

Witness Name: Stephen Robson

Statement No.: WITN0336_01

Exhibits: None

Dated: 13 September 2022

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF STEPHEN ROBSON

I, Sir Stephen Robson, will say as follows:

This witness statement is made to assist the Post Office Horizon IT Inquiry (the “**Inquiry**”) with the matters set out in the Rule 9 Request dated 9 June 2022 (the “**Request**”).

1. As you will appreciate your request for information relates to a period over 20 years ago. At the time I was involved with the Horizon project for a period of less than 6 months. My recollection of these times is limited so that everything in what follows should be read with an unstated “as far as I recall”.

My responses follow the numbering in the annex to Ms Ambler’s letter of 9 June 2022.

My background

2. After graduation from Cambridge University and Stanford University, I joined the Civil Service in autumn of 1969 as an economic assistant at HM Treasury. Apart from a 2 year secondment in the mid-1970s to a financial company, I had a series of posts in the Treasury until I took early retirement in 2001.

My involvement in the Horizon project

3. In January 1999 Ministers instructed me to look at the Horizon project with a fresh set of eyes to see if there was a way forward. My involvement ended in May 1999 when Ministers had agreed on a revised project.

Problems faced by Horizon in January 1999

4. In January 1999 Horizon was running late and was over cost. ICL was in breach of contract. There were tensions and disputes between the public sector clients who were on the one hand Department of Social Security (DSS) and the Benefits Agency (BA) and on the other the Post Office (PO) and Post Office Counters Ltd (POCL). The issues between them did not appear to be being resolved. There were also problems between the clients and ICL. The atmosphere around the project was one of complaint, criticism and lack of trust.

Position of Government departments on the future of Horizon

5. There appeared to be agreement on the objective of developing a benefit payment card (BPC) but such were the disputes about the working of the project that it was not possible to see how the objective was ever going to be delivered. DSS/BA wanted to move quickly from paying benefits using order books to paying by automatic credit transfer (ACT). PO/POCL wanted to retain footfall in post offices, to automate post office counters and to enable post offices to

provide services for High Street banks such as cash withdrawal from personal accounts (called network banking).

Relations between the Government and ICL and Fujitsu in January 1999

6. In the context of the Horizon project, relations between ICL and DSS/BA and Post Office/POCL were difficult. Wider relations between the Government and ICL were workmanlike, but the troubles of Horizon were a running issue. I had no direct exposure to relations with Fujitsu at that time.

My involvement in negotiations with ICL over Horizon in February 1999

7. At that time, I was a lead at official level in discussion with ICL over Horizon. I dealt with Mr Todd and Mr Christou.
8. I was instructed by the relevant Ministers to undertake the role described in paragraph 9 below.

My negotiating brief

9. I was instructed to look with fresh eyes to see if Horizon could be refined to meet Ministers' objectives which were:
 - to move as quickly as possible to payment of benefits by ACT
 - to maintain Post Office footfall revenue to safeguard the network of post offices
 - to develop a smartcard to support Government services and to offer support to High Street banks
10. I was to explore the best ways of achieving these objectives without increasing public expenditure on the project.

My understanding of the technical viability and robustness of Horizon at that time

11. In mid-1998 an independent group of experts had looked at the Horizon project. It had been chaired by Adrian Montague who was head of what I think was then called the Government Private Finance Taskforce. It had concluded that the infrastructure was robust by industry standards. In my view the issue of technical feasibility could not be assessed as the three parties involved – ICL, DSS/BA and PO/POCL - took different views on a range of technical issues and were critical of each other. My conclusion was that the organisation and management of Horizon as a project were dysfunctional and most unlikely to deliver the BPC.

Influence on my negotiations of the financial consequences of termination, concerns about foreign investment and issues relating to the technical integrity and robustness of Horizon

12. The financial consequence of termination was an important consideration
13. Ministers were concerned about the views of Fujitsu as a major inward investor.
14. See the answer in paragraph 11 above as regards the technical aspects of Horizon.

New proposal put forward as a result of my negotiations

15. Under the new proposal the BPC would be abandoned. PO/POCL would set up credit only bank accounts for individual benefit claimants who were currently using order books. The claimant could access his/her account using a smartcard. DSS/BA would pay money into these accounts using ACT. The proposal needed more work on specification and cost.

Reasons for the new proposal

16. The proposal offered the prospect of an earlier move to ACT. The smart card offered the prospect of POCL developing other services. However, the key attraction of the proposal was that it removed DSS/BA from the project leaving PO/POCL a single client to deal with ICL. This should provide clearer incentives and accountability for ICL and POCL and deal with the key problem of Horizon which was the dysfunctionality arising from the existence of two public sector clients with different objectives and incentives.

Response of DTI and DSS to this proposal

17. DTI were prepared to see more work on the proposal as long as the BPC was kept in play.

18. DSS/BA were content to pursue the proposal.

Seeking Prime Minister's endorsement and his response

19. The Prime Minister's endorsement was sought as the proposal represented a substantial change in a major public sector project with potential cost and risk issues spanning several Departments and the Post Office. It would affect benefit claimants and sub-postmasters and was likely to attract a good deal of comment if it went ahead. It had potential implications for the Modernising Government agenda and would mean delaying a White Paper on the Post Office. Ministers also felt it would help progress if the Prime Minister spoke to the Chairman or CEO of the Post Office.

20. In response the Prime Minister was concerned about cost and risk. He did attach importance to the provision of a platform for electronic delivery of

Government services. He agreed that the proposal should be pursued with a review at the end of April. He did not at the time speak to the Chairman or CEO of the Post Office.

