

## Phase Two: Follow-up observations regarding the role of the ex-Prime Minister, Sir Anthony Blair, in determining the course of the Horizon Project

The Post Office Horizon Inquiry has published the witness statement of the ex-Prime Minister, Sir Anthony Blair, in which he outlines his role in the decision-making process culminating in the reconfiguration of Horizon in May 1999.<sup>1</sup> In this statement, Blair claims to be ‘...unable to recall much of the specific detail...’ of the relevant period;<sup>2</sup> what little information he does remember might appear, on face value, to exonerate him entirely from any responsibility over his Government’s disastrously ill-judged decisions.

The work of the Inquiry has been meticulous in surfacing evidence and questioning witnesses but it is unclear why, in the course of Phase Two, Sir Anthony Blair was not called to answer queries arising from his witness statement. There is a marked absence of evidence to support two of his claims and the ex-Prime Minister’s apparent negligence in failing to seek expert advice when determining the future of the Horizon project has, to date, passed without scrutiny or comment.

A number of witnesses have given evidence alluding to the Prime Minister’s interventions, most comprehensively Blair’s special advisor at the No.10 Policy Unit, Sir Geoffrey Mulgan;<sup>3</sup> also Lord Alistair Darling,<sup>4</sup> Sir Stephen Robson<sup>5</sup> and David Sibbick.<sup>6</sup>

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<sup>1</sup> First Witness Statement of ex-Prime Minister, Sir Anthony Blair, 14 November 2022 (WITN06080100) <https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-11/WITN06080100%20Anthony%20Blair%20-%20Witness%20Statement%2014112022.pdf> Post Office Horizon IT Inquiry website, accessed 27.01.2023. If this link fails, search for ‘Anthony Blair’ on the Post Office Inquiry website.

<sup>2</sup> Ibid., para. 4

<sup>3</sup> First Witness Statement of Sir Geoffrey Mulgan, 21 September 2022 (WITN03510100) paras. 5, 10 and 11 <<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-12/WITN03510100%20Sir%20Geoffrey%20Mulgan%20-%20Witness%20statement.pdf>> Post Office Horizon IT Inquiry website, accessed 27.01.2023

Oral evidence of Sir Geoffrey Mulgan, 1 December 2022, transcript p.144, p.146, p.155-160, p.163, p.164-168 and p.176-180 <[https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-12/POH%2001%20December%202022\\_0.pdf](https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-12/POH%2001%20December%202022_0.pdf)> Post Office Horizon IT Inquiry website, accessed 27.01.2023

<sup>4</sup> First Witness Statement of Lord Alistair Darling, 30 October 2022 (WITN04200100) paras. 64-65, 90, 94-96 and 101-102 <<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-11/WITN04200100%20Lord%20Alistair%20Darling%20-%20Witness%20statement.pdf>> Post Office Horizon IT Inquiry website, accessed 27.1.2023

Oral evidence of Lord Alistair Darling, 29 November 2022, transcript p. 97, p.133 and p.137-139 <<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-11/POH%2029%20November%202022.pdf>> Post Office Horizon IT Inquiry website, accessed 27.01.2023

<sup>5</sup> First Witness Statement of Sir Stephen Robson, 13 September 2022 (WITN03360100) paras. 19-21 and 27 <<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-11/WITN03360100%20Sir%20Stephen%20Robson%20-%20Witness%20statement.pdf>> Post Office Horizon IT Inquiry website, accessed 27.1.2023

Oral evidence of Sir Stephen Robson, 29 November 2022, transcript p.9-10, p.19-25 and p.35-37 <<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-11/POH%2029%20November%202022.pdf>> Post Office Horizon IT Inquiry website, accessed 27.01.2023

<sup>6</sup> First Witness Statement of David Sibbick, 26 August 2022 (WITN03350100) para. 27

In Phase Two of the Inquiry it was established that warnings were given to the Prime Minister regarding Horizon's potential technical faults by Geoffrey Mulgan on 9 December 1998.<sup>7</sup> After considering Blair's handwritten note on Mulgan's briefing, Counsel to the Inquiry, Jason Beer KC, established that the Prime Minister received the warnings regarding the system's potential unreliability and was concerned enough to seek clarification on the issue. But without questioning Blair himself, it has not been possible for the Inquiry to determine why, in his official response to Mulgan's briefing of 14 December 1998, Blair made no reference to the technical failings which had been brought to his attention.<sup>8</sup> Blair's response did not confirm what, if any, assurances he had received and instead bypassed the issue of Horizon's integrity altogether. Given the potential impacts of failure in a system designed to process the nation's social security payments and to serve as the Government's electronic gateway to its citizens, this is a surprising and unexplained omission. It has not been established who was the intended recipient of Blair's handwritten note.<sup>9</sup> There is no documentation to identify the individual/s who subsequently advised Blair, nor any indication of their relevant experience or qualifications. Neither is there documentation to pinpoint the evidential base on which any assurances to the Prime Minister may have been given. Blair's brief witness statement of November 2022 is of little assistance, stating simply:

