

# GLO Post Settlement Programme

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Meeting date: 15 January 2020

## Executive Summary

### Context

On 22 November 2019 the Court of Appeal refused Post Office permission to appeal the March 2019 Common Issues judgment. After commencing mediation on 27 November 2019, the parties settled the Post Office Group Litigation on 10 December 2019.

On 16 December 2019, Mr Justice Fraser “handed down” and made public the judgment on the Horizon Issues Trial. On the same day he also signed a Consent Order formally recording the conclusion of the Group Litigation.

Although the litigation has been settled, there remain a number of actions and workstreams which Post Office must complete in order to satisfy the terms of settlement and manage the impact of the courts’ judgments on Post Office’s operations. The length of this report and its appendices reflects the volume of work required.

### Questions addressed in this report

1. What are the post-settlement workstreams which Post Office must undertake following the conclusions of the Group Litigation?
2. What is the budget for these actions and workstreams?
3. What are the next steps?

### Conclusion

1. There are five workstreams which arise following the conclusions of the Group Litigation. It is proposed that each workstream be run independently but report into the Board Sub-committee and Steering Committee governance structures already in place for the Group Litigation.
2. **[[PLACEHOLDER]]**
3. The next steps for each workstream are summarised at the end of this report.

### Input Sought

The GE is asked to APPROVE the approach to managing the GLO post settlement workstreams set out in this report.

### Input Received

This report has been prepared with assistance from external legal

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advisors.

The GE is also asked to NOTE the current low impact on Support teams and processes following the handing down of the Horizon Issues Trial Judgment in December 2019.

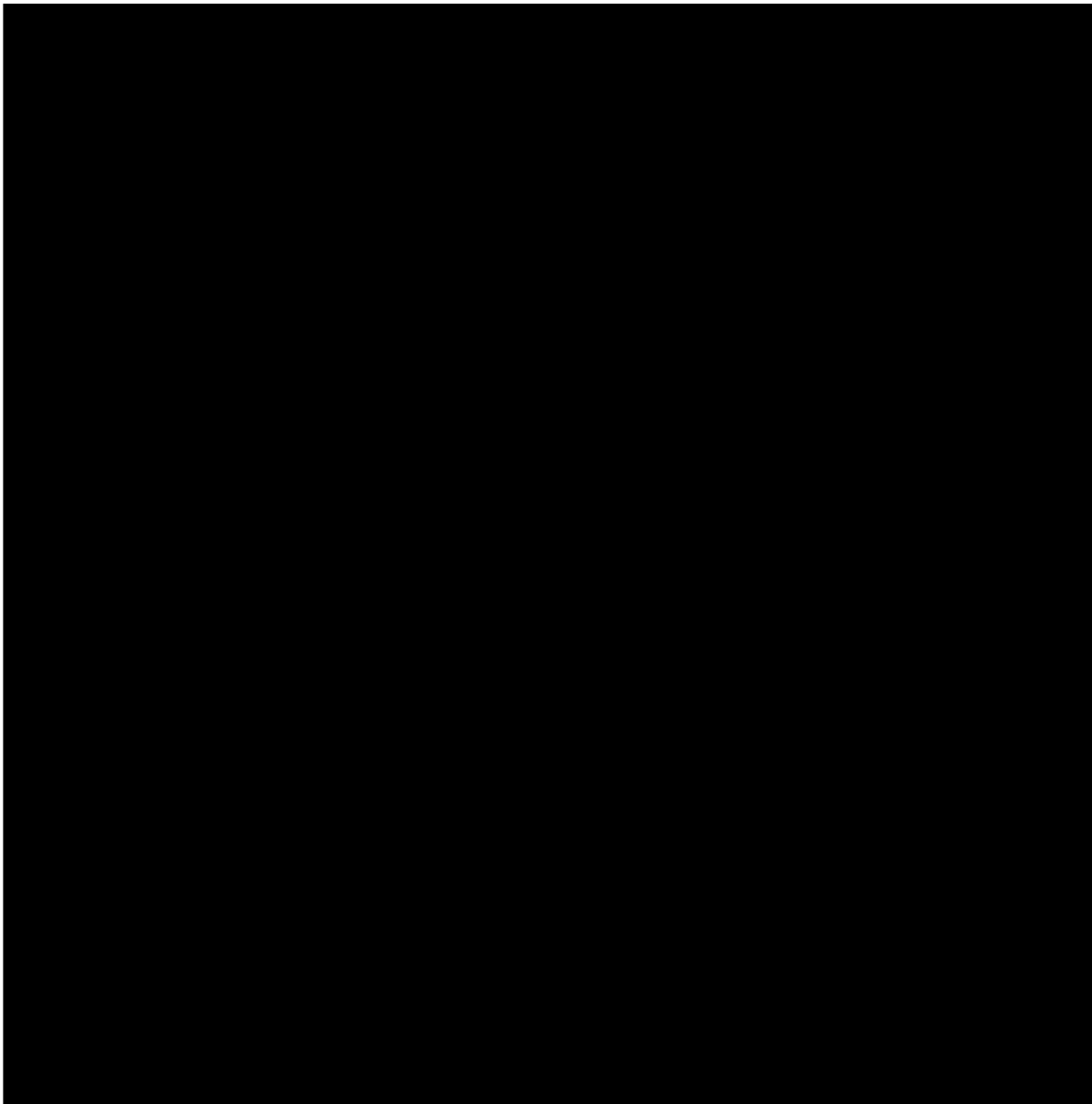
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## Post-Settlement Workstreams

