

Witness Name: John Lloyd
Statement No: WITN0343100
Dated: 16 October 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF JOHN LLOYD

I, *JOHN LLOYD*, of an address known to Kingsley Napley LLP, will say as follows:

Background

My professional background 1970-1998

1. I graduated from Cambridge in 1970 with a 2:1 honours degree in History.
2. During my working career, I have been appointed to two academic posts while mainly working as a trade union official. While at Warwick University in the early 1970s, I was part-author in 1972 of 'Industrial Relations and the limits of Law'. I wrote a published history of the electricians' union, entitled 'Light and Liberty', for which the University of Cambridge awarded me a PhD in 1995, by which time I was a lecturer in Human Resource Management and Industrial Relations at Cranfield Business School.
3. I was also the Ward Perkins visiting fellow at Pembroke College, Oxford in 1992, a visiting fellow at Cranfield School of Management from 1992-1993 and again from 1997-2004, and a visiting fellow at Henley College of Management from 2004-2007.
4. The centrepiece of my career was my different trade union work, which I set out in detail at **WITN0343101**. In summary:
 - (a) From 1970-1972, I was the Assistant Research Officer at the National Union of Seamen (NUS).
 - (b) From 1972-1974, I was a Research Associate at the SSRC Industrial Relations Research Unit at Warwick University.
 - (c) From 1974-1993, I worked for the Electrical Electronic, Telecommunication and Plumbing Union ("**EETPU**"), later known as the Amalgamated Engineering and Electrical Union ("**AEEU**"). During those 19 years at the EETPU/AEEU, I became a trade union manager of different functions and

resources. As a Research Officer, I wrote the EETPU's 1975 evidence to the Bullock Committee of Inquiry into Industrial Democracy, giving me a lifelong interest in employee involvement. While the National Officer for Education, I ran two residential trade union training centres, including the first one to introduce practical vocational education alongside trade union studies. This was to lead to later involvement at Council level with the BTEC Council, London East TEC and London East LSC.

- (d) From 1993-1997, I was a Lecturer in Industrial Relations/Human Resource Management at Cranfield School of Management, Cranfield University and vice-chair of the trustees of Ruskin College Oxford .
- (e) From 1997-2004, I worked closely at the AEEU with the general secretary and others in the leadership of the union at a transformational time for unions, largely stimulated by the new government in 1997. In 1998, I was a member of the design and implementation team for the University for Industry and later sat on the Cabinet Office PIU inquiry into Workforce Development. Within the AEEU, I rose to a senior role in the union, National Secretary. My main focus was achieving new recognition agreements, developing the partnership agenda with employers, managing the union's interest in lifelong learning and designing the huge merger between the AEEU and Manufacturing, Science, Finance ("**MSF**"), to form Amicus, a trade union merger that came to fruition in 2001.
- (f) From 1997-2002, I wrote and helped deliver many of the AEEU/Amicus trade union recognition agreements in companies such Honda, Virgin Atlantic, Tibbet and Britten, Mastercare and Exide Batteries.

Post Office Limited ("POL")

Relationship with POL

- 5. Up until I was invited to join the Post Office Board as a non-executive director on 6 October 1998, I had no connection or relationship with POL at all, beyond being aware of the general union positions of the Communications Workers Union (the main trade union for the Royal Mail, but not the main union for Post Office Counters, which was the National Federation of Subpostmasters ("**NFSP**")). I never had anything to do with the NFSP throughout my career.

My role at POL 1999-2001

- 6. Apart from the general responsibilities associated with attendance at Post Office board meetings, each of the non-executive directors ("**NEDs**") brought complementary skills and experiences in working life that POL could draw upon. The three other NEDs appointed in 1998 were Mike Kinski, Rosemary Thorne and Miles Templeman.
- 7. Clearly, my contribution revolved round my experience of human resource management, industrial relations systems, institutions and governance along

with a fairly broad knowledge of the trade union world and what made its leaders, executive committees, conferences and politics tick.

8. POL at the time recognised the Communication Workers Union (“**CWU**”) for the overwhelming majority of its mail and parcels businesses, and I was able to comment at the Board and represent the views of the Board to the CWU from time to time, (speaking at their annual conference and giving a full page interview for their magazine), along with occasionally speaking to POL management training events at their Rugby training centre and elsewhere.

