

bPS 14/1-14/

POST OFFICE LTD

PROJECT SPARROW SUB-COMMITTEE

**Minutes of a meeting of the Project Sparrow Sub-Committee of the Board
held at 148 Old Street, London EC1V 9HQ on Wednesday 9 April 2014**

Present:	Alice Perkins (AP) Alasdair Marnoch (AM) Richard Callard (RC) Paula Vennells (PV) Chris Aujard (CA)	Chair Non-Executive Director (by telephone) (from item PS 14/1-part of PS14/4) Non-Executive Director CEO (from item PS 14/3) General Counsel
In Attendance:	Chris Day (CD) Angela Van-Den-Bogerd (AVDB) Belinda Crowe (BC) Mark Davies (MD) David Oliver (DO) Carolyn Low (CL) Gill Catcheside (GC)	CFO Network Change Operations Manager Programme Director, Project Sparrow Communications Director (by telephone) Programme Manager, Project Sparrow Programme Team, Project Sparrow Assistant Company Secretary

PS 14/1

OPENING OF MEETING

A quorum being present, AP opened the first meeting of the Project Sparrow Sub-Committee ("the Committee").

PS 14/2

TERMS OF REFERENCE

- (a) The draft Terms of Reference ("TOR") for the Project Sparrow Committee had been circulated prior to the meeting. The Chairman advised that she would like the General Counsel to be a permanent member of the Committee so that the Committee would comprise five members – the Chairman, two Non-Executive Directors, the CEO and General Counsel.
- (b) AP asked that any comments regarding the TOR should be submitted in writing to the Company Secretary, with a view to them being approved at the next Committee meeting.

PS 14/3

INITIAL COMPLAINT REVIEW AND MEDIATION SCHEME ('THE SCHEME')

AP advised that there were a number of key issues for the Committee to consider:-

- (a) What commitments had been made publicly about the Scheme (in particular in the House of Commons)?

- (b) What problem is the Post Office trying to solve, acknowledging that the fact that the process is taking longer is costing more and that the expectations of SPMRs are exceeding what Post Office originally envisaged?
- (c) What would the Post Office like to do? And what has changed since the Scheme was announced to prompt the need for a different approach?
- (d) What could be done do in light of previous public statements about the Scheme, in particular those made by the Minister?

The following points were made in discussion:

- (e) The paper had been deliberately developed as an options paper to address the problems of cost, time, investigation length, Second Sight competence and capacity, the expectation gap and the management overhead and impact on BAU.
- (f) The Scheme as currently configured was, broadly, consistent with Ministerial commitments. A more detailed assessment of all public statements (PQs etc.) made by the Minister about the Scheme and take account of that in considering any changes to the Scheme. However, it was acknowledged that the statement made in Parliament by the Minister for Postal Affairs preceded Post Office's announcement of the Scheme.
- (g) The importance of acting on the lessons learned as cases are investigated and building that into the way we engage with SPMRs and manage our business going forward. This work is being taken forward in the Branch Support Programme, led by AVDB and will form an important part of any narrative about the Scheme in the future.
- (h) The so called expectation gap has still not been addressed. Post Office never had cause to contemplate paying 'compensation' of the order being claimed, and the Linklaters advice has confirmed Post Office's very limited liability in relation to financial redress. Whilst it is important to be transparent in terms of setting out the Post Office position as early as possible, any steps to do so must be taken in the context of wider decisions about the Scheme.
- (i) Careful consideration would be needed in terms of how the essence of the Linklaters advice could be communicated to applicants to ensure that Legal Professional Privilege is not waived unintentionally.
- (j) The results of the Horizon assurance work (over which Legal Professional Privilege is also being claimed) due to be delivered, at least in summary form for the April Board meeting, would need to form a

part of any communication to applicants setting out the legal position. The handling and sequencing of what would be a public message will be crucial and would need to take account of the position of key stakeholders, in particular Tony Hooper, James Arbuthnot and other MPs.

- (k) Further consideration should be given to the appropriateness of Post Office making 'ex gratia' payments as it receives public funding, and such payments should, in any event be nominal and made in accordance with very specific criteria.
- (l) There is also a general expectation by the Working Group and applicants that the majority of cases will go to mediation, and Post Office acknowledges that many applicants will want the opportunity to be able to discuss their case face to face with Post Office.
- (m) The cost of all cases in the Scheme going to mediation would be in the region of £1m although the Scheme feels set in the direction of mediating the cases and any change to this balance the financial cost and the reputational costs.
- (n) Post Office does not anticipate mediating on Post Office on cases which have gone through the either the Criminal or Civil courts – this accounts for approximately a third of the caseload. Criminal cases are being investigated by both Post Office and Second Sight. Tony Hooper has made clear that any case judgements needed to be treated very seriously.
- (o) The Scheme was established as an attempt to resolve at least some of the dissatisfaction of SPMRs and stakeholders. However the differing expectations between Post Office, applicants and stakeholders, create a real risk that, unless action is taken, and despite the time and cost invested in the Scheme, that many applicants will remain dissatisfied at the end of the process.
- (p) In considering the future role of Second Sight, consideration should be given to what support might be provided to Second Sight to address concerns about lack of capacity and capability as part of any assessment of how the Scheme might proceed in a way that remains consistent with Ministerial statements about their on-going involvement in the Scheme.
- (q) Whilst getting some cases through the Scheme early might help to manage the expectations gap, Post Office must avoid setting any precedent in doing so and, until a decision is made about the future of the Scheme, should avoid any actions which might close off options in the longer term.