*'...I do recall that some concerns were raised in respect of reliability of the end product being developed...I recall that I subsequently received the necessary reassurances as to reliability'.<sup>10</sup>*

Three times in his witness statement Blair refers to having received such assurances;<sup>11</sup> he is aware that it is an issue of critical importance. In December 1998 Horizon's future hung in the balance, this was arguably one of the most pivotal moments in the whole of the project's protracted genesis and the Prime Minister was being invited to determine the future of a project in which his Government had £5bn worth of investment spanning a ten year period. Why is there no record of the communications which gave the Prime Minister such certainty to continue? Dossiers at the National

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<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-11/WITN03350100%20David%20Sibbick%20-%20Witness%20statement.pdf> Post Office Horizon IT Inquiry website, accessed 27.1.2023

Oral evidence of David Sibbick, 23 November 2022, transcript p.71-72 and p.75

<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-11/POH%2023%20November%202022.pdf> Post Office Horizon IT Inquiry website, accessed 27.01.2023

<sup>7</sup> The No.10 Policy Unit briefing for the Prime Minister and his handwritten response (document CBO0010001\_072) were considered at the Inquiry during the oral evidence of Sir Geoffrey Mulgan, 1 December 2022, (n.3) oral evidence transcript p.146-158. Extracts of the briefing, including Blair's handwritten note, are at 'Origins Of A Disaster' by Eleanor Shaikh (July 2022) p.468-470 <[https://www.jfsa.org.uk/uploads/5/4/3/1/54312921/origins\\_of\\_a\\_disaster\\_-\\_eleanor\\_shaikh.pdf](https://www.jfsa.org.uk/uploads/5/4/3/1/54312921/origins_of_a_disaster_-_eleanor_shaikh.pdf)> Justice For Subpostmasters Alliance website, accessed 27.01.2023

<sup>8</sup> (n.3) Oral evidence transcript p.158-160. The official response to Mulgan's briefing was sent from Blair's Private Secretary, Jeremy Heywood, on 14 December 1998 (document CBO00000009).

<sup>9</sup> (n.3) Oral evidence transcript p.155-158. In all likelihood Mulgan was not the intended recipient of Blair's handwritten note because it refers to 'Geoff' in the third person.

<sup>10</sup> (n.1) para. 5

<sup>11</sup> (n.1) paras. 5,14 and 15

Archives evidence the detailed and extensive records which were kept by the office of No.10 Downing Street at this time. Briefing papers, letters and reports have been retained which record highly confidential decisions around the Horizon project at the highest levels of Government, at every turn.

Why has no documentation surfaced to corroborate Blair's assertion? Was this dialogue deliberately conducted off record to afford all who were involved, including the Prime Minister, a cloak of plausible deniability?

During oral evidence, Mulgan offered a cryptic suggestion:

*'My guess would be he [Tony Blair] might have talked to Treasury about this, and they might have said: "If you open the up the technology you will create more uncertainty and more delays. We're close to doing a deal, so whatever you do, don't do that."'*<sup>12</sup>

Did Blair refrain from delving too deeply into Horizon's integrity at this juncture for fear of jeopardising negotiations? Without questioning the ex-Prime Minister, it has not been possible for the Inquiry to establish if Mulgan's conjecture has any basis in fact. And other than by accepting the word of Blair, we are unable to determine whether he did in fact obtain an unequivocal guarantee of Horizon's technical integrity in December 1998. Certainly Mulgan doubted whether a 'clear view' on the integrity of the system existed:

*'He wasn't really given one, no.'*<sup>13</sup>

The view is supported by Sir Stephen Robson's witness statement in which he maintained: *'...the issue of technical feasibility could not be assessed...'*<sup>14</sup>

## MANDELSON V MULGAN

In support of his case, Blair cites a number of documents in his witness statement which were provided to him by the Inquiry. These include a letter from Department of Trade and Industry (DTI) Secretary of State, Peter Mandelson which was copied to him on 10 December 1998. In it, Mandelson advocated that *'...the basic development work has been thoroughly evaluated by independent experts*

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<sup>12</sup> (n.1) Oral evidence transcript p.159

<sup>13</sup> (n.3) Oral evidence transcript p.156:

**Mr Beer:** *'So he [Tony Blair] is picking up there, it seems, the point that you have raised in two passages in your note about the flaw to the system itself. Agreed?'*

**Mulgan:** *'Yes, and he says there: "Surely there must be a clear view on this." But there wasn't really a clear view on this.'*