My 1999 experience in respect of major IT projects

9. I had then, or now, almost no experience of major IT projects.

Board Meeting 10th November 1998. Responding to questions arising out of RMG00000015

10. This Board meeting was my first meeting following my appointment on 6 October 1998. I was listening to wholly new information across a wide range of issues and therefore knew little, if anything, of the history of the Horizon project.
11. As it was my first meeting, and because I therefore knew very little of the Horizon project, I had no view at all about the quality or reliability of Horizon.
12. Therefore, as I had not formed a view, I was not in a position to action.

Board Meeting 8th December 1998. Responding to questions arising out of RMG00000012

13. The meeting’s concerns over the Horizon delays are summarised in minute PO98/127 paragraph (iv) in which the Chief Executive said, inter alia, “.....ICL, who to date had not responded how they intended to finance the programme. It was important that, in the event of Horizon being ceased, Counters could work with the Benefits Agency on an alternative automated solution. Counters could not afford to lose the BA income, at least in the short term.” In reading such minutes, it seems the main delay was caused by ICL/Fujitsu’s need to ensure their own financial viability to enable them to continue to supply the Horizon project to modernise and extend POCL’s range of financial services.
14. I had no clear understanding at only my second Board meeting of the relationship between the government and ICL in delivering Horizon, but I was well aware that the government’s overall vision for the Post Office involved the possibility of every Post Office becoming a one-stop shop for customers – particularly from poorer backgrounds – to carry out banking, interact with government in all sorts of ways and conduct postal business, as well as achieving a reduction in benefit fraud. Fraudulent or stolen benefit books and coupons were sometimes believed to be presented at post offices. All those ambitions required the modern electronic management system that Horizon appeared to be promising.

15. I was not made aware of the technical details of the software testing.
16. I was aware of POCL's concern about whether ICL could afford to continue to take forward the Horizon project, and whether the government would terminate the programme. Alongside this, there was the need for Horizon to work in order to ensure POCL's future role in handling the myriad of citizen/government interactions identified in Stuart Sweetman's "Vision and Strategic Direction for POCL (PO98/129)". I felt that I should support Mr Sweetman's vision and any eventual contribution by Horizon to that. The announcement made by Stephen Byers on 7 December 1998 confirmed the government's ambition to reform the Post Office in order to reflect the new state-owned corporation's market discipline and commercial freedom [WITN0343102].
17. I took no specific action in addressing these matters because – as the minutes record – matters were being dealt with by Stephen Byers and the government was seeking legal advice.

Response to the correspondence of May 1999 between the Post Office and Stephen Byers, contained in POL00028611

18. As recorded in Neville Bain's letter to Stephen Byers, I was the non-executive director who was absent from the Post Office Board meeting on the evening of 23 May 1999. I addressed the Communication Workers annual conference in Bournemouth that same day.
19. As far as I can remember, the government was trying to get ICL/Fujitsu to provide an Horizon system that worked at a reasonable cost to the government. But they also had to bear in mind the worries of the Post Office concerning the affordability of either/or the cancellation or developing a new technical system if Horizon failed at a time when the Post Office was about to launch as a publicly owned but independent commercial operation.
20. I never talked to the Prime Minister or anyone else at no 10 Downing St concerning anything to do with the Post Office and I did not know what his position was. I did later talk to people at 10 Downing Street throughout this period about other issues, but never about the Post Office.
21. I do not recall the detail of the Treasury Review of Horizon and although I was not at the meeting at which it was discussed, I accepted the outcomes outlined in John Roberts's letter of the 24 May 1999.
22. The circumstances were as laid out in the correspondence. I do not have any independent recollection.
23. I am not aware of any pressure brought to bear by the government in relation to the Heads of Agreement. The government had a legitimate interest in the Post Office's views because it was the Post Office's shareholder. The correspondence identifies the concern about the way in which the issue has been handled; however, I was not present at the meetings in the days before

23 May 1999, when the Board met to discuss the Heads of Agreement. I have no recollection of the handling of events beyond the correspondence.

24. I did not concentrate on the technical performance side of Horizon during these deliberations, which concerned the finances of Horizon.

25. In retrospect it is clear that the main focus of the Board was on the financial concerns of both Horizon's possible cancellation and how the government would ensure both the project's continuation and a firm protection of the Post Office's finances, whatever happened. The technical issues were not the main concern while those financial concerns were most immediate.

Board Meeting of 20 July 1999

26. I have been asked to comment on the Board Minutes of 20 July 1999 [POL00000352], which I refer to below at paragraph 40 onwards.

27. There had been a Board "Away day", the previous day, on 19 July 1999, which included a presentation to the Board titled "Implications of the Horizon Agreement" [WITN0343103]. Due to the passing of time, I cannot remember who delivered this presentation; it was most likely to have been David Miller because he delivered updates on Horizon to the Board.

