead
Ged Harbinson	Security	Accredited Financial Investigations
Graham C Ward	Security	Financial Investigator
Pete B Jackson	Network	Network Field Support Team Leader
Juliet McFarlane	Legal Services	Principle Lawyer Criminal Law Team
Mark Dinsdale	Security & Investigation	Casework Team Leader
Christina Wood	Security & Investigation	Casework Team
Maureen Moors	Security & Investigation	Casework Team

Change of role during review. Julian Tubbs is now Programme Manager, Business Efficiency Team, Operations.

Appendix 2**Glossary**

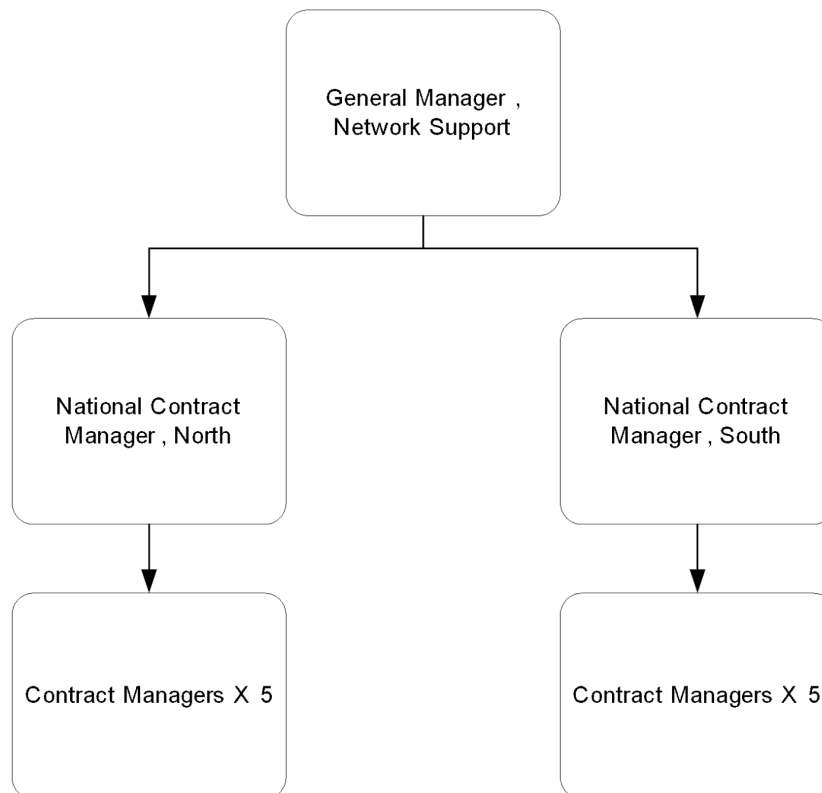
Abbreviation / Term	Description
Accredited Financial Investigator	Individuals who are professionally accredited under the 'The Proceeds of Crime Act 2002 (POCA)'. (i.e. An Act which provides for civil recovery of the proceeds from crime).
Certificate of Conviction	A document which provides tangible evidence that the defence has already been convicted of an indictable offence.
Committal Bundle	A committal bundle contains sufficient evidence to cover every element of the offences charged, and to deal with the reasonably practicable steps the defendant could have taken to comply with the relevant duty.
Compensation	Recompense for debts owed to someone.
Confiscation	To take possession of an individual's assets by force or legal authority. (i.e. Used for subsequent recovery of debts).
Debt	The state of owing monies (i.e. Repayment of debt).
Debtor	An individual who owes monies, liable for debts.
Extended Benefits	Where Criminals benefit from criminal activities in addition to the consequential loss.
Financial Evaluation Sheet (FES)	An initial financial summary of the offender prepared by Security and Investigation.
Financial Investigation Unit (FIU)	A key function within the Security directorate within Post Office Limited. Their principle remit is to investigate criminal activities and help recover Subpostmaster debts.
Financial Investigator (FI)	A key function within the Security directorate within Post Office Limited. Their primary role is to investigate suspicious and known criminal activity, and pursue these matters following advice from Royal Mail's Criminal Law Team.
Horizon Next Generation (HNG)	A strategic programme to enhance the Post Office's point of sale system.
Indictable Offence	An indictable offence is an offence which can only be tried on an indictment after a preliminary hearing to determine whether there is a prima facie case to answer or by a grand jury.
Joint Asset Recover Database (JARD)	The Joint Asset Recovery Database (JARD) records asset recovery information for all law enforcement activity across the UK and provides support to financial investigators wishing to retrieve information
Judgement	In legal terms when the final ruling is made
Land Registry	A government body which maintains records of land and property ownership.