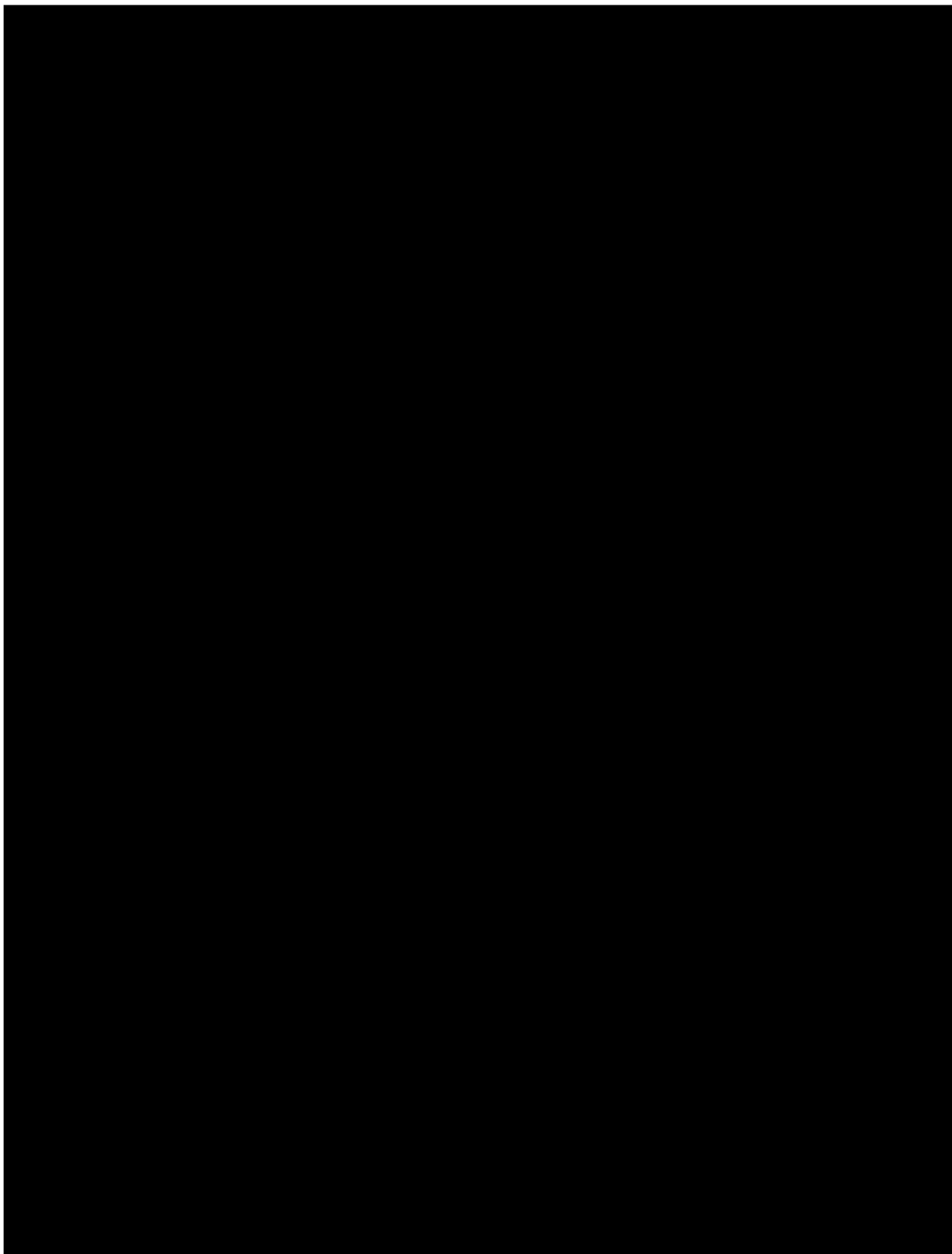
There are five workstreams which arise following the conclusion of the Group Litigation: Convicted Claimants; Historic Shortfall Claims; Common Issues /Ops Modernisation; [REDACTED] and Settlement Deed Compliance.

The proposed structure and resource for managing this programme of work is set out in **Appendix 1**, with progress overseen and directed through the existing monthly Board Sub-committee and fortnightly Steering Committee meetings established for the GLO, with additional Shareholder reporting as required. The Communications team will be engaged in each workstream.

The key elements of each workstream are discussed below. A timeline of the key milestones to the end of February 2020 is set out at **Appendix 2**, which will be updated as matters progress.



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*Common Issues /Ops Modernisation*

The effect of the Court of Appeal's decision to refuse Post Office permission to appeal the March 2019 Common Issues judgment decision is that the judgment's findings now govern Post Office's relationship with postmasters who have contracted under the standard "SPMC" contract used prior to Network Transformation, or the "NTC" contracts used following Network Transformation.

It is recommended that two steps are taken as a consequence:

1. Restatement: a communication is sent to all current postmasters stating the contractual position following the GLO judgments. This would not be a variation of the contract, but an incorporation of the GLO findings into the express terms of the existing contracts so that the contractual position is

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<sup>4</sup> For example, some GLO claimants, and applicants to the first mediation scheme, submitted claims for millions of pounds which included sums which could not be connected to Post Office, e.g. for costs associated with their children's schooling.

<sup>5</sup> <http://www.wandsworthmediation.co.uk/>

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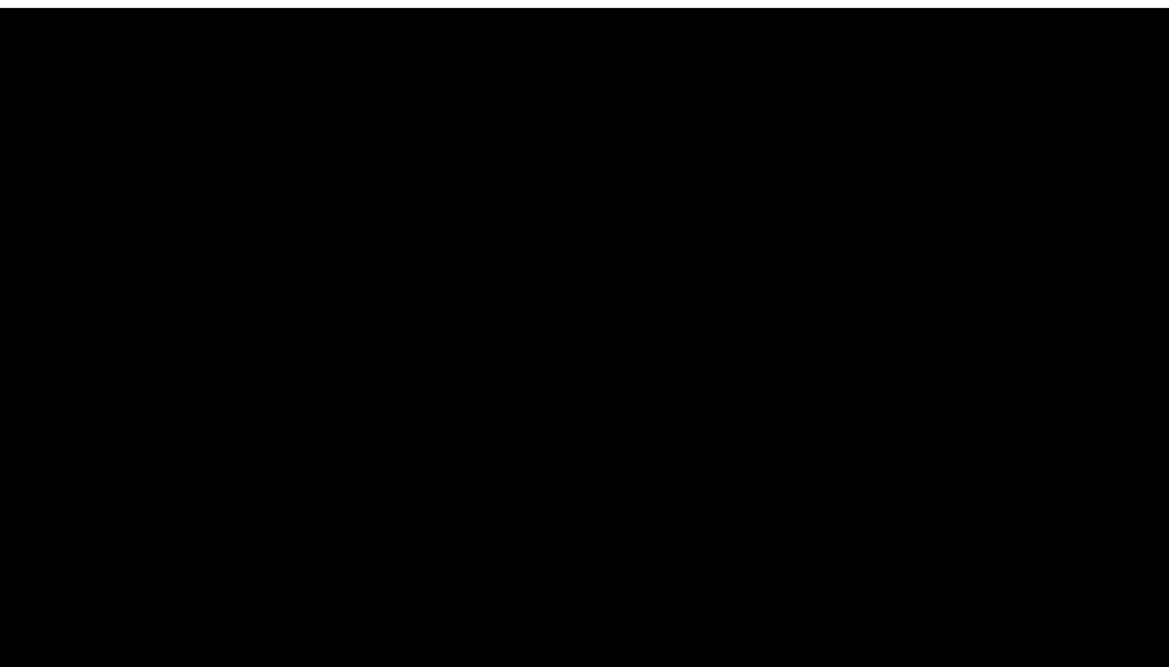
contained in one document (rather than in the contract and a separate 300-odd page legal judgment as currently).

This exercise would also require postmasters who entered into the old SPMC contract before c.2006 physically to sign and return their contract to ensure it is binding, to address a finding that a postmaster may not have been bound to all of its terms when they were on-boarded under a historic practice which did not require the postmaster to sign the actual contract.<sup>6</sup>

Post Office is required to give a minimum of 3 months' notice of changes and the logistics of ensuring the SPMC contracts are signed and returned may take substantially longer. It is estimated that this minimum contractual change would therefore take several months to design, implement and complete. A communications pack is being drafted for this purpose, to be received for review later this month.

