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Department for  
Business, Energy  
& Industrial Strategy

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Permanent Secretary	X	
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**BEIS SELECT COMMITTEE: POST OFFICE – HORIZON INQUIRY****Summary**

- 1) You are attending the BEIS Select Committee oral evidence session on 24<sup>th</sup> March with Carl Creswell and Tom Cooper focussing on issues emerging from the Horizon IT court case. A briefing pack for the session is attached. We have included a list of questions that the Select Committee are likely to ask (see pages 4-5 of the briefing). We will discuss the overall approach with you at the pre-brief on Monday 23<sup>rd</sup> March.

**Timing**

- 2) **Urgent** – to be reviewed prior to the pre-brief with officials on Monday 23<sup>rd</sup> March.

**Recommendations**

- 3) That you **review** the attached briefing including Annex A that outlines the written evidence submitted to the Committee on 16<sup>th</sup> March; Annex B that outlines a historical timeline of events and Annex C that outlines key figures and statistics ahead of the pre-brief on Monday 23<sup>rd</sup> March. In paragraph 7 we have outlined the key areas the Committee plans to focus on.

**Background**

- 4) The Committee has focussed their inquiry on issues emerging from the Horizon Litigation. The Terms of Reference are as follows:
- What damage has Horizon caused to the relationship between Post Office Ltd (POL) and sub-postmasters and will this impact on the Post Office network?
  - What role did the National Federation of Sub-postmasters play in the Horizon scandal in terms of representing affected sub-postmasters?

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- What steps are the Government taking to help sub-postmasters to overturn convictions if they were based on Horizon errors?
  - Have the costs of the Horizon case adversely affected Post Office services and are there potentially more costs resulting from further civil and criminal litigation?
  - How transparent is POL in its decision making and in its use of public money?
  - What lessons has POL learnt and what steps is it taking to avoid similar problems?
  - What role did BEIS and UKGI (UK Government Investments) play and is it reviewing its oversight of POL following Horizon?
- 5) The Committee held its first hearing on 10th March. In its first panel it heard from postmasters Alan Bates, Wendy Buffrey, Tracey Felstead and in its second panel from the CWU, NFSP and Second Sight. A range of issues surfaced including POL's need to be more transparent, litigation costs, criticism of NFSP and BEIS and UKGI roles. On 24th March, the Committee is expected to also question POL CEO, Nick Read, the former POL CEO, Paula Vennell and a representative from Fujitsu.
- 6) Carl Creswell, Director Professional and Business Services, Retail and Postal and Tom Cooper, Director in UKGI responsible for the Post Office and the shareholder representative on POL's Board, will give evidence to the Select Committee at the same time as you.

### Advice

- 7) The briefing pack is structured around the above terms of reference (see paragraph 4 above) and also addresses the specific questions we expect the Select Committee as summarised below.

### **Whether BEIS will revisit Post Offices' powers to prosecute postmasters and your position on the prosecution as a whole and how postmasters were treated**

- a) Question 1: We have lines that acknowledge that POL's prosecution powers are no different to any other private company but that POL CEO, Nick Read has assured BEIS ministers that they will consult BEIS.
- b) Question 2: On your position on the prosecution we have lines referring to the independence of the CCRC and next steps, depending on the decision that may have made on 24<sup>th</sup>. The lines also acknowledge the account of the emotional and financial distress on postmasters that you have personally heard (during your call with Alan Bates, Deirdre Connolly

OFFICIAL-SENSITIVE

Department for  
Business, Energy  
& Industrial Strategy

and Rajinder Bilkhu on 18 March) and the focus on moving forward and ensuring POL rebuilds its relationship with postmasters.

**UKGI's push for POL's changes in culture and processes and ensuring these are sufficient**

- c) Question 3: Our lines focus on the key commitments POL have made following the settlement and the BEIS and UKGI roles and collective steps in monitoring these. This includes challenging Nick Read and POL Chair, Tim Parker to personally strengthen POL's relationship with postmasters, which they have assured they will do and monitoring their commitments through quarterly POL/NFSP working group, quarterly Shareholder meetings and meetings that Nick Read will have with you.