Appendix 2**Glossary Cont'd**

Abbreviation / Term	Description
Letter Before Action	A letter before action is a letter sent to the offender informing them that unless they take certain steps (e.g. repay a debt) then legal proceedings will be commenced against them.
Money Web	Money Web is a database that provides host of information and access to a network of Accredited Financial Investigators in working in other institutions (e.g. Banks).
National Police Improvement Agency (NPIA)	The NPIA is part of the police service. As a policing organisation they act as a central resource to police forces, working with authorities and the Home Office to help improve the way policing works.
Open Items	A record in an accounting ledger that keeps track of a particular type of financial activity over a given period of time. (e.g. An unpaid charge or unapplied credit).
Proceeds of Crime Act 2002 (POCA)	The Proceeds of Crime Act 2002 (c.29) (POCA) is an Act of the Parliament of the United Kingdom which provides for civil recovery of the proceeds from crime.
Restraint Order	Restraint Orders are used by Prosecuting bodies with increasing regularity. The effect of a Restraint Order is to freeze assets of an individual, for the purpose of protecting them for potential future confiscation hearings, in the event that an individual is convicted or pleads guilty to an offence.
Summons	A summons is a legal document issued by a court (a judicial summons) or by an administrative agency of government (an administrative summons). It is also an order to appear in person at a given place and time (i.e. A court hearing).
Suspect Offender Report	A report that summarises details salient points resulting from a suspect offender interview.
Suspicious Activity Report (SAR)	A Suspicious Activity Report (or SAR) is a report regarding suspicious or potentially suspicious activity.
Taped Interview Manuscript	A summary or full manuscript resulting from an offender interview.
Tracing Agent	Tracing Agents specialise in tracing debtors and usually operate on a no trace, no fee basis.
Transaction Correction (TC)	This is a formal process that pushes responsibility / liability back to the branch to rectify and / or make good the discrepancy

Appendix 3

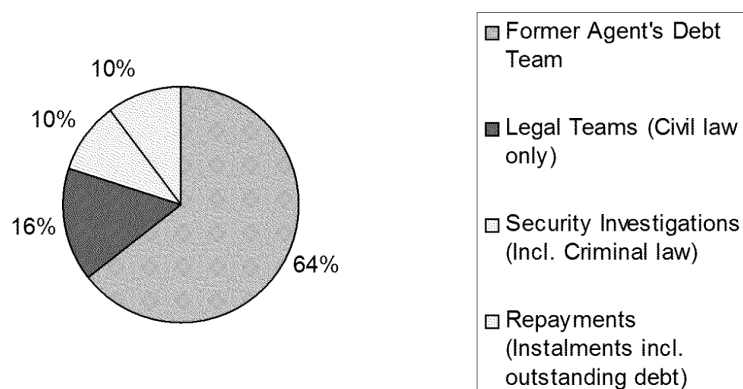
National Contract Managers – Organisation Chart



Appendix 4**2009/10 @ P6 No. of Cases by Stakeholder**

Ownership	No.
Former Agent's Debt Team	535
Legal Teams (Civil law only)	129
Security Investigations (Incl. Criminal law)	82
# Repayments	85
Total	831

Includes outstanding debts currently being repaid by instalment.

No. of Cases @ P6 2009/10

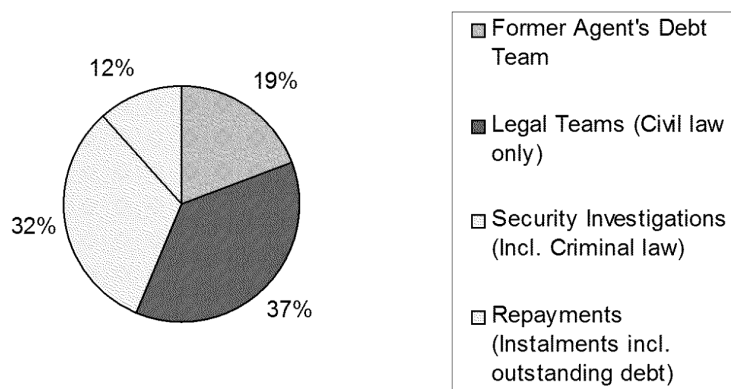
Appendix 4 Cont'd

2009/10 @ P6 Value of Cases by Stakeholder

Ownership	Value £M	%
Former Agent's Debt Team	2.19	19.25%
Legal Teams (Civil law only)	4.22	37.17%
Security Investigations (Incl. Criminal law)	3.61	31.79%
*Repayments	1.34	11.79%
Total	11.36	100.00%

Includes outstanding debts currently being repaid by instalment.

Value of Cases @ P6 2009/10



Appendix 4 Cont'd**Snapshot @ Nov' 09 of all instalments i.e. Repayment of Debt**

Repayment Term	No. of Cases	Instalments (£)	Balance (£)
<1 Year	14	5185.50	30025.79
1-2 Years	22	5379.00	86750.23
2-3 Years	8	2448.17	71706.64
3-4 Years	7	1738.18	67787.13
4-5 Years	5	370.00	18820.52
>5 Years	21	3610.00	977897.69
	77	18730.85	1252988.00

Note:

The position at the end of September '09 showed that repayment of debt via instalments was approximately 11.79%. The remaining debt will follow existing debt recovery processes.