**Mr Beer:** *"Surely there must be a clear view on this" meaning on whether the system itself is flawed?'*

**Mulgan:** *'Yes, yes.'*

**Mr Beer:** *'But there wasn't?'*

**Mulgan:** *'He wasn't really given one, no.'*

**Mr Beer:** *'No.'*

<sup>14</sup> Mulgan's recollection is echoed in the witness statement of Sir Stephen Robson (n.5) para. 11:

*'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.'*

who have pronounced it viable, robust, and of a design which should accommodate future technological developments'.<sup>15</sup>

Blair cites this letter in support of his claim to have received the necessary reassurance on Horizon; Mandelson was apparently endorsing it as robust and future-proof.<sup>16</sup> But Blair's official response to Mulgan, written only four days after Mandelson's letter, referred to the system's 'obsolescence'.<sup>17</sup> So was it Blair's understanding that Horizon was future-proof or was it his understanding that it was obsolete? Either way, for Blair to now maintain that he relied on Mandelson's assurances in good faith, is to overlook the fact that at the time he was aware of a significant conflict of evidence and that therefore the information provided by his Minister may not be wholly accurate.

It is thought that Mandelson's assurance was likely to have been based on an over-optimistic interpretation of the Montague Report of July 1998;<sup>18</sup> no evidence has surfaced of any technical reports, audits, or assessments by independent experts having being undertaken in the interim which pronounced the Horizon system robust and fit for purpose.

As the Montague Report pre-dated the significant problems which arose during Model Office testing in the of autumn 1998, Mandelson's letter was in all likelihood based on information which was both misleading and out-of-date. Whilst this would not necessarily have been apparent to the Prime Minister, there is no explanation as to why he accepted assurance from the DTI Secretary of State rather than heeding the more informed and immediate warnings of Geoffrey Mulgan at his No.10 Policy Unit. Mandelson had been DTI Secretary of State only since late July 1998; he had no technical background nor, Mulgan suspects, did any of his senior advisors.<sup>19</sup> Moreover, it would have

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<sup>15</sup> Mandelson's letter (BEIS0000418/CBO00000008) was considered during oral evidence of Lord Alistair Darling (n.4) transcript p.131-133.

<sup>16</sup> (n.1) para. 6b

<sup>17</sup> (n.3) Oral evidence transcript p.158-160. The official response to Mulgan's briefing was sent from Blair's Private Secretary, Jeremy Heywood, on 14 December 1998 (document CBO00000009) 'The Prime Minister was concerned about your view that the Benefit Payment Card is over engineered and is likely soon to be obsolete'.

<sup>18</sup> The Working Group Report of July 1998 (HMT00000034), which incorporated the findings of the Montague Panel, was considered by Counsel to the Inquiry, Jason Beer KC, during the oral evidence of David Sibbick (n.6) transcript p.12-27: '...it wasn't a report that addressed, at a very detailed level, issues such as technical faults and reliability of the system' p.22-23.

'...in terms of the actual working of the Horizon system, there are certainly risks around robustness, the basic infrastructure itself is robust, very robust for the future, but there are undoubtedly risks with regards to scalability and robustness of, for example, the software that it would use' p.26.

The absence of any significant subsequent Government technical analysis of Horizon since the Montague Report, was also considered during the oral evidence of Sir Ian McCartney, 1 December 2022, transcript p.10-11

<[https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-12/POH%2001%20December%202022\\_0.pdf](https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-12/POH%2001%20December%202022_0.pdf)> Post Office Horizon IT Inquiry website, accessed 27.01.2023

The Montague Report (POL00028094) was also considered during the oral evidence of Lord Alistair Darling (n.4) p.82-89.

<sup>19</sup> (n.3) Oral evidence transcript p.164

been obvious to the Prime Minister that, as Secretary of State for the sponsor department of the Post Office, Mandelson had a deep vested interest in automating its operations at the earliest opportunity. Mulgan, in contrast, offered a non-partisan stance; he also had a PhD in telecommunications, with specialism in the technology and economics of Internet-based networks. He had studied technology in Silicon Valley and most significantly he sat on the Horizon Working Group as representative of the No.10 Policy Unit.<sup>20</sup>

We do not know on what evidence Mulgan based his warnings of 9 December 1998 but his source must have been substantial and credible enough for him to have brought them to the Prime Minister's personal attention. As a member of the Horizon Working Group he may have seen the interdepartmental report of December 1998<sup>21</sup> or caught wind of the Project Mentors report which was underway the same month.<sup>22</sup> Whilst Fujitsu's official line was dictated by commercial interest and secrecy around Horizon's problems was fierce, Mulgan also had access to unofficial channels of communication within the IT industry:

*Mr Beer 'What was that other channel of communication telling you?'*

*Mulgan 'It was saying this was not only [sic] that the project and the programme was running into difficulties, which was obvious, but also probably the technology was flawed in a more fundamental way, and not just specifics like the Benefit Payment Card, but in other ways as well'.<sup>23</sup>*

It may be argued that the Prime Minister accepted Mandelson's view simply because it accorded with his wider political agenda to drive the project forward.