28. I made handwritten notes on the presentation [WITN0343103]; however, I have looked at and reflected upon the slides and my handwritten notes and I cannot recall in every instance whether the notes that I made on the slide deck refer to the speaker's comments or my own personal reflections.

29. I believe the purpose of the presentation was for the Board to understand the impact of signing the Horizon contract. The agenda on page 1 of the slides covers the context, impacts of existing strategies (POCL and Post Office), proposed strategic responses and next steps.

30. Under the heading 'Proposed strategic responses' [WITN0343103 p.66] my notes record: "Technical criteria 25 pages – any 'severes' – 20 and 1 highly severe (training) – they will all be solved 18 August".

31. One of Board members appears to have asked if there were "any severes", which I believe refers to technical problems with Horizon. I have noted that there were 20 severe risks and 1 highly severe risk. I wrote that "they will all be solved [by] 18 August" which indicates that I was given assurance that these were manageable and would be dealt with quickly.

32. On the back of the document I have written:

- a. "Mike is wary – does it work? What about the finances of ICL/Fujitsu.
 - i. Software is 300 offices and then 5,500.
 - ii. Milestones properly supervised.

- b. (1) Don't let them off the VAT issue (...Byers letter)
 - (2) And what about the McCartney group getting it done!
 - (3) POL status (An under Sec, of State and not a minister of state. Policy unit- M Mowlem - Alan Johnson.
 - c. Training package reformed :-
 - Horizon – ICL own systems help-desk
 - What's wrong is it self-taught tutoring.
 - System contract or 19,000 post offices.
 - d. ICL post-sign off – they are repairing their help-line”.
33. My best recollection is that “Mike is wary” was a reference to Mike Kinski, who I greatly respected. Upon re-reading my notes, I believe it is most likely that Mike was leading the charge and asking challenging questions such as “does it work?”, “what about the logistics” and “are the milestones properly supervised?”. The notes appear to suggest that Mike was scrutinising aspects of the deal before the contract was due to be signed. The PO Board minutes of 20 July 1999 refer to “An action plan to progress these issues with milestones reporting to the Executive Board” **[POL00000352, p.44]** I would expect the action plan included the concerns raised by Mike; I would have certainly endorsed Mike’s proposals about milestones as would the rest of the Board.
34. I do not recall whether my note about “What is wrong is self-taught tutoring” refers to something highlighted by the speaker or me. Online education was starting to emerge and I was sceptical about solely relying on it. I do remember that the Board recognised the difficulty facing people running post offices in rural towns, who were unfamiliar with computer software and who would need “hand holding” in relation to the implementation of the project. I would have expected that one of the milestones would have related to this, and the 20 July 1999 Board meeting minutes go on to refer to adding 300 managers to hand hold staff **[POL00000352, p.45]**.
35. I cannot now recall whether the note on “system contract or 19,000 POs” was highlighted by the speaker or me. I am now not sure what that meant. It is most likely a reference to training, but I cannot remember the details and it could alternatively have referred to the importance of having a modernisation system contract covering every post office and not 19,000 separate contracts, one with each post office.
36. My handwritten notes refer to Ian McCartney, the Post Office Minister in the Department of Trade and Industry (“DTI”). He announced the setting up of a working group to study the problems around the Horizon Project on the 28 May 1999, a step warmly welcomed by the Communication Workers Union (“CWU”). I cannot remember anything coming of this or seeing a report or hearing complaints or plaudits about its work from anyone.

37. I noted comments about the "POL status" I cannot remember precisely what my note refers to. The political context at the time was that the government were going to effectively relaunch the Post Office as a state-owned corporation, with the DTI as its 'shareholder'.
38. The letter from Neville Bain to Stephen Byers on 23 May 1999 sets out that the POCL "was largely exempt from VAT" and that VAT payments to the ICL should not be paid by the PO. The last paragraph of Stephen Byers' letter demonstrates that he was aware of the problem and although the DTI could not make up VAT policy that might have "wider implications" elsewhere in government, he was supportive of Neville Bain's attitude to the issue.
39. The slides also indicate that we were informed of the financial impact of the Horizon Project [WITN0343103, p.65]. It was expected that it was going to be expensive and lead to a loss: the expensive implementation was seen as the reason for this.