5 cases are being repaid over more than fifty years. The longest duration is a little over 180 years i.e. this is what was set by the court to be repaid.

Source: Jackie Whitham, Product and Branch Accounting, October '09.

Appendix 5**Former Subpostmaster Debt 09/10 YTD To P6**

Total Debt @ P6 09/10	£11,361,000.00
------------------------------	-----------------------

Top 20% of Cases @ P6 09/10 by Value £M's

	£M	%
Former Agents	£1.67	16.7%
Legal Services	£3.47	34.7%
Investigations	£3.79	37.8%
Repayments	£1.08	10.8%
Total	£10.00	100.0%

Top 20% (167 cases out of 831) of all former Subpostmaster debt cases by value = 88% of the total debt. (i.e. £10M / £11.36M X 100 = 88%)

Cases	£M	% of total Debt @ P6 09/10
Top 20	3.4	30.4%
Top 50	5.9	51.8%
Top 100	8.3	73.4%
Top 150	9.7	85.2%
Top 167	10.0	88.1%

Source: Jackie Whitham, Product and Branch Accounting, October '09.

Appendix 6**Former Agent Debt Recovery Team Staff Costs**

Grade	No	Rate	Total Costs
PO	5	£34,676.28	£173,381.40
Agency	2	£19,664.00	£39,328.00
2A Manager	1	£47,240.28	£47,240.28
			£259,949.68

Source: Jackie Whitham, Product and Branch Accounting, October '09.

Appendix 7***Example of Weighting : Likelihood of debt recovery***

Suggestion	Weighting
Have sufficient evidence regarding case.	1 = No evidence, 2 = Some evidence, 3 = Sufficient evidence.
Have knowledge offender's whereabouts.	1 = No trace, 2 = Know whereabouts.
Able to make contact with offender.	1 = No contact, 2 = Made contact.
Willingness to cooperate.	1 = No intention of cooperating, 2 = Some willingness to cooperate, 3 = Is willing to cooperate.
Known assets.	1 = No known assets, 2 = Has some assets, 3 = Has more than sufficient assets
Is cost of recovery likely to outweigh debt?	#1 = Yes, 2 = No.
Is legal action likely to be successful?	1 = No, 2 = Yes.

Where cost of recovery outweighs debt, do not proceed with case.

Pessimistic

$$1 \times 1 \times 1 \times 1 \times 1 \times 1 \times 1 \times 1 = 1$$

Optimistic

$$3 \times 2 \times 2 \times 3 \times 3 \times 2 \times 2 = 432$$

Assumptions

All key stakeholders involved in the process would be required to assess the likelihood of debt recovery. This is only to be used as a decision making tool to help prioritise and focus efforts (i.e. The likelihood of recovery). If the likelihood of recovering debt is low, then there may be a requirement to focus more efforts on a particular case to improve the likelihood of recovering the debt (i.e. Not necessarily to dismiss the case and write-off values).

Source: Andy Greening, Business Efficiency Team, Operations, November 2009.

Appendix 8

Example of Output from Tracing Agent

To Whom It May Concern:

My agents have now traced the following:

Mrs Old Name
XXXXXXXXXX
XXXXXXXXXX
Nottingham
NG2 4PX

Mobile: GRO

They have advised that her correct date of birth is GRO

Mrs New Name
XXXXXXXXXX
XXXXXXXXXX
Coventry
CV2 4PX

Tel: GRO

Regards
Legal Services, PO Ltd

Source: Marilyn P Drawwater, legal Services, September 2009.

Appendix 9

'CallTrace Batch' Service provided by Callcredit Limited

The main focus of this service is "quality" address links and that the solution does not leave a footprint. This is now the number 1 tool used by major UK Debt Collection Credit Agencies (DCA's). The service includes:

- Full Data Cleanse
- PAF Validation
- ER confirmation
- New Address links (Bureau)
- Living as stated (@ address provided within last 90 days)
- Date of Birth Exact matching
- Credit Active (@ new address within last 90 days)
- Deceased
- Insolvent
- Propensity to Pay Collection Score
- Telephone Append

This service is provided with a 24 hour turnaround. It enables organisations to clean their information, identify the correct addresses, additional phone numbers, and strip out deceased & insolvent. Prices are dependent on volumes. New address links start at £2 each, but there are minimum processing charges of £1000. Callcredit also have license options that allow organisations to cap prices and receive all of the outputs generated.

"I think the first step is to run a sample of your accounts through CallTrace, test the quality, see the results and then discuss what variables you require and what we can do to offer you a flexible commercial deal. I would be able to run through your initial 800 accounts for a capped £1000. All of the data would be returned and I could walk you through the output, answer any questions you may have etc...."