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<sup>20</sup> (n.3) Oral evidence transcript p.135-137, p.149-150

<sup>21</sup> DTI Select Committee Eleventh Report *'The Horizon Project For The Automated Payment Of Benefits Through Post Offices'* (September 1999) oral evidence session, 14 July 1999, para. 158. According to Chief Secretary to the Treasury, Stephen Byers, the December Working Group report *'made it very clear that there was a substantial risk'* of incorrect payment of benefits due to Horizon's inaccuracies <<https://publications.parliament.uk/pa/cm199899/cmselect/cmtrdind/530/53002.htm>> Parliament.UK website, accessed 27.01.2023

<sup>22</sup> The Project Mentors Report received by Joint Programme Lawyers Bird and Bird (POL00038829) was discussed during the oral evidence of David Miller, 28 October 2022, transcript p.27-32. The Project Mentors' team reported being *'...deeply concerned that their findings show a serious problem with the way in which ICL Pathway have developed the system. The impact of this is likely to be that there will be failures to meet essential user requirements, causing the need for extensive rework before the system can be accepted and potentially operational problems if the system is rolled out'. 'Further work has recently started to perform a similar assessment of the approach adopted for other elements of the system, such as EPOSS. Nevertheless our findings are, in our view, sufficiently serious to bring into question the whole of Pathway's design process'.* <<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-11/POH%2028%20October%202022.pdf>> Post Office Horizon IT Inquiry website, accessed 27.01.2023

Further details of the report were considered during the oral evidence of Paul Rich, 21 October 2022, p.79-84 <<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-10/POH%2021%20October%202022.pdf>> Post Office Horizon IT Inquiry website, accessed 27.1.2023

<sup>23</sup> (n.3) Oral evidence transcript p.145-146

## CONTINUED WARNINGS

It is to be expected that Blair's recollection of events occurring over twenty years ago is imperfect. But independent evidence can supplement the gaps where loss of memory may be attributed more to convenience than to the passage of time. And evidence reveals a continuum of information which was passed to the Prime Minister, predating Mulgan's warnings of December 1998 and continuing through the spring of 1999. These red flags continued to cast doubt over Horizon's integrity and/or ICL's inability to deliver the programme.

1: The Prime Minister had been warned of concerns over the deliverability of the project in a letter from Department of Social Security (DSS) Secretary of State, Harriet Harman, as early as February 1998.<sup>24</sup> It is not known why this communication has not been released to the Inquiry.<sup>25</sup>

2: A forerunner of Mulgan's December briefing which was seen by the Prime Minister in October 1998 warned of '*...a less than perfect Benefit Payment Card*' and the threat of '*...further delays and technical problems in the future*'.<sup>26</sup>

3: In late January 1999, Blair attended a meeting to discuss Horizon during which the DSS Secretary of State, Alistair Darling, warned of the risks in continuing with the Benefits Payment Card (BPC):

*'Fifteen million benefit payments were made each week. There were huge risks involved.'*<sup>27</sup>

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<sup>24</sup> The DSS Secretary of State, Harriet Harman, sent a letter to the Prime Minister in February 1998:

*'Against this background, the then Secretary of State for Social Security wrote to the Prime Minister in February that "there is a serious risk that this project will fail to deliver its objectives - or will not do so within a timetable that will make it worthwhile" '.*

*'Origins Of A Disaster'* by Eleanor Shaikh (July 2022) p.261

<[https://www.jfsa.org.uk/uploads/5/4/3/1/54312921/origins\\_of\\_a\\_disaster\\_-\\_eleanor\\_shaikh.pdf](https://www.jfsa.org.uk/uploads/5/4/3/1/54312921/origins_of_a_disaster_-_eleanor_shaikh.pdf)> Justice For Subpostmasters Alliance website, accessed 27.1.2023

Although this letter is not in the public domain, a subsequent communication from Harman to the President of the Board of Trade, Margaret Becket, which was written the same month and which made reference to her letter to the Prime Minister, is held at the National Archives (JB3/19). This second communication was also copied to Tony Blair; it was leaked and later reported in The Independent, The Telegraph, The Times, The Financial Times and Computer Weekly. Harman's communication to Beckett referred to the '*cross-government implications of the problems around our joint project to automate Post Office Counters*' to which she said she had alerted the Prime Minister. A letter to the Prime Minister from Becket of 11 March 1998, also at JB3/19, read:

*'You will know from the recent exchange of correspondence with Harriet Harman and Alistair Darling of the difficulties with the Post Office/Benefits Agency PFI project to modernise the payment of benefits through the introduction of automation to some 19,000 Post Offices. It is too early to judge the future viability of that project...'*

<sup>25</sup> According to Counsel to the Inquiry, Jason Beer KC, the letter from Harriet Harman to Tony Blair has not been disclosed to the Inquiry (n.4) oral evidence transcript p.70.

