

Witness Name: David William Miller

Statement No.: WITN0347_01

Exhibits: WITN0347_01/1

Dated: 20/09/22.

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF DAVID WILLIAM MILLER

I, DAVID WILLIAM MILLER, will say as follows:-

1. I make this statement in response to the request for information from the Inquiry, pursuant to Rule 9 of the Inquiry Rules 2006, dated 7 June 2022.
2. When reading this statement, the following should be borne in mind:
 - a) I am 73 years old;
 - b) I am being asked to recollect matters which occurred over 20 years ago;

- c) I have no contemporaneous documents in my possession (other than those recently provided by the Inquiry);
- d) I have no access to any other documents;
- e) I have requested, via my lawyers, other relevant documentation from the Inquiry in order to prepare this witness statement and answer the questions posed by the Inquiry. I have not yet been given that documentation;
- f) Some of the documents provided by the Inquiry are not documents that I would have seen at the relevant time. Their disclosure by the Inquiry is the first time I have seen them.

Professional background

- 3. I joined the Post Office in 1970 as a management trainee immediately after leaving University. I worked for Royal Mail in their Letters and Parcels businesses, where my main areas of work were operations and corporate sales.
- 4. I subsequently transferred to the newly formed Post Office Counters business in 1983 where I worked in corporate sales, finance, project management, and senior line management.

Background to my involvement in the Horizon Project

5. I had two periods of involvement with the Horizon Project.
6. The first was, I think, from the beginning of 1995 for just over a year, ending in March / April 1996.
7. I was not involved in the early years of the project which started in the early 1990s, with invitations to tender in 1994.
8. In 1994-95 I was working as the senior line manager for the post offices in South West England. In 1995 I was moved onto the Horizon Project, in the joint POCL / PA Programme Development Authority and appointed as a additional Deputy Director. The Authority had already been set up before I joined, with Andrew Scott of the Benefits Agency as its Director.
9. The PDA eventually recommended ICL Pathway as the chosen supplier and I left the Horizon Project, returning to work as general manager of post offices in South Wales / South West.
10. My second period on the project was in January 1998 when I was requested to take over as Horizon Programme Director at short notice.

11. The Horizon system was trialled in Newcastle upon Tyne and Bristol and rolled out nationally starting in 1999. A few months into the roll out the Post Office Corporation was reorganised. I was appointed MD of a new business unit - Post Office Network - and handed over direct responsibility for Horizon to David Smith, who is known to the Inquiry.

12. I remained as MD Post Office Network until the beginning of 2001, when I was off **GRO** between February and August 2001. When I returned to work **GRO** in August 2001, I was appointed Executive Director of Operations and my direct involvement with Horizon finished.

13. I subsequently retired from the Post Office on 28 July 2006.

Procurement

14. As set out above, I was not involved in the beginning of the procurement process. My involvement in the procurement process did not commence until 1995.

15. The ICL Pathway document FUJ00058166 (WITN0347_01/1) (Monthly Progress Report December 1997) which describes me as being very knowledgeable of the early days of the procurement is not a document which was shared with me at the time but is an internal ICL document.

16. My understanding of the aims of the project were, in general:

- a) To deliver a fraud free method of paying benefits at Post Offices;
- b) To develop a system that met recognised accountancy policies;
- c) To provide, through automation, greater commercial opportunities for POCL to improve competitiveness and efficiency;
- d) To provide an improved level of service to all customers;
- e) To demonstrate to POCL Clients and the public that the Post Office was gearing up to be part of the future.

17. The objectives of the parties, as I saw them, were generally aligned except in one key aspect - the issue of compulsory ACT.

18. The Benefits Agency had a longstanding ambition to pay benefits into the high street bank accounts already held by a majority of their customers. This majority increased steadily with time. By doing this the Agency would save a significant proportion of the £400m paid annually to POCL. In addition, the Agency would transfer some of the fraud risk to the banks and to their beneficiaries.

19. Compulsory ACT had always been their preferred option as it utilised a well-established system of payments at low cost.

20. POCL wanted to retain as much Benefits Agency business as possible. This was worth £400m pa and it represented over 30% of POCL business; and was integral to a significant Girobank business collecting cash from high street retailers to fund the out payments.

21. POCL wanted to automate the customer facing processes in their post offices. Until the prospect of Horizon they had never been able to make the financial case. Automation on the back of the Benefits Payment Card seemed an affordable way to achieve this end. The whole package was designed to keep more post offices open.

Difficulties or differences in opinion that I thought might become an issue at the time

22. Firstly, the difference in objectives (set out above).

23. Secondly, there were differences in the organisations approach to major IT projects. The Benefits Agency had a well-established process for undertaking large computer projects but POCL did not. This did not assist smooth working.