Appendix 9 Cont'd

James Connolly, Business Development Manager,
Callcredit Limited, 19th October 2009.



H:\Operations\Debt
Reviews\P&BA Forme

Appendix 10

Former Subpostmaster Debt 2008/09 Versus 2009/10 YTD To P6

		£M's	% Recovery
Opening debt @ April '08	£	7.96	
New debt 08/09	£	7.16	
	£	15.12	
less recoveries	£	3.19	21.08%
	£	11.93	
less write-offs	£	0.93	
plus write backs	£	0.11	
Closing position @ March '09	£	11.11	
Opening debt @ April '09	£	11.11	
New debt 09/10 to P6	£	2.27	
	£	13.38	
less recoveries	£	1.71	12.76%
	£	11.68	
less write-offs	£	0.52	
plus write backs	£	0.21	
Closing position @ Sept '09	£	11.36	

Source: Jackie Whitham, Product and Branch Accounting, October '09.

Appendix 11**Repayment Methods**

Repayment Method	Cost
Cheque / Postal Order	£0.0275 per transaction
Standing Order	£0.02
Credit Card VISA	1.22% of transaction value
Credit Card Mastercard	0.087% of transaction value
Debit Card VISA	£0.214
Debit Card Maestro	£0.087
Cash	£0.0350
#Deduction From Remuneration (DFR)	Nil

Where a former Subpostmaster owns more than one Post Office branch i.e. DFR cannot apply to those Subpostmasters who are no longer employed and remunerated by the Post Office.

All charges shown in the above table exclude internal administrative costs.

Source: Sue Oxley, Banking Team, Product and Branch Accounting, October '09.

Appendix 11 Cont'd

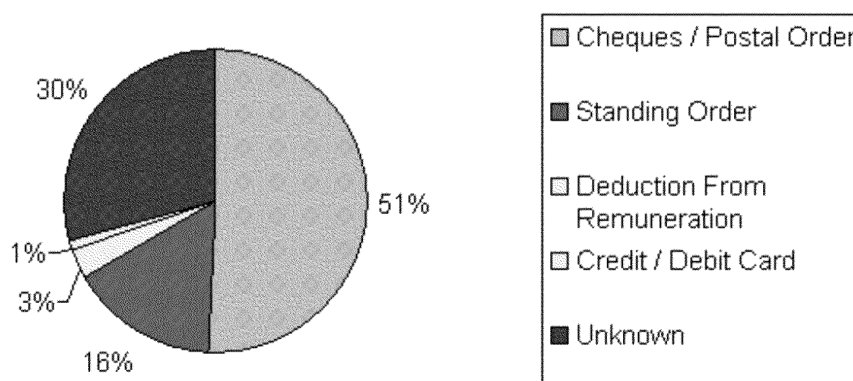
Repayment Type / Debt Repaid

April '09 To Sept '09

Repayment Type	Debt Repaid (£)	% Repayment Type
Cheques / Postal Order	£884,688.0	51%
Standing Order	£276,323.1	16%
Deduction From Remuneration	£52,661.7	3%
Credit / Debit Card	£17,825.2	1%
#Unknown	£517,014.5	30%
Total	£1,748,512.5	100%

#Recoveries rec'd from Security and Investigation paid directly into Bank of Ireland Account. Repayment split not available.

% Repayment Type



Source: Jackie Whitham, Product and Branch Accounting, November '09.

Appendix 12**Example: Multi-User Case Management Information System**

Suggested	Comments
Unique case reference.	e.g. An alpha numeric numbering system.
Description.	A description of the case.
Value.	Specific values should drive specific actions.
Reason.	As much information regarding the 'root case'.
Asset checks completed.	e.g. Ongoing credit checks.
Offender and branch details.	Name of Subpostmaster incl. branch details.
Accountabilities.	Single accountability.
Likelihood of debt recovery.	Weighted score.
Actions.	A concise description, by date, by individual, of all the actions to date. (incl. all pending actions, awaiting correspondence etc.)
Ongoing costs.	A breakdown of all cumulative costs associated with the case.
Value of recoveries.	All debts recovered.
Repayment type.	e.g. Cheque, credit card
Other known debts.	To include other debts such as property.

Updated on a 'real time' basis and visible to all relevant stakeholders involved in the former Subpostmaster debt recovery process.

Appendix 13

Write-off Authority Limits

Team leader (level 2)	0 - £1,000
Analyst (level 3)	£1,001 - £15,000
Accountant (level 4)	£15,001 - £25,000
Head of Product and Branch Accounting (PCC)	£25,000+
Finance Director (PCC)	£25,000+

Source: Jackie Whitham, Product and Branch Accounting, July '09.