<sup>26</sup> Briefing for the Prime Minister from Geoffrey Mulgan of the No.10 Policy Unit, 23 October 1998,

*'Origins Of A Disaster'* by Eleanor Shaikh (July 2022) p.455 and p.459

<[https://www.jfsa.org.uk/uploads/5/4/3/1/54312921/origins\\_of\\_a\\_disaster\\_-\\_eleanor\\_shaikh.pdf](https://www.jfsa.org.uk/uploads/5/4/3/1/54312921/origins_of_a_disaster_-_eleanor_shaikh.pdf)> Justice For Subpostmasters Alliance website, accessed 27.01.2023

<sup>27</sup> The meeting was recorded in a letter of the same day from the Prime Minister's Principal Private Secretary, Jeremy Haywood, *'Origins Of A Disaster'* (n.26) p.497

Darling had already copied Blair into a letter of 16 December 1998 which had referred to ICL's 'failure to deliver'.<sup>28</sup> We do not know the precise information which Darling gave to the Prime Minister during the January meeting but, in the light of his subsequent evidence to the Inquiry, Darling was unlikely to have minimised Horizon's problems:

*'There was an awful lot wrong with this. I could not, in all conscience, have agreed to the rollout of something like this. It would have been a disaster.'*<sup>29</sup>

According to the summary of the meeting, Blair's response was to speak of a 'balance of risks'; by implication, Blair was therefore acknowledging that the Horizon project posed some risk, but it was one which had to be weighed against the perceived risks which termination of the project might entail. Blair must have arrived at some understanding of the risks inherent in Horizon in order to make an informed decision on this balance of risks. It is noteworthy that, according to this account of the meeting, Blair did not attempt to reassure Darling of Horizon's integrity in order to allay his Minister's concerns. Had Blair received unequivocal assurance on the issue of Horizon's robustness, one might expect him to have done so.

4: In April 1999 a briefing for the Prime Minister was sent from Treasury Chief Secretary, Alan Milburn, in preparation for his meeting with the Fujitsu Vice Chairman. It referred to recent difficulties with Horizon's testing procedures which could add delays of six months. It was reported that the project had already slipped by three months since November 1998; Milburn reminded the Prime Minister:

*'...we have been exploring alternative options only because ICL have failed to deliver to schedule and are in breach of contract.'*<sup>30</sup>

5: A Final HM Treasury Report to Ministers was released on 19 April 1999.<sup>31</sup> It is not known if Blair saw this report at the time, but the reference to its contents in his witness statement is generalised and misleadingly selective. It is altogether unclear why Blair considers this document supports his position.

*'I note that this refers again to technical reviews having been conducted (paragraph 5) and user acceptance testing (for example paragraph 7).'*<sup>32</sup>

Paragraph 5 of the report does make reference to 'a number of detailed technical and policy reviews' but does not stipulate that any of these offered a detailed analysis or endorsement of the

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<sup>28</sup> *ibid.*, p.478

<sup>29</sup> (n.4) Oral evidence transcript p.136. Months after his meeting with the Prime Minister, Darling told the DTI Select Committee he knew of '...hundreds of problems with it in terms of inaccuracy and difficulty...' (n.21) oral evidence session, 14 July 1999, para. 154.

<sup>30</sup> (n.26) p.512-514

<sup>31</sup> The Final HM Treasury Report to Ministers was released on 19 April 1999 (WITN0608\_01/6). It is held at the National Archives (PREM 49/1011) and extracts are at 'Origins Of A Disaster' (n.26) p.520

<sup>32</sup> (n.1) para. 6f

technical integrity of the system. Only the July 1998 Montague Report cited here was said to have approved Horizon's technical 'viability' but this did not equate to a guarantee of technical robustness. Indeed paragraph 11 of the Final Report detailed the technical issues to have arisen since the Montague Report which were now considered by the DSS/BA to throw Horizon's 'viability' into question. Blair also overlooked paragraph 4 of the Final Report which referred to a number external reviews which were evidently critical of ICL's consistent pattern of failure:

*'The project is now running three years behind schedule. New deadlines have been set at various times and consistently missed by ICL. BA and POCL attribute the cause of the delays to ICL in all material respects and this has been endorsed by external reviews (including a very recent confidential report which has concluded that the fundamental cause of problems is that ICL have failed throughout the process to analyse and then address POCL and BA's detailed requirements).'*

Blair's observation that paragraph 7 of the Final Report refers to Acceptance testing is again misleading and the actual detail of this paragraph does little to support his position. One can only assume that he raised the issue of Acceptance to imply that his Government made reasonable endeavours to ensure Horizon's integrity. But paragraph 7 shows that, under the proposal being considered by the Government, ICL's 'last and final offer', acceptance criteria were in fact being diluted:

*'ICL's acceptance testing proposals (agreed with the Post Office) were still unacceptable to DSS/BA...In the areas of both risk and acceptance testing, the ICL proposals represent a reduction against the terms agreed in the original contracts'.*

The Final Report observed that the Post Office was content with a reduction in Acceptance criteria and that Alistair Darling needed 'further reassurances to safeguard the delivery of benefits' whilst noting the possibility that the Benefits Agency may never agree to Acceptance.<sup>33</sup>

Whilst it is true Ministers opposed ICL's proposal to dilute Acceptance criteria, their commitment apparently dissipated the moment the BPC was abandoned in May 1999 after which Horizon's Acceptance procedure continued to be fraught with unresolved complexity and dispute. The Live Trial, over which the Government ought to have maintained some degree of oversight, threw up so many technical incidents that the Post Office Board refused to sign the Horizon contract in July 1999 or to sanction system Acceptance the following month. The dilemma was resolved by eroding Acceptance criteria through a sequence of Supplemental Agreements which, in the words of Edward Henry KC and

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<sup>33</sup> (n.31) para. 15



Flora Page *'manifestly permitted unreliability in some branch accounts'*.<sup>34</sup> These contractual amendments effectively manipulated the Acceptance procedure to facilitate the roll-out of a system which was never fit for purpose. If Blair's inference is that his Government was committed to enforcing quality control through a stringent Acceptance procedure, where was its oversight during the lengthy, messy period of Horizon's Acceptance itself, and why was it entrusted to the leadership of a company which this Final Report deems to be in urgent need of *'radical reform'*?<sup>35</sup>

Blair circumvents the passages in the Final Report which reiterate doubts over the integrity of Horizon.<sup>36</sup> Taken as a whole the report offers a politely despairing view on the state of the project and it is unclear why Blair relies on it to justify his decisions in the context of this Inquiry; it demonstrates that technical problems to which he was alerted five months earlier remained unresolved and that details of Acceptance Testing were still in dispute. It also reveals that Blair's decision to force a reconfigured Horizon onto an unwilling Post Office flew in the face of his Treasury's recommendation of a *'clean break'* and a *'non-ICL solution'*.<sup>37</sup>

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<sup>34</sup> Closing Statement submitted by Edward Henry KC and Flora Page on behalf of Core Participants represented by Hodge, Jones and Allen, para. 25 <<https://www.postofficehorizoninquiry.org.uk/sites/default/files/2022-12/SUBS0000018%20Closing%20statements%20on%20behalf%20of%20Core%20Participants.pdf>> Post Office Horizon IT Inquiry website, accessed 27.1.2023

<sup>35</sup> (n.31) *'Treasury officials believe strongly that we should place little confidence in the existing management of POCL to successfully achieve any of the options outlined above, including the adoption of an effective strategy and new IT project following termination. All would require radical reform to the management of POCL. What we would have in mind would involve:*

*- bringing in new management from outside of the Post Office. They would be paid according to their success in growing the POCL business. We would need to look at the scope for strengthening POCL as a separate entity, with autonomy from the Post Office board;*

*- creating strong incentives for change within POCL in order to protect the taxpayer - through restructuring of the funding of POCL to provide incentives to deliver network banking and electronic government services successfully.*

*This would represent radical reform. But we judge that this is the only way that any way forward could be made to work'* [emphasis as in original] para. 39

<sup>36</sup> (n.31) *'But since the [1998 Montague] report there have been further problems with testing and plans have slipped. ICL have already missed the first milestone in the timetable agreed in the course of the Corbett negotiations; and BA point to faults that emerged in the latest testing of the Model Office as an indication of further delays of at least six months...'* (para. 11).

*'BA estimate (although ICL and POCL do not agree) that the latest difficulties could delay roll out by a further 6-7 months'* (para. 12).

*'POCL had deferred the final run of testing by 2 months to allow ICL to fix the major problems. BA are not yet satisfied that all problems have yet been identified or resolved: the routine testing has thrown up a number of new faults in the system. ICL and POCL contest this view'* (para. 15).