20 July 1999 Board Meeting – relating to POL00000352

40. I understood at the time that Horizon was 'robust' in the sense that it worked. PO99/79 (vi) and (vii) minutes show David Miller, Horizon Programme Director 'considered the system robust and fit for service'. I cannot remember differing from that assessment. I refer to the technical issues raised at the away day at paragraphs 30-31 above, and that I was reassured that these would be resolved by 18 August. I did not think there was anything profoundly wrong with the implications of the number of sub- postmasters experiencing difficulties operating the system. I was aware that any new technology would challenge workers in almost every industry and the Horizon managers seemed to acknowledge that by notifying the Board that they were adding 300 managers to 'hand hold' staff who were struggling, in addition to providing new training packages [POL00000352].
41. My knowledge of the technical issues I was aware of is described above paragraphs 30-31. I did not worry about my comparative lack of technical comprehension as I was assured by the responsible and knowledgeable senior managers that the 'robust' nature of the system was assured.
42. I knew very little of the problems facing sub-postmasters, beyond the information provided to me on 19 July 1999 and taking the view that as with any new impact of technology, some unspecified number of people would struggle to immediately be comfortable with it.
43. I did not singularly raise technical concerns with anyone; however, as mentioned at paragraph 33. I believe the Board required an action plan to address issues of concern.
44. I don't remember the Board's decision to sign the contract with ICL being remitted to the Chairmen and Chief Executive posing a problem. As the Board minutes of 20 July 1999 remind me, the real emphasis in the discussion was driven by the financial arrangements the Post Office might come to with the

government over paying for Horizon. The decision was imminent with associated time pressure. The Chairman and Chief Executive knew the collective mind of the Board, and could speak for us. In my experience of professional life, this was normal professional practice.

The Board minutes of 20 July 1999 remind me that much of the emphasis in the discussions was driven by the financial arrangements that the Post Office might come to with the government, over paying for the Horizon project. This was part of the over-arching atmosphere of the discussions and I believe that government ministers met on 21 July 1999 to discuss who would pay for the project. There was pressure on the Post Office to carry the costs.

Board Meeting of 26 October 1999. Responding to questions arising out of POL0000354

45. My answers are broadly the same as my responses to the minutes contained in **POL0000352**. The Board's concerns were focussed on the financial implications of the cost of Horizon. The roll-out of the system had started, but would be paused after the 8th of November and assessment of implementation would be undertaken. I cannot remember being disturbed by this process. I now see that that the meeting notes of 26 October 1999 **[POL0000354]** suggest that issues in relation to Horizon were raised at the Board meeting on 14 September 1999. I did not attend that meeting and I have not seen the minutes.
46. I continued to rely on David Miller's assessment of the robustness of Horizon paragraph 40. Having reviewed the meeting minutes, I can see that the Board discussed the Horizon project as per the description in paragraph (iv) **[POL0000354, p.72]**. From what I remember, the discussion of "remedial work" was likely to satisfy any concerns I might have had and confirm that the milestones that had been envisaged to rectify any outstanding issues were being addressed.
47. The pause is mentioned in the minutes at paragraph (vi) **[POL0000354, p.71]**. I believe this was to ensure that the project was working properly, and would have provided me with additional reassurance.
48. The fact that the Chief Executive was satisfied that he was able to sign the contract and implement it across the network would have given me further confidence. I had no reason to doubt his assessment.

Board Meeting of 11 January 2000 [POL0000336]

49. Once again, my answers to the questions are similar to those I gave in response to the other sets of board minutes. In looking at these minutes after over 22 years have gone by, I cannot remember being suspicious of the technical robustness of the Horizon system. These minutes, especially clause PO00/9 (i), described an awareness of difficulties, but emphasised that much

effort was going in to resolving them, so much so that the issues would not prevent rollout re-commencing. I cannot remember being uneasy about that.

50. The Annual Reports from the years 1999-2000 go on to mention that the Horizon project would be rolled out to the entire network by spring 2001 at a rate of 300 branches a week. The government's decision to pay benefits directly into bank accounts from 2003 required the Post Office to write off over half the cost of automation.

June 2000

51. There are a number of documents that I have reviewed in preparing my witness statement and which I refer to here, but do not recall in sufficient detail to comment on further now.
52. The appraisal objectives and feedback of John Robert's [WITN0343104] in referring to Horizon state "All revised milestones for 1999-00 achieved". Those for Neville Bain state that "Major IT projects need to deliver to the agreed milestones" [WITN0343105]. There is also reference to the need to provide 'an effective away day that adds value for NEDs and management' as well as 'an occasional forum of NEDS with the CE and Chairman for informal discussions and to ensure that top management development and succession planning is addressed'.
53. On 27 June 2000, Neville Bain wrote to Alan Johnson MP setting out various concerns which had been raised by the NEDs [WITN0343106]. Neville Bain detailed the fact that "Recommendations of the Board and the Remuneration Committee are usually ignored" and NEDs are not being used as the "representatives of the [government]" they were appointed to be.
54. On 10 October 2000 Neville Bain sent a Memorandum to the Board [WITN0343107] which stated "While the Board exercised good judgment on issues, it was felt that perhaps the board did not always offer a robust challenge to papers put forward". I am not sure how this view was formed and whether it was linked to Horizon in particular.