Appendix 14

Management Information – 'Root Cause' Analysis

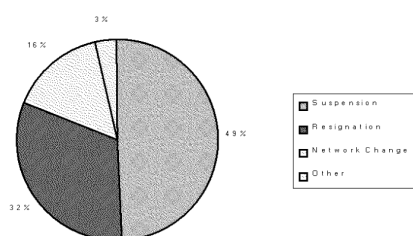
No. of Cases @ P6 09/10

Reason	No.
Suspension	409
Resignation	262
Network Change	131
Other	29
Total	831

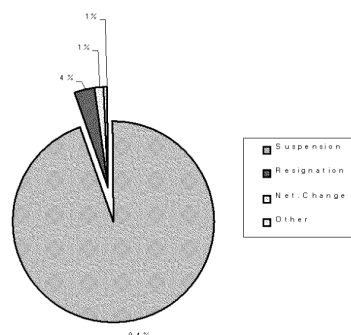
Value of Cases @ P6 09/10

Reason	Value £M
Suspension	10.75
Resignation	0.40
Network Change	0.14
Other	0.07
Total	11.36

No. of Cases by 'Root Cause'



Value of Cases by 'Root Cause'

Alternative 'Root Cause' Analysis

Misappropriation of funds
 Criminal activity
 Fraudulent activity
 False accounting
 Unexplained discrepancy
 Non conformance (intentionally / unintentionally)
 Inadequate assessment at recruitment stage

Appendix 15**Targets - Former Subpostmaster Debt****Debt & Recovery forecast 2009/10**

	£M	
Debt carried forward 2008/09	11.111	
<i>plus</i> New Debt forecast for 2009/10	5.04	Based on 2007/08 levels
	<u>16.151</u>	
		BAU = 4 people @ £300k = £1.2M
		Bus Case = 3 people @ £300k = £0.9M
<i>less</i> Recoveries forecast for 2009/10	3.42	Branch Inv early identification = £0.4M
		Security based on 08/09 figure =
		£0.92M
	<u>12.731</u>	
<i>less</i> Write offs forecast for 2009/10	0.93	Based on 2008/09 levels
Forecast debt at end 2009/10	<u>11.801</u>	

Impact on P&L Losses 2009/10

Write offs forecast for 2009/10	0.93
Increase in provision forecast 2009/10	<u>0.69</u>
Forecast Losses 2009/10	<u>1.62</u>

There were no targets set for 2008/09 to make comparison.

Source: Jackie Whitham, Product and Branch Accounting, October '09.

Former Subpostmaster End To End Debt Review

02/08/2010

Appendix 16

Former Subpostmaster Aged Debt

<i>P12 2007/08</i>	£M	<i>P12 2008/09</i>	£M	% of Aged Debt Recovered 2008/09	<i>P6 2009/10</i>	£M	% of Aged Debt by Value @ P6 09/10	% of Aged Debt Recovered 2009/10 To P6
2003/04	0.560	2003/04	0.503	10.18%	2003/04	0.500	4.4%	0.60%
2004/05	0.898	2004/05	0.841	6.35%	2004/05	0.627	5.5%	25.45%
2005/06	0.842	2005/06	0.627	25.53%	2005/06	0.419	3.7%	33.17%
2006/07	2.226	2006/07	1.662	25.34%	2006/07	1.615	14.2%	2.83%
2007/08	3.432	2007/08	3.127	8.89%	2007/08	3.100	27.3%	0.86%
	7.958	2008/09	4.351		2008/09	4.326	38.1%	0.57%
			11.111		2009/10	0.774	6.8%	
						11.361	100.0%	

Illustration

e.g. 10.18% of aged debt
at the end of 2003/04
was recovered during
2008/09 financial year.

Source: Jackie Whitham, Product and Branch Accounting, October '09

Appendix 17**Former Subpostmaster Case Information****2008/09**

No. Cases	1008
Value of Cases £M	11.11
Average Value Per Case	£11,022

2009/10 @ P6

No. Cases	831
Value of Cases £M	11.36
Average Value Per Case	£13,670

Source: Jackie Whitham, Product and Branch Accounting, October '09.

Appendix 18**Security Crime Risk Team (formerly Casework Team)****Case Information**

Year	Number of Cases	Value of Cases
2008/09	190	£3,844,349.83
2009/10 YTD @ P6	80	£1,266,592.41

Staff Costs

Staff	Total Costs
1.5 X Postal Officer	£34,676.28
1 X 2A Manager	£23,620.14
	£58,296.42

Source: Mark Dinsdale, Crime Risk Team, November 2009.

Appendix 19**Security Investigation Team****Case Information**

Year	Number of Cases	Value of Cases	Value of Recoveries
2008/09	191	£3,936,190.27	£1,816,087.49
2009/10 YTD @ P6	83	£1,381,723.55	£435,610.60

Staff Costs

Staff	# Total Costs
2 X 3B Managers	£93,786.90
15 X 2A Managers	£586,582.61
	£680,369.51

Approximately, 82.78% of staff costs relate to former Subpostmaster debt cases. (i.e. Staff costs shown above represent 82.78% of the total staff costs across the Security Investigation Teams).