<sup>37</sup> (n.31) In the light of the undeliverability of the Benefit Payment Card and the unaffordability of the Smart Card option, the authors of the Final Report recommended termination of the contract under the heading 'A non-ICL solution' (paras. 26-31). Under this, their preferred option, the authors of the Final Report recommended:

*'POCL would undertake a fresh effort to procure an automation platform that could then be better tailored for the capabilities required to offer a valued service to prospective partner banks, which neither Option A nor Option B is optimised to do.'*

## 6: 'ICL PATHWAY: LIST OF FAILURES'

This document was attached to a letter sent to the Prime Minister by the HM Treasury Chief Secretary on 22 April 1999.<sup>38</sup> The document laid bare significant issues which had haunted Horizon's development:

*'Independent reviews of the Horizon project by external IT experts have all concluded (most recently this week) that ICL Pathway have failed and are failing to meet good industry practice in taking this project forward, both in their software development work and in their management of the process.'*

*'every release has been subject to reductions in the originally planned functionality.  
- and even when each release has gone live, there have been faults and problems which have resulted in the need for Pathway to reimburse DSS.'*

*- in the current trials the known problems have risen from 46 in November 1998 to 139 at the end of March 1999; and currently 146 have not been resolved'*

The document was discussed with Lord Alistair Darling during the course of the Inquiry but not with the ex-Prime Minister to whom it was sent. The pattern of failure which it reports warranted a comprehensive and independent assessment of Horizon's technical viability before the Prime Minister determined its future. To date Blair has not been able to assist the Inquiry by offering an explanation as to why he did not insist upon such a review before or during the reconfiguration.

*'...we should also have commissioned a proper technology review, which we didn't do'* No.10 Policy Unit.<sup>39</sup>

Given the known undercurrent of failure which had plagued this project for years, it was incumbent upon the Prime Minister to ensure that the expert advice which informed his decision at this critical juncture was balanced, independent and current. Instead, in the final paragraph of his witness statement, Blair made a poignant reference to the lessons he has learned since the Horizon project:

*'...I have learned that it is crucial to obtain advice from experts with deep experience in the field who can provide the necessary assurance.'*<sup>40</sup>

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<sup>38</sup> 'ICL Pathway: List Of Failures' is quoted in full in 'Origins Of A Disaster' (n.26) p.530 and was discussed during the oral evidence of Lord Alistair Darling (n.4) p.133-137

<sup>39</sup> (n.3) Oral evidence of Sir Geoffrey Mulgan, transcript p.174-175

<sup>40</sup> (n.1) para. 15

This, by implication, is Blair's acknowledgement that during his involvement in the project 1998-1999 he did **not** obtain advice from experts with appropriate experience. It is a realisation which was understood at the time, echoed in a 1999 briefing to the Prime Minister:

*'In the case of Horizon, although consultants were used at various times, at key moments of decision proper advice was missing'*<sup>41</sup>.

The consequences of this failing, now conceded by Blair without self-reproach or regret, have proven to be catastrophic.

7: The above minute detailing lessons to learn from the Horizon project was sent to the Prime Minister on 20 May 1999 from Geoff Mulgan at the No.10 Policy Unit. It was read by Blair soon after; that is, during Horizon's Live Trial and before the Codified Contract was signed by the Post Office and ICL/Fujitsu in late July 1999.<sup>42</sup> Given the reconfiguration was a direct result of the technical flaws of the parent project, this two-month period was the critical window in which the most rigorous independent scrutiny was called for. This was the time to apply the Policy Unit's lessons; to seek *'proper advice'*, to *'audit from the centre'* and to watch over the Post Office's *'lack of competence'*.

## ACCOUNTABILITY

Despite warnings of ICL's failure to deliver being presented to the Prime Minister from as early as February 1998 and concerns over Horizon being brought to his personal attention up to April 1999, it was Blair's decision that Horizon should not be terminated:

*'No 10's involvement was immediately decisive in effectively removing from any further discussion the option of walking away from ICL or Horizon'*.<sup>43</sup> To all intents and purposes, this clear policy direction from the Prime Minister stifled all dialogue around the technical difficulties which continued to surface.

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<sup>41</sup> (n.26) p.557-560

<sup>42</sup> During the oral evidence session of Sir Geoffrey Mulgan (n.3) p.171-178, document CBO00000060 was considered by Jason Beer KC. This is a draft version of a formal minute which Beer knew to have been written by Mulgan on 20 May 1999, but which had not been seen by the Inquiry. In fact, not only is the final, formal version of Mulgan's document held at the National Archives (PREM 49/1012) but it is presented as a No.10 Policy Unit Minute which was addressed to the Prime Minister (see also *'Origins Of A Disaster'* (n.26) p.557-560. A further document (n.26) p.563 acknowledges that Mulgan's minute of 20 May was seen by the Prime Minister.

<sup>43</sup> (n.6) para. 27: *'Perhaps the most significant development between January and April 1999 was the intervention of No 10 Downing Street ('No 10') on two occasions making clear that the Prime Minister (Tony Blair) was not looking for an outcome that involved walking away from Horizon or ICL. The first occasion was in January 1999 by way of correspondence from the Prime Minister's Principal Private Secretary, Jeremy Heywood. The second occasion was in March 1999 by way of another letter from Jeremy Heywood. No 10's involvement was immediately decisive in effectively removing from any further discussion the option of walking away from ICL or Horizon'* [emphasis added].