In terms of present position with the Scheme, and key timescales, the Committee noted:

- (r) Post Office has passed around 20 cases to Second Sight for review. Second Sight have produced three case reviews which have all been rejected by the Working Group as not sufficient for mediation. Second Sight have also produced an early draft of their thematic report which Tony Hooper had dismissed as a very early draft which was not ready for Working Group discussion.
- (s) The Working Group has tasked Post Office and Second Sight to focus on the preparation of 2 – 3 cases, which do not raise thematic issues, for discussion at the next face to face Working Group on 1 May with a view to deciding whether those cases should progress to mediation. If one or more of those cases are approved for mediation a date for the mediation would be set within four weeks and, potentially, the first case(s) mediated within about ten weeks from now.

PS 14/4

UPDATE ON HORIZON ON-LINE HNG-X (“HORIZON”) ASSURANCE WORK

- (a) An update on the Horizon Assurance work, being carried out (subject to Legal Professional Privilege) by Deloitte, was considered by the Committee.
- (b) It was noted that Part 1 consisted of a largely desk-based exercise to assess the control framework within which Horizon operates. As part of its business as usual activity Post Office and Fujitsu undertake a range of assessments and audits of Horizon’s operating environment. Deloitte will review those assessments and audits and provide an assessment of the assurance landscape and identify any gaps. The assessment will not consider the integrity of the Horizon processing environment at implementation. That would form Part 2 of the work.
- (c) Although no system could be absolutely “bullet proof”, no issues had yet been identified through the cases being investigated or any other route that has called into question the integrity of Horizon. Nor have any wide-spread systemic faults been identified since Horizon on-line was implemented. These two points, along with the Part 1 work (depending on the results) should be sufficient to assure Post Office that Horizon is fit for purpose.
- (d) Part 2 was not an essential piece of work at this stage, but would look at the adequacy of Horizon at implementation, user

acceptance testing etc. to determine whether the system was set up correctly. This would be a larger and more costly exercise and should not be undertaken unless deemed necessary based on the results of part 1.

Reference	Action
01/01	A paper to be produced on all of Jo Swinson's public comments on the Scheme including correspondence, PQs and other public engagements – identifying, inter alia, any references to the mediation Scheme or timelines. Mark Davies to work with BIS and programme team to produce
02/01	A paper to be produced on the role of Second Sight and options to support them or reduce their role. This paper should include likely Stakeholder views. Programme team to produce
03/01	<p>Paper to be produced setting out approaches to disseminating the Horizon report from Deloitte and the essence of the legal opinion from Linklaters to advisors, applicants and MPs including action planning and comms and stakeholder engagement required. ACTION programme team</p> <p>NB approaches might for example include asking TH to commission legal advice on the liability in light of the expectation gap.</p>
04/01	Paper to be produced on the POL position on making “token payments” to Scheme applicants taking account of the use of taxpayers’ money – drawing on the BD draft settlement policy and having regard to the Linklaters advice re POL liability. Action Programme Team
05/01	Paper to be produced on key variables to modify the Scheme – including financial analysis and assessment of alignment with Ministerial commitments and a recommended way forward. Action Programme Team
06/01	A timeline of key actions and decision points to be produced from today through to summer recess Programme Team to produce with input from all.
07/01	Sub Committee to next meet on the day of the full board – this meeting will need to be longer suggest at least two hours. Action COSEC
08/01	CIO to attend the April full Board to present the findings of Part one of the Deloitte work
09/01	CIO to attend the April sub-committee of the Board to provide a detailed update on the Deloitte work in particular Part two and whether it is required and how long it will take.
10/01	Try to accelerate cases that are not thematic and might be useful to show the Minister Action AVDB
11/01	Table to be produced setting out to the extent practicable and to the extent that the case permits demonstrating that Post Office is rebutting the concerns raised by Second Sight in relation to Horizon Action AVDB
12/01	Paper to the July Board mapping the lessons learnt from the Scheme are being taken forward in the BSP – ACTION AVDB

PS14/7

DATE OF NEXT MEETING

- (a) The next meeting of the Committee to be held after the Board on 30 April 2014.

PS 14/8

CLOSE

There being no further business, the meeting closed.