There are also additional costs for audio transcription services (i.e. Typing taped interview manuscripts). There were 195 taped interviews between November '08 and September '09 at £40 per tape, £7,800 during the 11 month period. (i.e. Approx. £8.5K per annum).

Source: Jason Collins, Security and Investigation, October 2009.

Appendix 20**Case Information Financial Investigation Unit**

Year	Number of Cases	Value of Cases	Value of Recoveries
2008/09	42	£838,732.23	£863,107.91
2009/10 YTD @ P6	33	£519,468.69	£564,511.43

Note: The value of recoveries shown above are only an estimate based upon actions taken by Financial Investigators, and DO NOT reflect the actual amount recovered on an individual case by case basis.

Staff Costs

Staff	Salary	Total Costs
3 X 3B Managers	£56,648.28	£169,944.85

Land Registry Searches

Year	No. of Searches	Total Cost	Ave Cost Per Search
2008/09	279	£1,962	£7.03
2009/10 YTD @ P6	114	£1,147	£10.06

Source: Ged Harbinson, Financial Investigation Unit, Security Team.

Appendix 21

An Accredited Financial Investigator – Key Responsibilities

1. Obtain a production order from a Crown Court which orders a person or company in possession of data to supply that data to the Financial Investigator within a specified period.
2. Obtain an account monitoring order from a Crown Court which orders a financial institution to monitor and report activity on any named bank account to the Financial Investigator within a specified period.
3. Obtain a customer information order from a Crown Court which orders a financial institution to release customer information to the Financial Investigator.
4. Search and seize documents subject to receipt of a production order.
5. Carry out a financial interview of the offender.
6. Obtain financial information from a defendant or suspect by Crown Court order.
7. Restrain assets.
8. Seize cash.
9. Obtain data from Land Registry without leaving a footprint.
10. Obtain 'extended data' from Land Registry.

Source: Ged Harbinson, Financial Investigation Unit, Security Team.

Appendix 22

Case Closure Correspondence – Financial Investigation Unit

To: Senior Security Manager

From: Financial Investigation Manager
Fraud Strand
Security Team

Date: XX/XX/XX

**SUBJECT: - INVESTIGATION REF: - POLTD/YYYY/XXXX - OFFICE XXXX / SUSPECT NAME
MR ANONYMOUS**

I have completed the financial investigation into the above named person and unfortunately the entire property portfolio held by **Mr Anonymous** is in negative equity or indeed close to this position and as such restraint under POCA 2002 would not be appropriate.

Further to this I am aware that the cheques passed to the Investigation Team by the defendant have all been referred to the drawer.

In view of the fact that there are no identifiable assets, that may service any confiscation order, the financial investigation has now been concluded and confiscation should not be evoked. The Investigator Officer and our agents should request compensation, and costs at any future sentencing hearing and any outstanding loss should be reported to the Former Subpostmaster Debt Recovery Team for their action.

The Financial Investigation case file is now formally closed.

Regards,

Financial Investigation Manager
Post Office Ltd, Fraud Strand.

CC. (Senior Lawyer Criminal Law Division)

Appendix 23**Legal Services, Civil law, Royal Mail Group****Case Information**

127 cases were handled between April 2008 and September 2009.

Year	External Solicitor Costs
2008/09	£130,565.18
2009/10 YTD @ P6	£87,552.75

Staff Costs

Staff	# Total Costs
Senior Manager	£7,839.52
2A Manager	£3,191.50
	£11,031.02

Appendix 24**Criminal law Team Costs Versus Recoveries**

	2008/09		2009/10 YTD to P6	
	Costs	Recoveries	Costs	Recoveries
April	13.1	35.8	9.4	2.0
May	41.7	2.6	9.6	89.0
June	7.6	22.2	24.6	24.0
July	8.6	4.5	23.9	194.4
Aug	5.4	39.2	6.6	2.7
Sept	16.0	37.0	34.5	1.5
Oct	18.9	10.4	9.3	-
Nov	14.0	4.9		
Dec	9.7	15.1		
Jan	5.8	4.6		
Feb	3.9	21.4		
March	10.3	1.1		
Total	154.9	198.8	118.0	313.6

Number of Criminal law Cases Handled

	2008/09	2009/10 YTD to P6
April	7	12
May	2	9
June	10	11
July	5	12
Aug	2	10
Sept	12	12
Oct	8	
Nov	10	
Dec	8	
Jan	6	
Feb	16	
March	16	
Total	102	66

Source: Juliet McFarlane, Criminal Law Team, Royal Mail Group, October '09.

Appendix 25**Contract Advisor Staff Costs****2008/09**

				#Total		
		Hours Per Case			level 3b	Total Cost
No. of Cases	229	1.5	Time	343.5	21.3	7316.55

2009/10 YTD to P6

				#Total		
		Hours Per Case			level 3b	Total Cost
No. of Cases	135	1.5	Time	202.5	21.3	4313.25

Estimate of Contract Advisor's time spent dealing with former Subpostmaster cases.