2. Reform: a team should be established for the wider commercial reform of the postmaster contracts, identifying the overarching objectives of a contract reform programme (options for which are set out in **Appendix 6**).

Julie Thomas's team has prepared a GLO/Operational Implementation Update, which provides an update on how performance measures for support processes are tracking following the conclusion of Mediation and 'handing down' of the Horizon Issues Trial Judgment (HITJ) in December 2019 (see **Appendix 7**). The GE is asked to note the current low impact on Support teams and processes following the handing down of the Horizon Issues Trial Judgment in December 2019.



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<sup>6</sup> We are seeking to verify how many of the c.3,000 postmasters still on the SPMC this potentially affects.

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### *Settlement Deed Compliance*

The Settlement Deed requires Post Office to take a number of actions in addition to those discussed above concerning Convicted Claimants and the Historic Shortfall Group Scheme. These include meeting with 3 members of the claimant group on a quarterly basis over the next 12 months to share and obtain feedback on Post Office's plans for improving its relationships with postmasters and customers, and using reasonable endeavours to resolve any outstanding issues with claimants who are still serving as postmasters or have been suspended as swiftly as possible following the identification of those issues by the claimants and/or their solicitors.

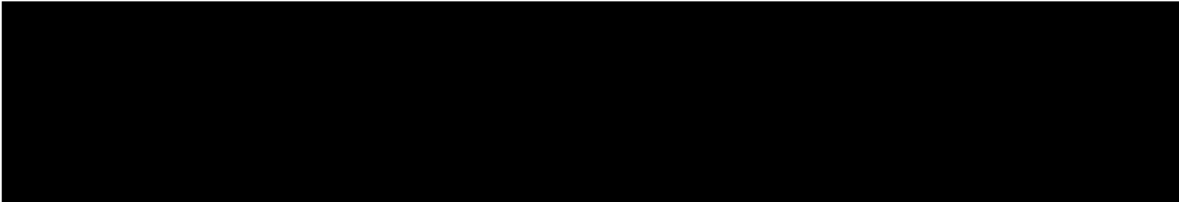
Each of these actions has been logged and is being tracked to completion. The latest version of this tracker will be available in the Reading Room.


### Budget

**[[PLACEHOLDER** – to be completed by Mark Underwood following 09.01.20 Budget Meeting]]

### Next Steps

The key next steps for each post-settlement workstream are:

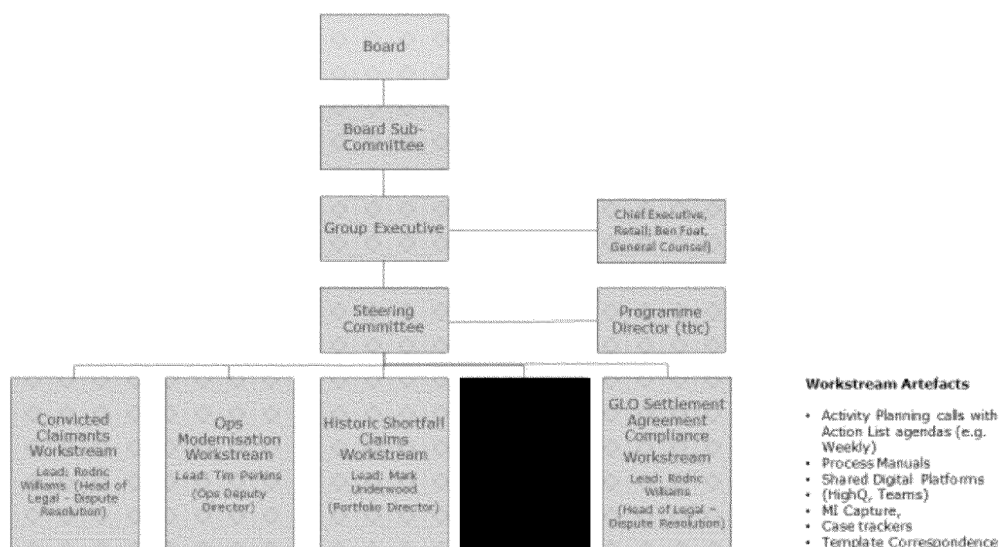
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- **Common Issues /Ops Modernisation:** send to the network updated contract terms reflecting the Common Issues judgment; establish a programme team for the wider commercial reform of the postmaster contracts.

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- **Settlement Deed Compliance:** continue to progress the required actions to conclusion, liaising with the claimants' solicitors as appropriate.

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# Appendices

## 1. GLO Post Settlement Programme Governance



### Oversight

Board Sub-committee monthly meeting to remain in place (supplemented by weekly action list update), together with fortnightly Steerco meetings and ad hoc reporting to Shareholder.

- **GE Network Sponsor**, CEO Retail (incl. Ops)
- **GE Legal Sponsor**, Ben Foat, General Counsel
- **Shareholder reporting**, Patrick Bourke, Government Affairs and Communications Director

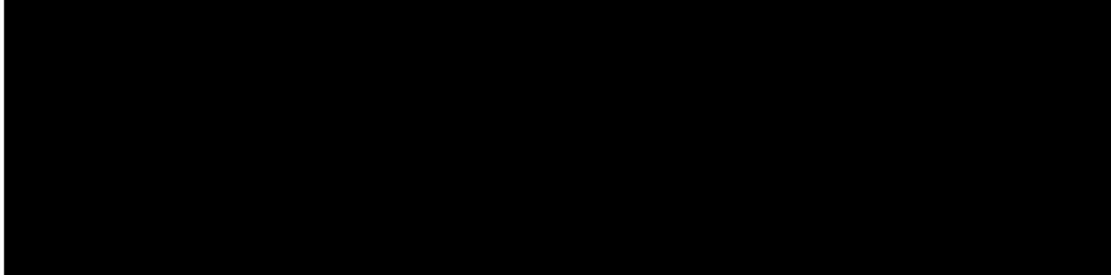
### Workstream Resource:

- **Programme Director:** External programme director (tbc)
- **Convicted Claimants:**
  - Lead: Rodric Williams, Head of Legal (Dispute Resolution)
  - Litigation Support: Mark Underwood
  - External Legal: Brian Altman QC (leading Counsel), Emma King (junior counsel), Peters & Peters (criminal law solicitors), Cartwright King (criminal law solicitors - corporate memory, documentation only), Herbert Smith Freehills (programme support)
  - Comms: Patrick Bourke / Mel Corfield
- **Historic Shortfall Claims:**
  - Lead: Mark Underwood
  - Operations: Tim Perkins,
  - Litigation Support: Angela van den Bogerd
  - Internal Legal: Rodric Williams, Head of Legal (Dispute Resolution)
  - External Legal: Herbert Smith Freehills
  - Comms: Patrick Bourke / Mel Corfield
- **CI / Ops Modernisation:**