General

55. I cannot recall any other meetings that I was party to that were significant in respect of the procurement, design, pilot, rollout and modifications of the Horizon IT system.
56. I personally never sought reassurance from ICL/Fujitsu on any subject.
57. The political input into the contract discussions with ICL/Fujitsu are outlined in the Board minutes, and I am unable to add any further detail at this remove.
58. There was no political pressure on the timing of the rollout that I recall beyond the government in the guise of the Benefits Agency being keen to get on with

the modernisation of the payment of benefits, and the general time pressures referred to above at paragraph 44.

59. At the time (1999-2001) I think the Board felt they were abreast of the Horizon issue and sought to address issues in the ways I outline above.

60. I was impressed by the regular level of expertise displayed on all sorts of subjects by Board members, both Executive and non-Executive. Similarly, the senior managers who came to the board meetings seemed to be completely on top of their specialisms which was particularly important on technical (including Horizon), legal and financial issues.

61. I am not sure how much more effective the Board's scrutiny could have been.

62. I cannot think of anything further that will assist the Chair in this Inquiry beyond one remark that is heavily influenced by my retrospective consideration of Board procedures from 1998-2003. It would have been useful to have had at least a quarterly or half-yearly report to the Board concerning the level and nature of prosecutions of sub-postmasters and sub-post mistresses. Such data could have alerted the Board to changes in the numbers and nature of such fraud prosecutions apparently revealed by the Horizon system.

Questions sent by the Inquiry 30 July 2024

63. On 30 July 2024, the Inquiry asked me a series of additional questions following the submission of my draft statement in August 2022. My response to these questions is as follows:

64. I was not aware at any time of any specific process by which I now know the Post Office prosecuted SPMs for theft, fraud and false accounting.

65. I am unaware now, as I was from 1998-2003, of the internal Post Office corporate structures in place at the time for prosecuting SPMs for theft, fraud and false accounting. Consequently, I was not involved at all in what processes did exist, and I remain unaware of any other Board members direct concern with such matters during that time.

66. In thinking of reflections on the adequacy of oversight of Post Office prosecutions by the Board, I can only repeat what I wrote in paragraph 62 of my Witness statement, submitted to the Inquiry in August 2022.

I believe the content of this statement to be true.

Signed:

GRO

John Lloyd

Date: 16 October 2024

Index to First Witness Statement of John Lloyd

No.	URN	Document description	Document date	Control number
1	WITN0343101	Summary of John Lloyd's Trade Union Career	23/08/2022	WITN0343101
2	RMG00000015	Minutes: Post Office Board Minutes of 10/11/98	10/11/1998	VIS00007423
3	RMG00000012	Minutes: Post Office Board Minutes of 08/12/1998	08/12/1998	VIS00007420
4	WITN0343102	Statement by Secretary of State for Trade and Industry – Monday 7 December 1998	07/12/1998	WITN0343102
5	POL00028611	Letter from John Roberts to Mike Kinski, John Lloyd, Miles Templeman and Rosemary Thorne re letters exchanged between PO Board and Secretary of State for DTI on Heads of Agreement with ICL, 24 May 1999	24/05/1999	POL-0025093
6	POL00000352	Post Office Board Minutes of 20/07/1999	20/07/1999	VIS00001326
7	WITN0343103	Implications of the Horizon Agreement Presentation to the PO Board – 19 July 1999	19/07/1999	WITN0343103
8	POL00000354	Post Office Board Minutes of 26/10/1999	26/10/1999	VIS00001328
9	POL00000336	Post Office Board Minutes, Meeting of 11/01/2000	11/01/2000	VIS00001310
10	WITN0343104	Objectives 2000/2001 of John Roberts		WITN0343104
11	WITN0343105	Appraisal, objectives and feedback for Neville Bain dated – 12 June 2000	12/06/2000	WITN0343105
12	WITN0343106	Letter from Neville Bain to Alan Johnson MP – 27 June 2000	27/06/2000	WITN0343106
13	WITN0343107	Memorandum to the Board from Neville Bain – 10 October 2000	10/10/2000	WITN0343107