Source: John Breeden, 15th October '09

Appendix 26

Former Subpostmaster e2e Debt Processes

High level Objectives

- To reduce future debt.
- To improve debt recovery.

High level Accountabilities (A) and Responsibilities ® (i.e. Combination of current process and 'ideal' state from a debt perspective).

Human Resources

- Administrate payroll for recovery of debts. (i.e. Deductions from remuneration). **(A)**
- Support and help design appointment process to attract high calibre new Subpostmasters. **(R)**

Finance

- Assess agency business plans to mitigate against potential losses and debts. **(A)**

Network Field Support Team (formerly Audit)

- Conduct financial audits in Post Office Branches and report the facts. **(A)**
- Identify discrepancies and potential debt in Post Office Branches. **(R)**
- Inform key stakeholders of findings (i.e. Security and Investigation, Product and Branch Accounting, Contract Advisors). **(R)**
- Provide appropriate evidence for further investigation and potential legal proceedings to help recover debts. **(R)**

Contract Advisors

- Precautionary Suspend a Subpostmaster's contract. **(A)**
- Investigate and establish if breaches of contract – outcome of investigation is to either terminate or reinstate the Subpostmaster's contract **(A)**
- Appoint temporary Subpostmaster this is not the Contract Advisors accountability and the resource for this work lies in another team within Network Support **(A)** – Contract Advisor is to work with all parties to ensure temporary Subpostmaster is appointed **(R)**.
- Conduct interview for appointment of new Subpostmaster and decide if applicant is successful. **(A)**
- Issue charges against Subpostmaster for breach of contract. **(A)**
- Agree level of culpability in the event of burglaries, robberies and theft based on recommendation provided by Security Manager **(A)**
- Interview offending Subpostmaster in respect of breaches of contract which can include discrepancies and / or debts. (i.e. Acquire admission / denial). **(R)**
- Inform key stakeholders of pending actions / outcome (Security and Investigation i.e. Where there is criminal activity, Product and Branch Accounting i.e. Where there are debts to be repaid). **(R)**
- To remit any repayments of debt to Finance. **(R)**

Product and Branch Accounting

- Identify discrepancies and potential debt in Post Office Branches. (i.e. late discrepancies and detection within Post Office Ltd Finance System). **(A)**
- Single 'case' accountability. (i.e. Prioritising, controlling, monitoring, and reviewing all cases). **(A)**
- Financial accounting and processing repayments. **(A)**
- Assess viability and likelihood of recovering debts with the involvement of other stakeholders. (e.g. Legal services, Security Teams). **(A)**
- Write-off authority. **(A)**
- Delivery against targets to reduce future debt and improve debt recovery. **(A)**
- Create and update case records. **(R)**
- Investigation and debt recovery. (Incl. Use of 'Tracing' tools to confirm address details and identify assets throughout the lifecycle of the case). **(R)**

- To provide evidence and documentation to key stakeholders. (i.e. Security and Investigation and legal departments) for subsequent investigation and / or legal proceedings. **(R)**
- Production and communication of Management Information. (e.g. Number and value of cases, top 20% of cases by value, aged debt, cost of debt recovery versus debt recovered, root cause analysis, and value of debts repaid by repayment type to name but a few). **(R)**

Security & Investigation

- Investigate suspicious and known criminal activity in a cost effective manner. (e.g. Gathering facts and further evidence, interviewing offenders, prepare 'Committal Bundle' for subsequent legal proceedings and attending court hearings). **(A)**
- Assess the likelihood of offenders dissipating of assets, issue restraint orders to secure assets for subsequent debt recovery, identify assets for subsequent confiscation and compensation for the recovery of monies and attend Court Hearings and Sentencing. **(A)**
- Develop and deliver 'Fraud Programmes' to mitigate against subsequent loss / crime. **(A)** Although 'owned' by individuals it is the 'collective' that delivers, and therefore the buck would not necessarily rest with one person.
- Delivery against targets to reduce future debt and improve debt recovery. **(A)** Although 'owned' by individuals it is the 'collective' that delivers, and therefore the buck would not necessarily rest with one person.
- Delivery against targets to reduce the cost of debt recovery versus value of debts recovered. **(A)** Although 'owned' by individuals it is the 'collective' that delivers, and therefore the buck would not necessarily rest with one person.
- Create and update records and case files that may or may not result in former Subpostmaster debt. **(R)**
- Monitor the investigation and recovery of monies from Subpostmasters in the event of burglaries, robberies and theft and recommend the level of culpability. **(R)**
- Identify weaknesses and / or other failures in business processes to help maximise recovery and mitigate against subsequent loss. **(R)**

- Engage Criminal Legal Team to assist with legal proceedings. **(R)**
- To remit repayments to Finance. **(R)**