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- Operational/BAU Lead: Julie Thomas
- Network/Contract Lead: Amanda Jones, Tracey Marshall
- Internal Legal: Zoe Brauer, Head of Legal (Retail)
- External Legal: [firm tbc]; Womble Bond Dickinson (corporate memory)
- Comms: Patrick Bourke / Mel Corfield



- **Settlement Deed Compliance:**
  - Internal Legal Lead: Rodric Williams, Head of Legal (Dispute Resolution)
  - Litigation Support: Mark Underwood
  - External Legal: Herbert Smith Freehills
  - Comms: Patrick Bourke / Mel Corfield

**Budget**

- **[[PLACEHOLDER – to be completed by Mark Underwood following 09.01.20 Budget Meeting]]**

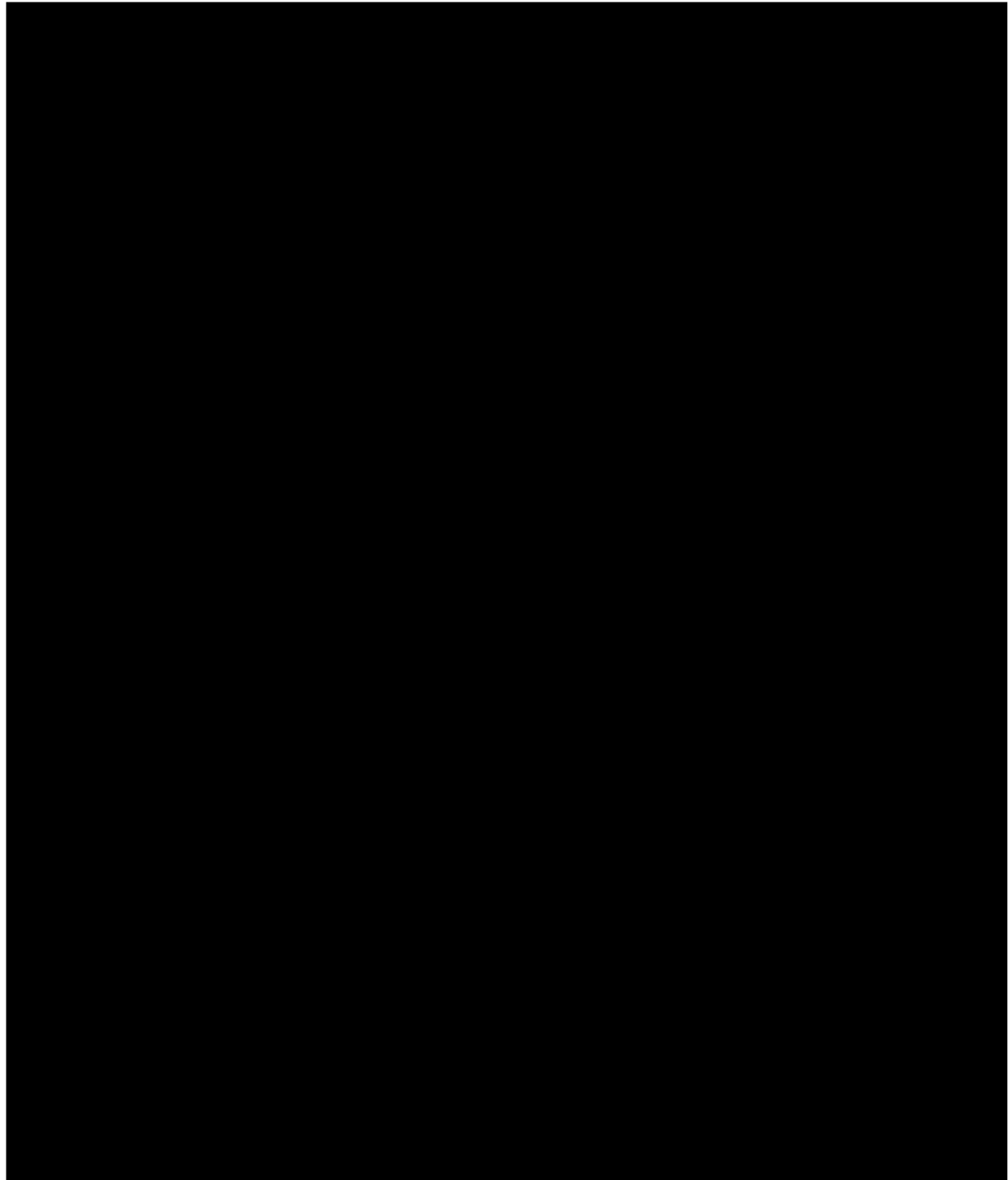
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## 2. Key Milestones to End February 2020