21. Ministers mainly dealt with the Prime Minister by correspondence. I recall the Chancellor met the Prime Minister on one occasion and other Ministers may have had meetings with him. Along with others I attended a meeting between the Prime Minister and Mr Naruto (Fujitsu) in April 1999 at which Mr Naruto said he wanted a legally binding agreement before the next Fujitsu Board meeting on 23 April. The Prime Minister gave no commitment.

My role in negotiations with ICL on Horizon between March and May 1999

22. My role remained as described in paragraphs 7 and 9 above. In addition, in May the Prime Minister set out three political requirements. He wished to avoid criticism from the Post Office or from sub-postmasters that the entire rural network of post offices had been put at risk. He wished to avoid putting the whole future of ICL at risk. He wanted the Government to have a fully defensible position before the Public Accounts Committee.

The Government's relations with ICL and Fujitsu at that time

23. Relations with ICL were quite tense at times but were generally workmanlike. I had no direct exposure to Fujitsu apart from the meeting referred to in paragraph 21 above.

The options for the future of Horizon under consideration at that time

24. The options were:

1. continue with the BPC

2. the proposal in paragraph 15 above. Some variations of this were raised at times but none proved attractive
3. a further proposal was put forward in early April 1999. POCL would purchase the basic Horizon infrastructure without any commitment to the BPC or smartcard. BA would continue with the order book system for a period while POCL developed its network banking strategy. At the end of this period BA would move claimants as quickly as possible to payment by ACT.
4. termination of the Horizon project.

BA and PO stance on the future of Horizon at that time

25. I do not recall any agreement between BA and PO on the future of Horizon in March-May 1999. BA wanted a way forward without the BPC and with an early move to payment of benefits by ACT. The PO were concerned about footfall in post offices, cash flow, profits and risk and the future of their strategy for network banking. They were also understandably concerned who would cover any additional costs and revenue losses which they might face.

The influence on negotiations with ICL of the financial consequences of termination, concerns about foreign investment in the UK and issue about the technical integrity and robustness of Horizon

26. The negotiations were influenced by the financial consequences of terminating the Horizon. There were concerns about the impact on Fujitsu as a significant inward investor. See paragraph 11 above on technical integrity and robustness.

27. Negotiations were also influenced by the Prime Minister's points in paragraph 22 above and by the concern of ICL and Fujitsu to avoid having to make provision in Fujitsu's accounts for the cost of ICL's work on Horizon. Such a provision would have been some £300 million. To avoid this Fujitsu needed to have Heads of Agreement signed by late May. The Government sought to meet this concern. This target helped bring negotiations to a conclusion.

My understanding about the technical viability and robustness of Horizon in March-May 1999

28. See paragraph 11 above. The key issue on Horizon centred on the management of the Horizon project not on its technical aspects. The management was dysfunctional and was most unlikely to succeed in delivering the BPC.

My understanding of the position of the BA on the software testing by ICL, the specification of acceptance and the grant of release for live trial

29. In April 1999 BA took the view that more testing of the BPC project was needed before proceeding with live trial.

The relevance of the concerns of BA to negotiations on the future of Horizon

30. The discussions in April 1999 were focused on alternatives to the BPC project. The BA concerns underlined the need for any alternative to have sound specification and acceptance procedures.

My understanding of the concerns of PO and ICL about the risk of Horizon failing the acceptance tests

31. In April 1999 PO/POCL wanted to move to live trials on the BPC project and considered that the issues raised by BA could be addressed during the live trial.

There would be some weeks to observe the impact of these fixes before acceptance. ICL and Fujitsu were said to share this view. POCL were concerned that more testing would delay the project

The relevance of these concerns to negotiations on the future of Horizon

32. Only to the extent described in paragraph 30 above.

Action to address the issue

33. See paragraph 34-36 below.

Conclusion of negotiations

34. The outcome was that the BPC was abandoned. POCL would purchase the basic Horizon infrastructure. The BA would move to ACT over the period 2003-05. The infrastructure would enable the automation of POCL counters e.g., in bill paying and stamp transactions and should fit with its network banking strategy. It might also be a platform for modern Government services.

35. The cost in terms of public expenditure was lower than that of termination which was the alternative option. Therefore, termination was not pursued further. The cost would have been much greater for the option in paragraph 16 above.

36. An agreement was signed with ICL which was unconditional. It included a waiver by HMG and ICL of all claims. It also provided for a period of about 3 months during which ICL and POCL would negotiate detailed contracts. If, at the end of this period the parties could not agree, POCL had the right to terminate. If POCL did terminate they would pay ICL £150 million in full and final settlement. At that time POCL were uncertain whether they preferred termination to the arrangement in the settlement.

37. The outcome included an aspiration, but not a commitment, that POCL and ICL would work together to try and create a platform for modern Government services.

38. ICL had made an offer on 13 May for a settlement. This had been more favourable to ICL than the eventual settlement. The cost to the Government was higher and higher than that of termination. It placed too much risk on the public sector.

The end of my involvement in matters relating to Horizon

39. As far as I remember, I ceased to be involved around the end of May 1999.

I did not have any concerns about Horizon after the period of my involvement.

Looking back did the Government effectively scrutinised the technical integrity and robustness of Horizon?

40. From an early stage of my involvement, it was clear that the BPC project was most unlikely to succeed. This was the result of fundamental differences in the priorities and incentives of the three parties involved rather than the technical aspects of the project.

Other matters which I consider would assist the chair.

41. None

Statement of Truth

I believe the content of this statement to be true

Signed:

GRO

Dated:

13 September 2022