Criminal legal Team

- Engage 3rd party solicitors where cases require criminal legal services. **(A)**
- To provide legal support and advice. **(A)**
- Delivery against targets to reduce future debt and improve debt recovery. **(A)**
- Delivery against targets to reduce the cost of debt recovery versus value of debts recovered. **(A)**
- To remit repayments to Finance. **(R)**
- To inform Security Team and Product and Branch Accounting of outcome. (i.e. Sentence / Recovery of monies). **(R)**

Civil legal Team

- Engage 3rd party solicitors where cases require civil legal services. **(A)**
- To provide legal support and advice. **(A)**
- Delivery against targets to reduce future debt and improve debt recovery. **(A)**
- Delivery against targets to reduce the cost of debt recovery versus value of debts recovered. **(A)**
- To remit repayments to Product and Branch Accounting. **(R)**
- To inform Product and Branch Accounting of outcome. (i.e. Sentence / Recovery of monies). **(R)**

Key Conclusions

Alison Bolsover, Senior Manager for the 'Former Subpostmaster Debt Recovery Team' is accountable for managing the overall debt. The Network Team is accountable for not incurring debt in the first instance.

Appendix 27**End To End Debt Recovery Costs****Staff Costs Per Annum**

Team	Costs
Product and Branch Accounting, Finance	£259,949.68
Crime Risk Team (formerly Casework Team), Security Team	£58,296.42
Investigation Team, Security Team	£680,369.51
Financial Investigation Unit, Security Team	£169,944.85
Legal Services, Civil Law Team, Royal Mail Group	£11,031.02
Legal Services, Criminal Law Team, Royal Mail Group	#Unknown
Contract Management, Network Team	£8,626.50
Total Staff Costs	£1,188,217.98

No measurement currently in place. It is assumed that all internal Royal Mail staff costs are maintained centrally.

External Solicitor Costs

Team	Costs
Civil legal Proceedings	#£175,105.50
Criminal legal Proceedings	#£236,000.00
Total External Solicitor Costs	£411,105.50

Costs at the end of September '09 were £87,552.75 and £118,000 respectively.

Appendix 27**End To End Debt Recovery Costs Cont'd****Non Staff Costs**

Description	Costs
# Land Registry Searches	£2,294.00
Audio Transcription Services	£8,500.00

Costs at the end of September '09 were £1,147.00.

Total Costs

Staff Costs	£1,188,217.98
Non Staff Costs	£10,794.00
External Solicitor Costs	£411,105.50
Total	£1,610,117.48

Note: Calculations exclude internal Royal Mail Criminal legal team's staff costs and costs associated with appointing a temporary / new Subpostmaster. (i.e. Where debts have resulted in the current Subpostmaster being suspended or having their contract terminated permanently). Also, excluded are the costs associated with repayment types (e.g. Credit card, cheque) and Tracing Agents.

Appendix 28

P&BA Workloads and Staffing Levels 2009/10

Period No.	Number of Cases	Value of Cases	Value of Recoveries
		£M	£K
Period 1	957	£11,353	£197
Period 2	891	£11,340	£295
Period 3	849	£11,306	£382
Period 4	838	£11,037	£514
Period 5	835	£11,144	£181
Period 6	831	£11,361	£139
Period 7	787	£11,325	£290
Ave	855	£11,267	£285

Headcount is 7 full time employees.

2008/09

Value of Cases £M	Value of Recoveries £M	Ave. Value of Recoveries Per Month £K
£11.111	£3.075	£256

Source: Jackie Whitham, Product and Branch Accounting, November '09.

Appendix 29

Extended Crime Benefits

2008/09

Income £10,737.53

Expenditure £10,546.51

2009/10 YTD to P6

Income £18,611.30

Expenditure £9,140.75

Source: Peter Hart, Finance, November '09.

Appendix 30

Case Management System Terms of Reference



H:\Operations\Debt
Reviews\TORs\Case I

Debt Recovery System's Terms of Reference



H:\Operations\Debt
Reviews\TORs\Debt I

Appendix 31

Tangible Benefits – Rough Calculations



H:\Operations\Debt
Reviews\P&BA Forme

Appendix 32**Bad Debt Provisions**

Year	Actual Debt	Write Off	Provision	Recovered	Times Overstated
07/08	£7,958,000	£741,000	£8,047,000	£1,666,000	11
08/09	£11,111,000	£818,000	£11,126,000	£3,075,000	14
09/10 To P6	£11,361,000	£314,000	£11,423,000	£1,708,000	36

The current provision for bad debts is overstated by £11,109,000 i.e. £11,423,000 less £314,000 at period 06 2009/10.

Assuming a write off value of £628K for 09/010 and allowing 10 times contingency in subsequent years the write off value would be £6,280,000.

Therefore, £11,423 less £6,280,000 = £5,143,000 i.e. £5,143,000 overstated.

Source: Martin Knights, Finance, December '09.