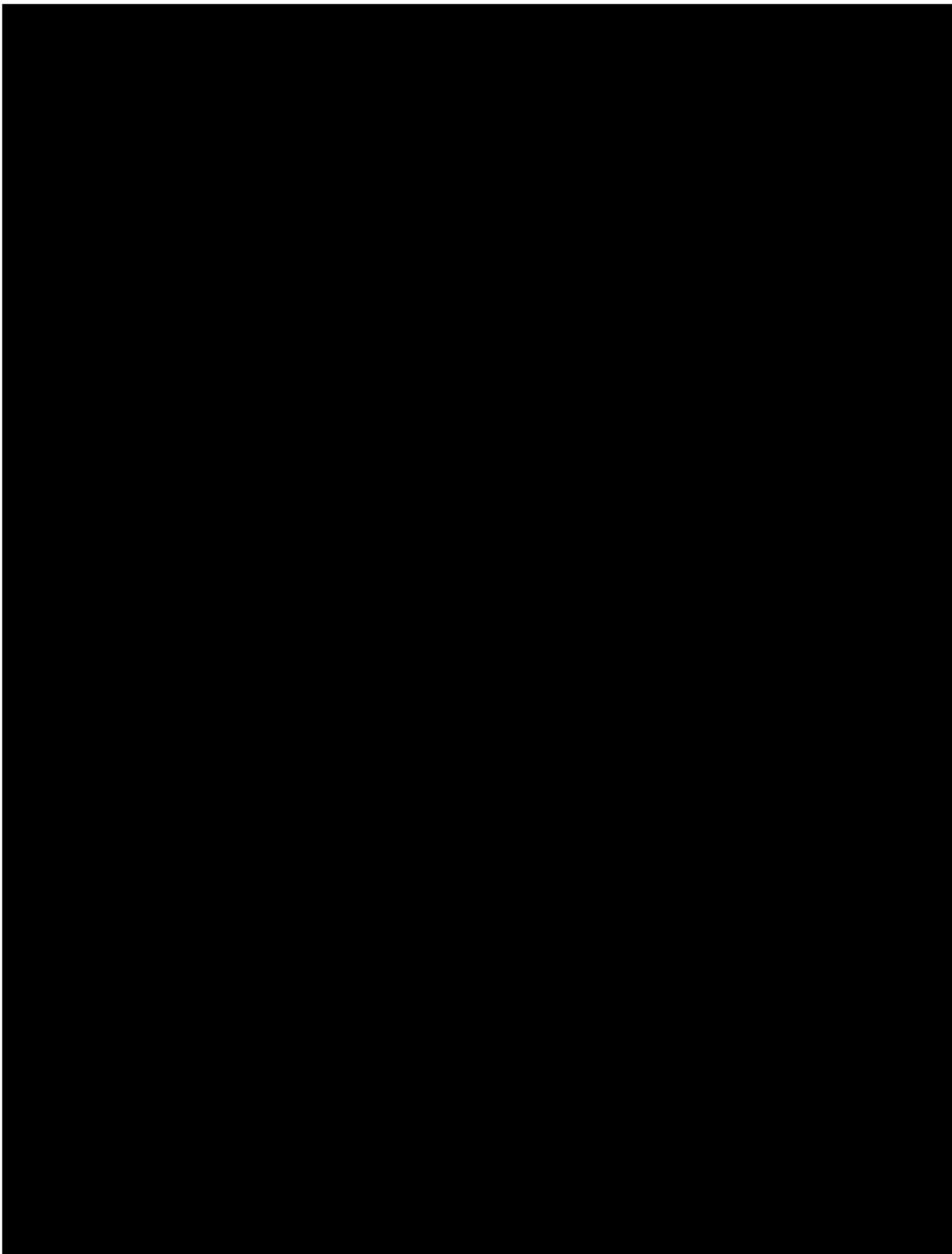
<u>No.</u>	<u>Date</u>	<u>Milestone</u>
1.	08.01.20	CC: Con with Brian Altman QC to scope agree approach to criminal cases review and engagement with CCRC
2.	09.01.20	CC: Assessment of POL hard copy prosecution files held in Chesterfield
3.	09.01.20	HSC: workshop on scheme outline, criteria and key decisions
4.	09.01.20	Ops: Contract Reform Options workshop
5.	w/c 13.01.20	CC: On-board Peters & Peters (criminal law solicitors)
6.	15.01.20	HSC: Draft comms pack to be received for POL review
7.	15.01.20	<b>Group Executive Meeting</b>
8.	16.01.20	<b>Steering Committee Meeting</b>
9.	Mid Jan. 20	HSC: Resources to be assigned as per scheme flowcharts
10.	Mid Jan. 20	Ops: Establish programme team for the wider commercial contract/postmaster relationship reform
11.	Mid Jan. 20	Ops: Post-Common Issues contract conformance and network communications pack to be received for POL review
12.	22.01.20	<b>Post Office Board Subcommittee Meeting</b>
13.	28.01.20	<b>Post Office Board Meeting</b>
14.	Late Jan. 20	
15.	30.01.20	<b>Steering Committee Meeting</b>
16.	31.01.20	SDC/HSC: “cost effective and accessible mediation scheme” (part of HSG scheme) to be approved by GLO mediators
17.	End Jan. 20	CC [REDACTED]: Fraser J referral of FJ witnesses to the DPP
18.	End Jan. 20	CC: Meeting with CCRC (date tbc)
19.	End Jan. 20	CC: Prosecution materials uploaded to digital platform
20.	03.02.20	HSC: Proposed go-live date for HSG Scheme [subject to approval]
21.	Early Feb. 20	CC: Finalise case review scope (following meeting with CCRC)
22.	13.02.20	<b>Steering Committee Meeting</b>
23.	19.02.20	<b>Group Executive Meeting</b>
24.	[ ] .02.20	<b>Post Office Board Subcommittee Meeting (date tbc)</b>
25.	[ ] .02.20	<b>Post Office Board Meeting (date tbc)</b>
26.	27.02.20	<b>Steering Committee Meeting</b>

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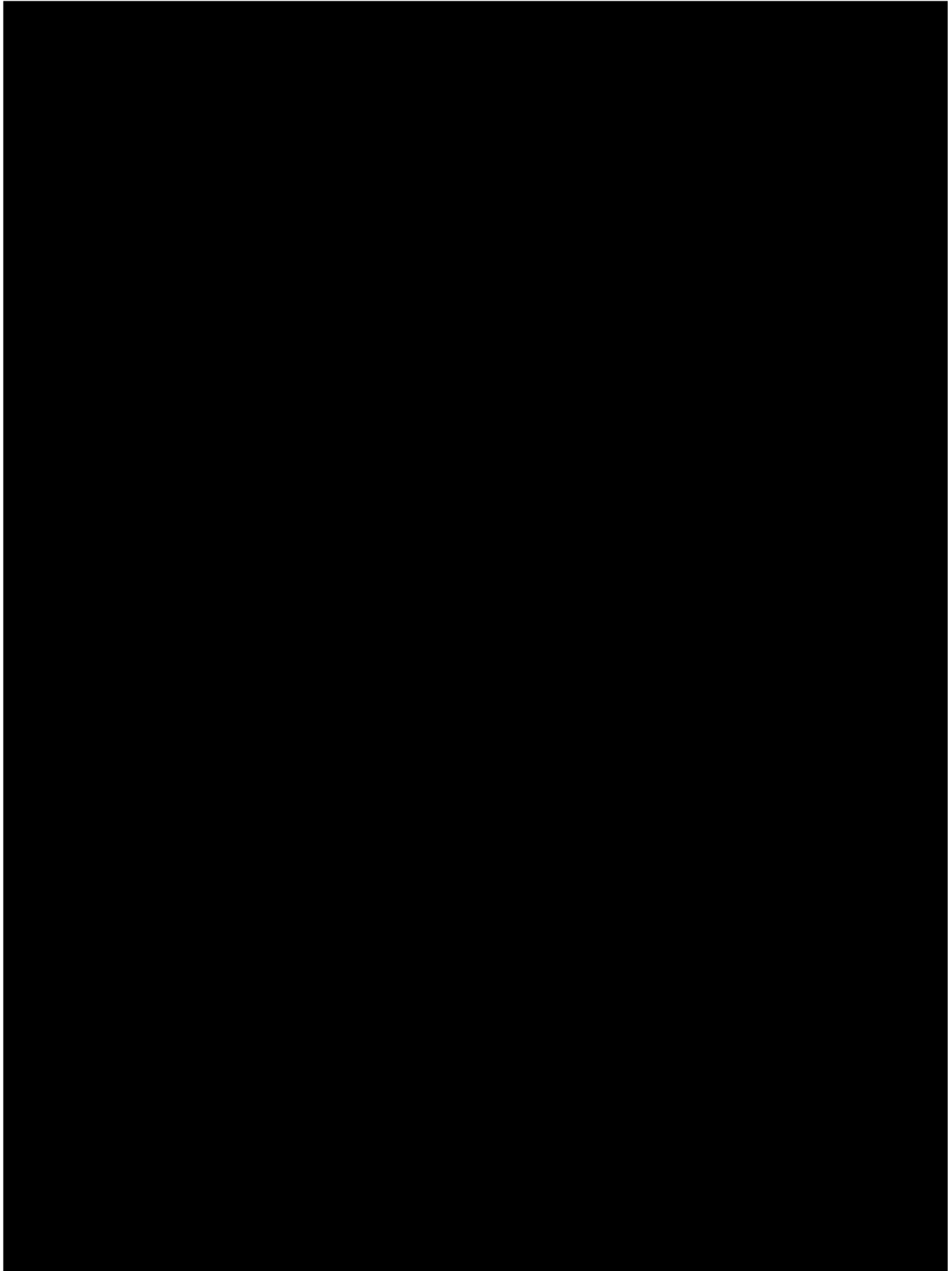
**Key:** CC = Convicted Claimants Workstream  
HSC = Historic Shortfall Claims Workstream  
Ops = Common Issues /Ops Modernisation Workstream  
[REDACTED]  
SDC = Settlement Deed Compliance Workstream



