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POST OFFICE LIMITED – BOARD PAPER

Project Sparrow Update

1. Purpose

The purpose of this paper is to provide the Board with an update on Project Sparrow.

2. Background

2.1 In the last (October) CEO report to the Board, an update was given on the then current status of Project Sparrow. The purpose of this paper is to provide a high level summary of the project as it now stands, focussing on developments since the last Board meeting.

3. Current Situation

3.1 Project Sparrow as initially conceived comprised two main initiatives, both of which were launched in response to the Second Sight Report released in July 2013. The first, and most time-critical of these initiatives was concerned with establishing a mediation scheme (and related activities), whilst the second focussed both on developing a business improvement program (BIP), aimed at assisting sub-postmasters in their business dealings with Post Office, and on implementing improvements to the overall control framework.

3.2 Until relatively recently these two initiatives were, for governance purposes, treated as one project and were both being overseen by the Project Sparrow Steering Group. The Steering Group has, however, recently agreed that the Post Office's interests would be better served, and greater focus would be achieved, by separating these activities into two distinct projects with Belinda Crowe being appointed as Programme Director for the first (the mediation scheme) and Angela Van Den Bogerd acting as Programme Director for the second (the BIP).

3.3 As at the date of the last CEO report the mediation scheme had received 64 applications from sub-postmasters. As of 18 November 2013 (the date on which the scheme officially closed) some 140 applications had been received of which 82 have been approved to proceed to the next stage (ie the stage at which the applicant submits a "Case Questionnaire" setting out the details of his/her claim) and 9 applications had been rejected. The remaining 49 have been held over for consideration at the next meeting of the "Working Group" scheduled for 22 November 2013.

3.4 As previously trailed, the Working Group that has been established to oversee the operation of the scheme is chaired by Sir Anthony Hooper. It meets weekly by telephone to discuss individual applications and holds face-to-face meetings once a month for more detailed discussions, including discussions as to the overall efficacy and operation of the scheme.

3.5 The scheme has received more applications than originally anticipated (140 as against an initial planning estimate of 75) and, given this fact and the complexity of some of the applications, additional resources have now been allocated to the

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project, principally aimed at ensuring that each application is investigated thoroughly and professionally. It is expected that the full team will be in place by 6 December 2013.

- 3.6 The increased number of applications will also increase the overall costs of the scheme, much of which will be incurred on a “per case” basis. Thus, an initial budget of £1.3m (ex vat) based on 75 applications has been increased to £2.2m (ex vat) for 130 cases proceeding all the way through to a concluded mediation. This does not include the costs of any financial compensation which may be offered to facilitate resolution of individual cases (as to which, see para’s 3.8 and 3.9 below).
- 3.7 Notwithstanding this increase in resources, it is currently anticipated that the time required to process all applications through the scheme will now extend into the Q2 2014. This will also extend Second Sight’s involvement in the Scheme given its role of recommending whether a case is suitable for mediation after it has considered the results of our investigations. This role was ascribed to Second Sight to add a level of independence, and therefore creditability, to the scheme. The Working Group (and the Chair in particular) remains tasked with ensuring that applications are efficiently progressed through each stage of the scheme.
- 3.8 On 19 November 2013, ExCo considered a draft policy prepared by the project team with a view to ensuring that our approach to resolving individual applications was consistent across the piste. In developing this policy, however, it did become clear that certain applicants are expecting significant financial settlements, and certainly ones larger than those envisaged by our policy. Accordingly, work is now being undertaken to see what sensibly can be done to bridge this “expectations gap”.
- 3.9 The project team will also continue to refine this policy as the applications progress through the scheme into actual “mediations”.
- 3.10 The first phase of the BIP (looking at improvements to our sub-postmaster training and support processes) was launched in November, informed in part by the new Branch User Forum, the inaugural meeting of which took place on 19 November 2013. The meeting was well represented by subpostmasters and Crown employees, who fully supported the Forum’s purpose and objectives. Forum meetings will inform the wider plans for reforms to our organisational structure and culture over the next 6-12 months.

As foreshadowed in the last CEO report, a paper reviewing our overall policy for investigating and prosecuting future (criminal) cases was presented to the ARC on 18 November 2013 and a verbal update on that matter will be given at the Board meeting.

4. Recommendations

The Board is asked to note the update set out above.

Chris Aujard
21 November 2013