Awarding the contract to ICL Pathway

24. The final evaluation as to who should be awarded the contract took into account a number of factors. I was not aware of any issue with ICL's ability to assist with the automation process.

25. My understanding was that ICL had long experience in dealing with the public sector and that they were familiar to the Benefits Agency.

26. To the best of my knowledge ICL was not awarded the contract "because it was the cheapest option".

27. Cost was only one aspect of the complex evaluation process undertaken; for example, other issues included overall attitude to the project and robustness of financial quotations.

28. The decision to award ICL the contract was made by the Post Office Board, the Benefits agency and the DSS. I was not privy to this decision.

29. The only potential red flag was the long-term financial viability of ICL. POCL and the Government, via Charterhouse Bank, investigated this issue and were advised that in the context of a Fujitsu takeover this was no longer an issue.

30. There were therefore no red flags at the time the contract was awarded.

31. The project was analysed and considered in detail at the time. Given the period of time that has since elapsed I do not feel able to offer any observations on the basis of hindsight.

Design & Development

Joint Programmes and Commercial Forum

32. The Joint Programmes and Commercial Forum was set up to consider whether there was any potential to use the system in a way beyond the specifications to benefit the POCL/ICL Pathway. I was a member of the forum as was the MD and Commercial person of ICL Pathway.

33. The forum was a potentially good idea to think forward about wider uses for Horizon beyond those items in the original specification - however, we only met on a few occasions. However, it was distracted by bigger issues such as delays to the programme and BA's withdrawal. It thus did not realise its goal of developing the commercial relationship between POCL/ICL Pathway.

34. I am unable to comment about whether or not the POCL had raised unrealistic expectations with its clients as I did not deal with the clients during the time period.

35. I think that the success of Horizon was considered necessary by the POCL in this context - 25 years ago digital financial processes were in their infancy but developing quickly. POCL strategists felt that unless POCL developed digital payment and collections capability as a minimum it was in real danger of losing business to those who could. Horizon was not the only means of doing this but POCL was anxious to avoid several bespoke systems fighting for limited counter space. Therefore, the Horizon platform was seen as an opportunity not to be missed to modernise the Counters operation and its market appeal.

36. As to whether or not Horizon was designed in line with the objectives of all of the parties, it is a very wide question and depends which objectives are being referred to. I cannot speak for other parties and can only really comment from a Post Office perspective – to that end I believe Horizon was designed in line with the Post Office's objectives.

Impact that DSS/HMT/BA had on design and development of Horizon

37. **DSS/BA** - Fundamental - The original impetus for Horizon was to address long-standing Benefits Agency problems with its inability to reconcile payments made to beneficiaries leading to a pattern of chronic accounts qualification. A weakness to fraud was also inherent in the outdated paper foil system

38. This was the key driver for Horizon and these issues were addressed as a matter of urgency. Design and development work was understandably focussed on BA by Horizon.

39. The Benefits Agency and POCL attempted to ensure co-operation by instituting a joint development organisation called the PDA. This was headed by Andrew Stott of the Benefits Agency, who made strenuous efforts to broker good working between the two.

Oversight at board level

40. I assume that this refers to the Post Office Group Board (which it then was) which had ultimate responsibility for the whole Corporation.

41. Board did not involve itself in day to day Horizon matters only the bigger picture. I was not on the Board and am not able to comment as to whether there was sufficient oversight.

42. Considerable input was sought from sub-postmasters / employees on the development (and roll out) of Horizon.

43. This included:

- a) Regular discussions about the project with National Federation of Sub-Postmasters and Communication Workers Union.
- b) I could be contacted on any issues by the heads of the two Unions at very short notice.
- c) There were Comms events fronted by senior POCL and ICL Pathway staff.
- d) There was input from both of the trial areas (Newcastle and Bristol) - I personally attended a meeting of 200 sub-postmasters from the Newcastle trial area.
- e) There was a requirement on all post office HQ based senior managers to visit post offices regularly. Each board member had to work for a day in a Postshop or on the Counter six times a year. I personally used to visit branches – sometimes once a week but once a month as a minimum. This continued until I retired.

- f) A help line was set up.

Pilot and testing

Involvement in the testing process

44. I had oversight and was involved in the agreement of the testing process with ICL Pathway. I was not involved in the day to day detail but received regular formal and informal reports of progress at Horizon Programme Board

45. Testing was an ongoing process with the aim of identifying risks, categorising them - i.e., whether they were at an appropriate level or not, and mitigating / preventing them.

My understanding of the results of the testing process

46. The limited documentation I have been provided by the Inquiry gives some evidence as to concerns at the time but does not deal with all of the steps taken to mitigate / prevent such risks - either during the testing process or the subsequent roll out. I am therefore not able to give a complete answer.