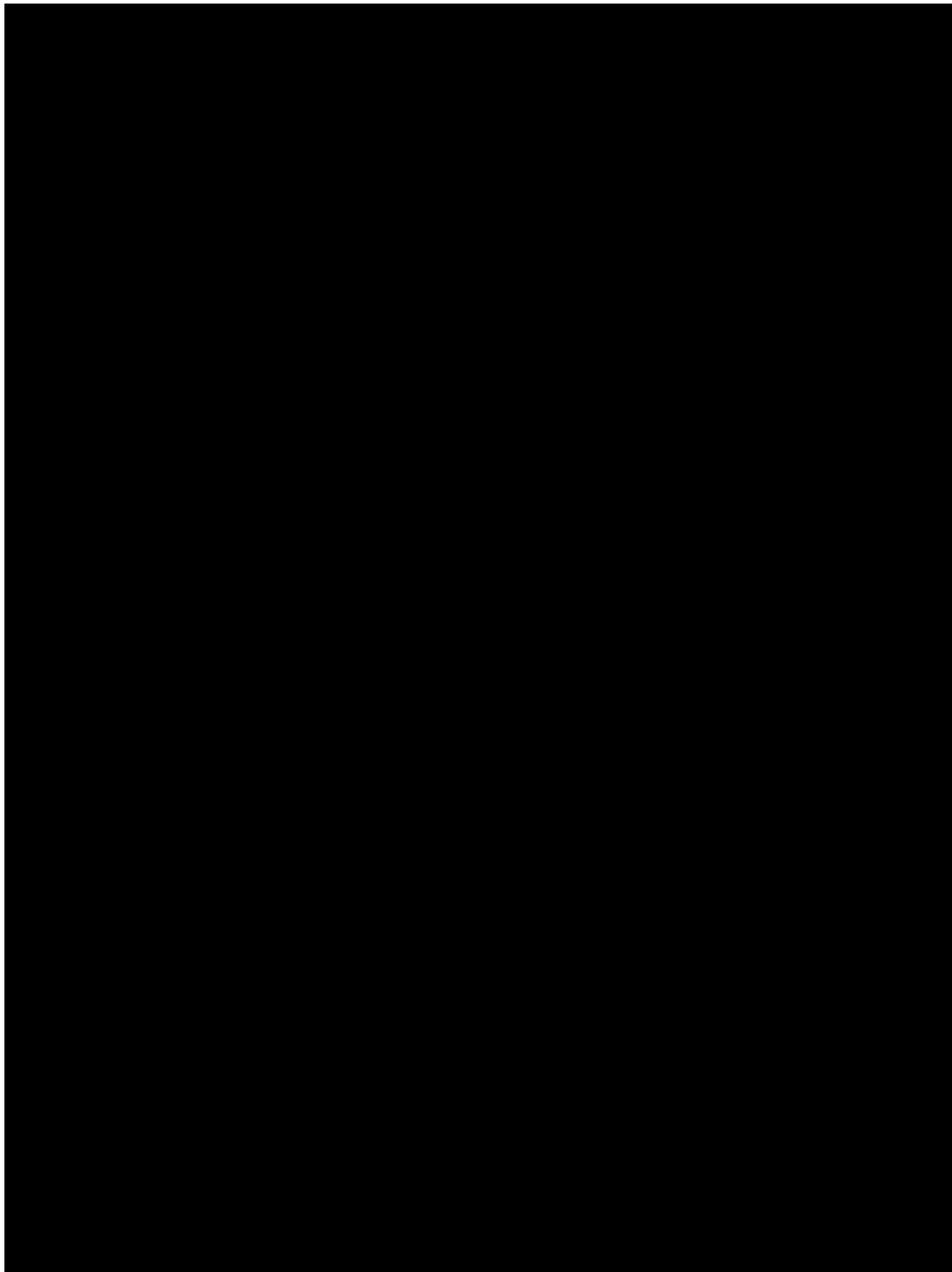
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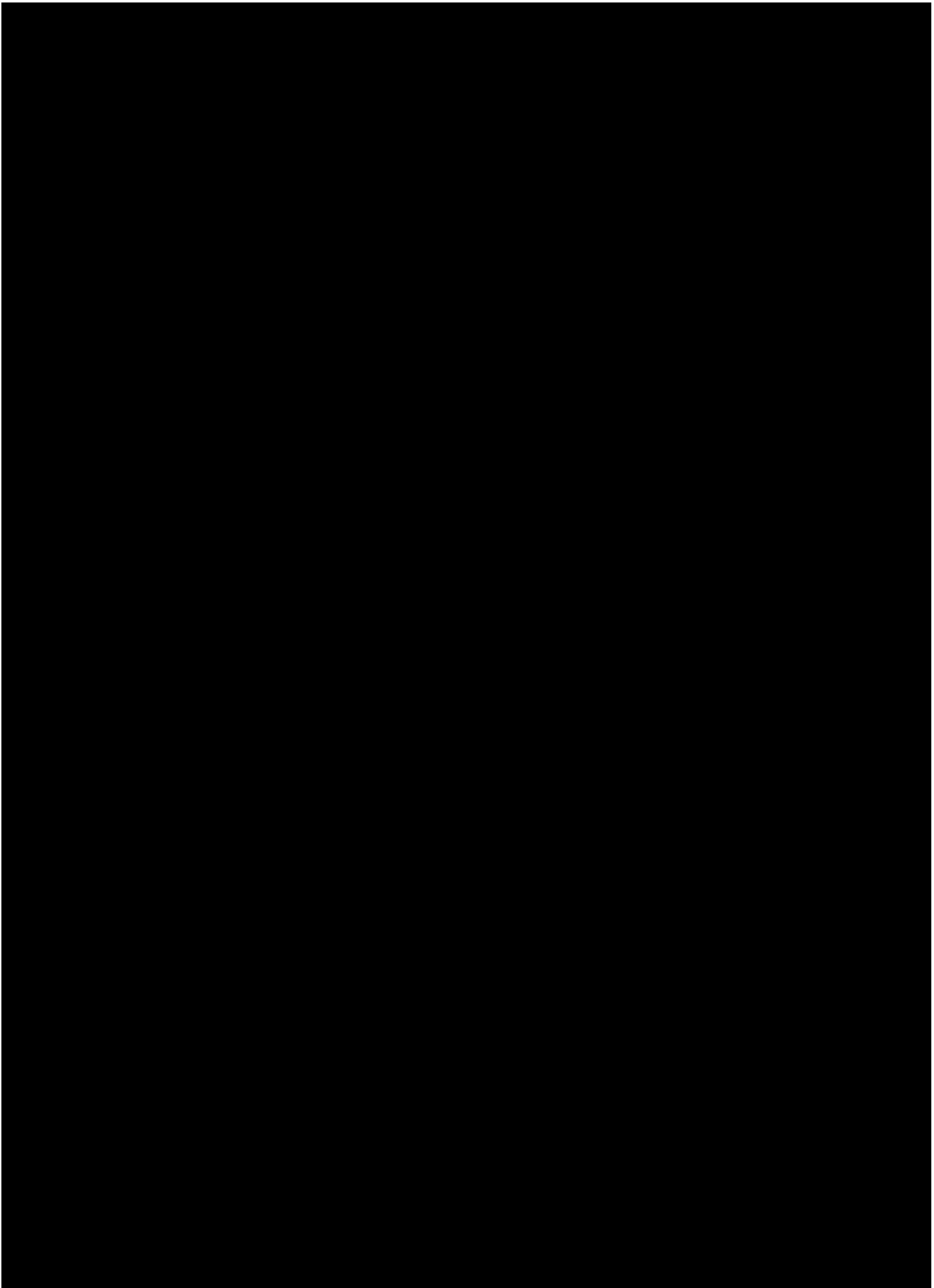