**BEIS and UKGI's roles throughout the litigation process, with a particular focus on the knowledge we had, what we were told and challenges we provided (including the Second Sight reports and BEIS being misled by POL)**

- d) Question 4: Our lines focus on the respective roles of UKGI and BEIS and the actions that officials and ministers took at the time based on the information they relied on from POL at the time (see Annex B – historical timeline of events). We acknowledge that historically POL's approach to information sharing was via the POL Board and that UKGI challenged POL on its overall handling over a number of years.
- e) Question 5: On the question about POL/Fujitsu's knowledge that they could have changed Branch Horizon gaps, we have clear lines on the advice Government was given. This is an area for POL to expand on in their oral evidence session, which will have been earlier on the morning of 24<sup>th</sup>.
- f) Question 6: On the questions related to Second Sight reports, our lines set out that BEIS and UKGI officials and ministers were provided with the reports. We are likely to get pushed on what actions were taken as a result of the Second Sight report and whether government could have done more, particularly in light of the evidence given to the BIS Select Committee in 2015 that it was not given proper access to the evidence it required. We have focused on the steps that ministers took at the time to repair relationships between POL and Second Sight including the appointment of Tim Parker in 2015, whose first task was to undertake a review of POL's handling of Horizon complaints.

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Department for  
Business, Energy  
& Industrial Strategy

- g) Question 7: The Committee asked the Permanent Secretary to attend, but he has declined. We have lines on governance procedures and procurement rules. We do not believe that POL did not follow any Governance procedures required of them. The Post Office and BEIS has regularly engaged with Parliament on Post Office issues.
- h) Question 8: We have lines to explain that the Post Office, despite challenge at the time, as found by Mr Justice Fraser, provided BEIS with advice which is now known to have been flawed.
- i) Question 9: Our lines focus on the issues associated with Horizon are from its implementation from 2000, of which, none of the responsible directors are with the organisation. With regard to more recent leadership, Paula Vennells is no longer with the company, nor in her Cabinet Office role, and Tim Parker, who was brought in as Chair in October 2015, has been supportive of the transformational change needed within the Post Office.
- j) Question 11: Our lines show that, whilst BEIS was kept informed by the POL of the status of the litigation and it was for the Post Office Board to make the decisions with regard to the litigation. Tom Cooper, the shareholder representative, was not part of the decision to recuse the Judge, as a Government Official would have a conflict of interest in making a decision with regard to the quality of a judicial decision.

**Litigation costs and shortfalls scheme**

- k) Question 10: Our lines reiterate that litigation costs have been met by POL and if pushed we can say that the financial cost of the litigation to POL is circa. £97m (funded from POL's commercial revenues) and that the former CEO Paula Vennells confirmed this in writing to the Permanent Secretary in January 2019 and that it was a Government condition for approval of the settlement. If asked about the potential impact on the network subsidy or changes to the Post Office's fees for transactions, particularly banking we have clear lines on this.
- l) Question 12: On the historical shortfalls losses scheme our lines reiterate that POL engaged with claimants in the settled litigation on the design of the scheme and that we will track the progress on this closely as a part of the Independent Review.

**BEIS position on NFSP as credible representative body**

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Department for  
Business, Energy  
& Industrial Strategy

- m) Question 13: Our lines reiterate that whilst Government acknowledges the criticisms of the NFSP set out in the Horizon judgment, that it is not for Government to determine who represents the postmasters. We have also highlighted the recent positive steps that NFSP has taken to challenge POL e.g. on improving postmaster remuneration. Also we acknowledge the importance of engaging with Communication Workers Union (CWU) to understand the views of all postmasters. Ultimately, it is for the Post Office to decide which representative bodies they engage with, not a role for Government.

**The issues the public inquiry will focus on and the process of this**

- n) Question 14: Our lines will focus on getting the Review terms of reference right. You can say that you are committed, and will make an announcement shortly.
- 8) Given Horizon was first introduced in 1999 the issues go back over 20 years. We have pulled together a timeline of what happened when informed by the available records. See Annex B.

**Media Handling**

- 9) There is likely to be media interest in the Select Committee hearing. We will prepare some reactive lines to take.