47. I have asked to have access to the risk registers from 1999 - February 2001 (which were prepared by the Automation Transformation Steering Group) and the CONGO reports dealing with roll out & operation from October 1998 - February 2001 (only some of which have been provided).

48. I will be able to comment further if I am given these documents.

Whether Later Releases, specifically New Release 1(b), New Release 1(c), New Release 2 and New release 2+ adequately remedied software releases

49. I have no memory of the detail of this and so cannot answer this question.

50. My belief at the time was that the testing process was being adequately carried out and delay was incorporated until concerns had been mitigated / remedied. But again, I have not seen all the relevant documentation.

Delay and delivery of the project and negotiations with ICL Pathway

51. The task involved was enormous and my view is that a key number of issues caused the early delays:

- a) Project Mentors concluded that ICL did not comprehend what they were getting into and failed to gear up sufficiently to move forward at the pace required. This lost roughly a year in elapsed time.
- b) The problems of integrating BA systems via CASM - CASM was a massive project in its own right.
- c) POCL's lacked experience on really big IT projects meant that it was always running to catch up.

52. The delays towards the end of the project were caused by -

- a) The almost constant re-appraisal of the project particularly in terms of its deliverability.
- b) An interregnum leading up to BA's decision to pull out and the extra work generated by the need to respond to this decision from POCL and ICL Pathway before Horizon could proceed.
- c) A few months delay pre -roll out about getting risks comprehended and mitigated

53. My role in negotiating with ICL Pathway on behalf of POCL was to understand if a system could be produced within the parameters agreed in the deal between HM Treasury, the Department of Trade and Industry and the Post Office Board and to subsequently discuss key programme outcomes as advised by key Horizon roles and, where appropriate. To recommend acceptance or otherwise.

Negotiations with ICL Pathway

54. The negotiations were, at times, difficult, because:

- a) An original reason for the project, the Benefits Card, had disappeared.
- b) Fujitsu were either in the process of buying, or had just bought, ICL Pathway.
- c) Richard Christou, the ICL Director negotiating with me had one eye on a set of new owners who had a need to get up to speed with developments and fund them as necessary.

- d) The question of whether to go alone with ICL/ Fujitsu was dependant on a POCL recommendation to the Group Board around do-ability within financial parameters set by the Board.
- e) POCL was feeling bruised at losing its partner of 5 years in difficult circumstances with our staff and sub-postmasters, all concerned about the potential loss of our ' future' as Horizon was perceived.

Decision not to terminate contract with ICL Pathway in 1998

55.– This is not a question I can answer - the question needs to be addressed to Post Office Group Board which considered the issue of the Benefits Agency's intended departure and the possible consequences at an extraordinary board meeting to which I was not party.

Cancellation of Benefits Payment Card

56.I have been provided with limited documentation on this issue. My solicitor has requested my own letters (which are referred to in the documents and would set out my comments / observations at the time). I have not yet been provided with these documents and without them I am not able to answer this question.

Reasons for the cancellation of the benefits payment card

57. The National Audit Office produced a report entitled ' The Cancellation of the Benefits Payment Card project' published 18 August 2000 which provides an informed contemporary view of these matters

58. Whether there were ways that the cancellation could have been avoided, is a question which others, rather than myself, are best placed to answer

Acceptance & Roll out

Changes to the acceptance criteria

59. This is not clear from the documents that I have been provided and my memory does not stretch back 25 years on this particular matter.

60. The live trial was extended until POCL was satisfied that the management of known classified risks and other key measured criteria were at a level where it was considered safe to proceed to national roll out

Reasons I considered that POCL should accept Horizon at the time

61. To the best of my memory, the POCL considered that all the Acceptance Criteria had been met and that all risks were known and had a mitigation plan. If I am provided with the documents requested then I maybe able to assist further in addressing this issue.

62. To the best of my memory, I felt that the terms on which Horizon was accepted were appropriate.

Why a second User Confidence Trial was not requested by POCL in July 2000

63. I cannot answer this issue until I have had sight of the documents requested by my solicitor.

64. I considered that the broad objectives of POCL were met at the time of the roll out. However, BA had by this time dropped out and they had been part of the original objectives.

65. I am not able to explain whether all potential concerns raised by POCL had been resolved by the time of the roll out until I have seen the relevant documentation requested by my solicitor.

Overall

66. Given the period of time that has since elapsed I do not feel able to offer any observations on the basis of hindsight.

67. To the best of my knowledge there are no other matters that I can think of that will assist the Chair.

Statement of Truth

I believe the content of this statement to be true.

Signed: **GRO**

Dated: 20 September 2022

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No.	Exhibit number	Document Description	Control Number	URN
1	WITN0347_01/1	ICL Pathway Bringing Technology to Post Office Counters & Benefit Payments - Monthly Progress Report, December 1997	POINQ0064337F	FUJ00058166