*‘...my instincts were to recommend cancellation but I’d been advised that was not a runner’* No.10 Policy Unit.<sup>44</sup>

The Inquiry has explored the pressures which made termination too politically damaging for Blair to contemplate. He stood steadfastly by the stipulation he had made in January 1999<sup>45</sup> and whatever concerns **were** brought to his attention were marginalised in the march toward the commercial renaissance of the Post Office, the protection of ICL and the retention of Japanese investment in UKplc.

But the clear groundswell of concern over Horizon’s integrity renders implausible Blair’s assertion:

*‘I recall making clear that if the problems relating to the Project related solely to commercial aspects then I was content to continue to work to try to find a way forward, but that if there were concerns about product reliability then we should not’.*<sup>46</sup>

No record has surfaced to corroborate this claim; on the contrary *‘concerns about product reliability’* were brought to Blair’s attention on multiple occasions and from a variety of sources. But when in May 1999 he was once again called upon *‘to unblock matters’*,<sup>47</sup> his overriding ambition remained to salvage some vestige of this faltering, behemoth of a project. Once the Smart Card option was eliminated on cost grounds, it was the Prime Minister’s personal wish that Horizon must proceed in a scaled-down version.<sup>48</sup>

Blair’s witness statement stands as yet uncontested by the Inquiry. In many respects it may be interpreted as an artfully-constructed, self-protecting sheen over the ex-Prime Minister’s own failings. His influence in the decision-making process was pivotal, yet he determined the future of Horizon in the knowledge, if not that Horizon was faulty then, at the very least, that the opposite had not been proven.

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<sup>44</sup> (n.3) p.154 oral evidence of Sir Geoffrey Mulgan

<sup>45</sup> (n.26) p.486-488 A letter from Blair’s Principal Private Secretary of 14 January 1999 conveyed the Prime Minister’s belief regarding Horizon that: *‘...it would be better to accept this project than to pull out of the negotiation with ICL completely, with all the damage that could do’.*

<sup>46</sup> (n.1) para. 5

<sup>47</sup> (n.1) para. 13

<sup>48</sup> The letter from the Prime Minister’s Principal Private Secretary in which Blair’s decision over Horizon was communicated (CBO00000053) was discussed during the oral evidence of Sir Geoffrey Mulgan (n.3) p.178-180. It was suggested by Jason Beer KC that Blair passed the decision regarding the future of the project to his Chancellor, Gordon Brown: *‘So is this essentially handing the issue to the Chancellor to resolve’.* In fact the Prime Minister had already stipulated in this letter his wish that the Government should to commit to Option B3 (that is, procurement of the reconfigured Horizon) and was passing to his Chancellor only the issue of what form the project might take in future, pending more detailed analysis of the Smart Card option:

*‘But given where we were starting from with ICL, it would probably be best to commit now to Option B3 [continuation of Horizon without the BPC] and agree to do further intensive work on Option B1 over the next three months’.* The letter is quoted in full in *‘Origins Of A Disaster’* (n.26) p.546-547

*‘...a person is reckless as to a result when they are aware of a risk that it will occur, and it is - in the circumstances known to them - unreasonable to take that risk’.*<sup>49</sup>

Blair took the risk on a reconfigured Horizon because, for a myriad of political and commercial reasons, he considered this to be the least risky scenario. But in the absence of expert advice Blair had no objective means by which to calibrate or compare those risks. He took a leap into the unknown with consequences of untold gravity which were borne not by his Government nor by its Post Office but ultimately off-loaded onto the nation’s unsuspecting Sub-Postmasters. And in doing so, in forcing the Post Office to proceed with what he now concedes to have been a *‘seriously flawed’* product<sup>50</sup> the Prime Minister fired the starting gun for the greatest miscarriage of justice in British legal history.

The Inquiry has listed the following issues which were to be addressed during Phase Two:

- ‘1. Who was responsible for decision-making in relation to the commissioning, selection, specification and design of the Horizon IT System?’*
- 2. What involvement did the government have in those decisions?’*
- 3. What factors influenced those decisions?’*
- 4. What role, in particular, did commercial and financial considerations play?’.*<sup>51</sup>

If the purpose of Phase Two of the Post Office Horizon IT Inquiry was, in part, to determine the answers to the above questions then it is vitally important, not only for those impacted by the Horizon Scandal but for the public at large, that Sir Anthony Blair does not escape questioning regarding the decisions he made and the information he received about the risks involved in the Horizon project.

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<sup>49</sup> (n.34) para. 2

<sup>50</sup> (n.1) para. 15

<sup>51</sup> The first 4 of a total of 218 issues which comprise the Post Office Horizon IT Inquiry Completed List of Issues <<https://www.postofficehorizoninquiry.org.uk/publications/completed-list-issues>> Post Office Horizon IT Inquiry website, accessed 27.1.2023