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## 6. Objective of the Contract Reform Programme

A range of possible objectives for a Contract Reform Programme are set out below. These range from the doing the minimum necessary to operationalise the Common Issues Judgment (CIJ), through to completely changing the nature of the relationship between Post Office and its SPMs and including changes which are unrelated to the CIJ.

The implications in terms of scope, implementation options, timing and resourcing will differ for each option. Options 1-7 are set out (very broadly) in order of increasing complexity (and therefore time and cost), but the full implications will need to be worked through in detail once the objective has been clarified.

No.	Objective	Description
1.	<b>Operationalise</b>	Keep the current contracts but make operational changes to bring Post Office's practices in line with the CIJ. This work is already underway.
2.	<b>Regularise</b>	In addition to 1, carry across the CIJ findings into the existing SPM contracts and rollout those changes to the entire network. Retain the same core agency relationship model and range of contracts.
3.	<b>Mitigate</b>	Carry across the CIJ findings into the contracts in a modified form that is more commercially workable for Post Office. Retain the same core agency relationship model and range of contracts.
4.	<b>Simplify</b>	In addition to 3, rationalise the current 60+ contracts into a handful of models that are easier to manage. Retain the same core agency relationship model and existing standard terms in all areas other than those affected by the CIJ
5.	<b>Update</b>	In addition to 4, re-draft all the provisions in the SPM contract to bring them up to date with best practice. Retain the same core agency relationship model
6.	<b>Evolve</b>	Retain the core concept of an agency relationship, where Post Office is contracting with customers via SPMs as agents, but overhaul the commercial balance between the parties (eg. PO bears all shortfalls but remuneration is reduced accordingly).
7.	<b>Transform</b>	Move away from the agency relationship to something else eg. a franchise or directly managed model. A full transformation could take a significant amount of time to implement so changes may need to be made to new contracts the interim to reflect the CIJ whilst the transformation option is being scoped out.

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## 7. GLO/Operational Implementation Update

### Questions asked & addressed

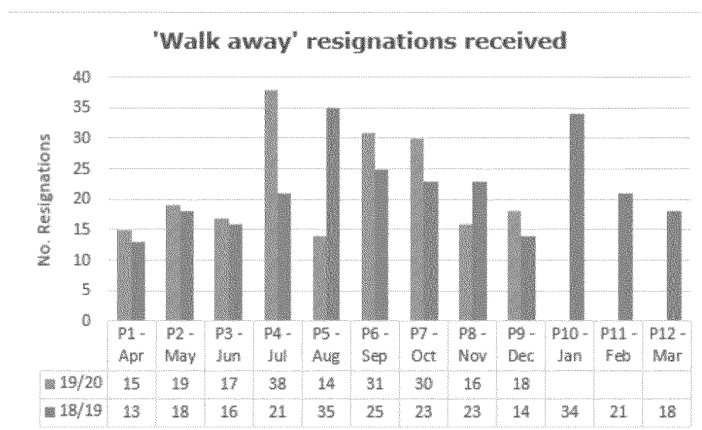
Has Postmaster reaction to the Mediation settlement and Horizon Issues Trial Judgment (HITJ) significantly impacted support processes?

The support process changes made post Common Issues Trial Judgment (CITJ) in March 2019 are largely operationalised and did not experience a surge in demand in December 2019 (Period 9 - P9) following HITJ. The Historic Claims process currently under development led by Legal may cause an impact to Operations resource and a Case Review team has been established in the short term to triage and investigate claims.

### Report

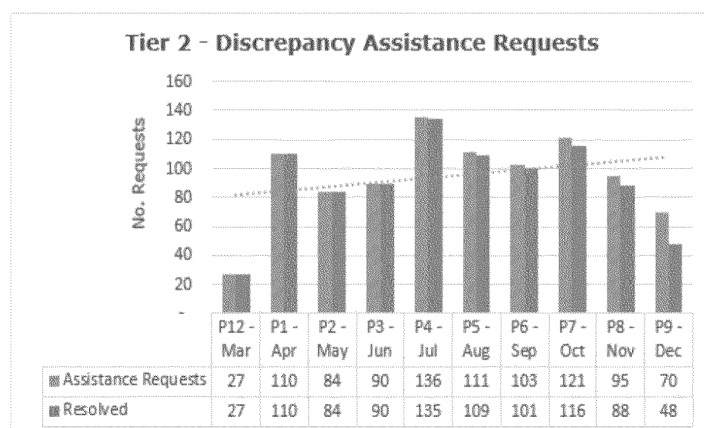
**1. Daily monitoring of branches** logging on to Horizon established in August 2019 built a baseline for understanding any unusual closure activity following the HITJ. Levels remained normal following Mediation and throughout December.

**2. High risk resignations** where Postmasters 'walk away' are at 198 YTD (average 22 per month compared to 188 (average 21 per month) for the same timeframe in 2018/19. With the given reasons and cross-referencing to Historic Claims, there is no evidence to suggest any resignations in December are as a result of HITJ. See Chart 1 below.



**Chart 1 – Postmaster 'walk away' resignations**

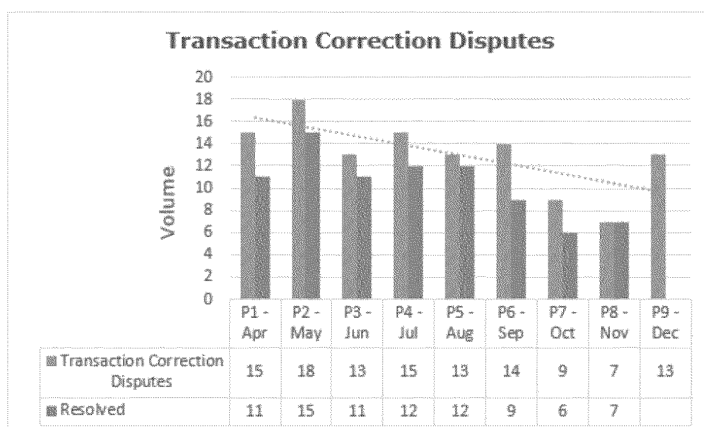
**3. Tier 2 support for branch balancing discrepancies** established in March 2019 has received 947 requests for assistance. The team have so far resolved 908 - £1.4m of £1.8m cases. There was no increase in requests following HITJ. See Chart 2 below.



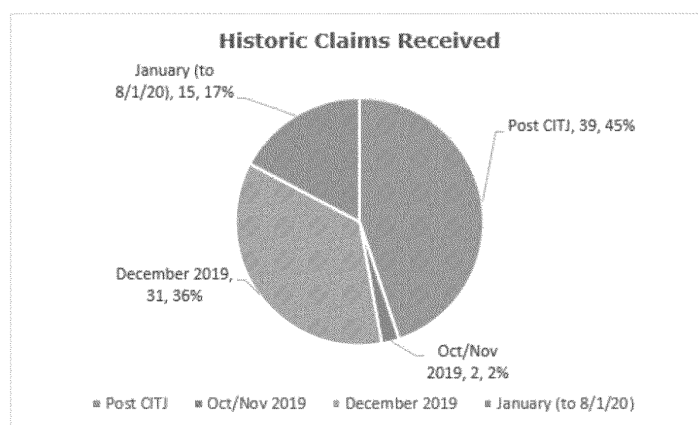
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**Chart 2 – Tier 2 support for branch balancing discrepancies**

**4. Transaction Corrections disputes process** established in April 2019 receives an average of 14 claims per month. There was no surge in disputes in December. See Chart 3 below. Unresolved disputes are escalated to a Tier 3 case review team or into the Historic Claims process.

**Chart 3 – Transaction Correction disputes received**

**5.** An interim process for Postmasters to make Historic Claims was established following CITJ whilst awaiting development and cascade of the formal process following Mediation. At 8th January 2020 there were 48 formal claims from 17 current and 31 former Postmasters. 7 claims (15%) relate to the current version of Horizon. See Chart 4 below. A further 38 notifications have been registered giving the intent to formalise a claim.

**Chart 4 – number of Historic Claims received since CITJ in March 2019**

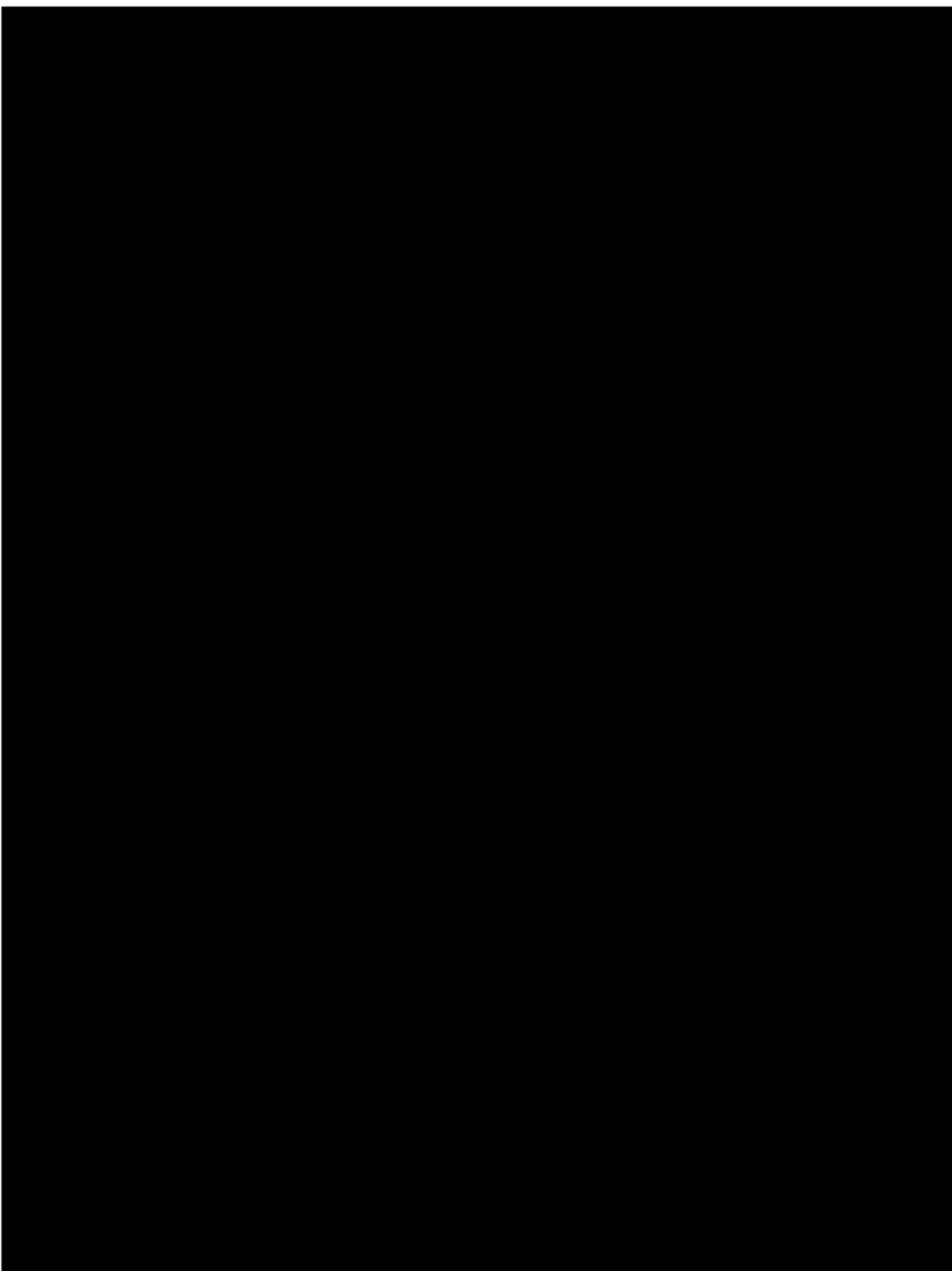
#### Next Steps & Timelines

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Continuing our work on improving culture and behaviours across branch support teams to drive consistency and continuous improvement of Postmaster experience.

We will update GE and Board if the level of Historic Claims or loss disputes escalate, impacting support processes or costs.

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