

Strictly Confidential

POST OFFICE LTD BOARD**Chief Executive's Report****8. Project Sparrow**

- The Mediation Scheme has received 64 applications from sub-postmasters since it was opened at the end of August, with more expected before the deadline of 18 November. The Working Group overseeing the running of the scheme is now reviewing these applications to decide which should be accepted onto the scheme, which should be excluded and which require further information before a decision can be made. The aim is to get a few cases started on the mediation process before the end of 2013 with the majority happening between January and March next year. Sir Anthony Hooper has now been appointed as the Chair of the Working Group, and will lead his first meeting on 25 October.
- We are in the process of developing our internal settlement policy for the scheme, the purpose of which is to ensure that a consistent approach is taken to each case based on a clear understanding of the potential range of costs and outcomes from the process. A first draft will be discussed by the ExCo in November, although it will be subject to further refinement in light of the additional information that emerges about the caseload and our initial experiences of the full mediation process.
- Our external firm of criminal solicitors, Cartwright King (CK), has now completed a review of 301 cases subject to past prosecution to identify whether we have a duty to disclose the findings of the Second Sight report and associated issues. CK has concluded that disclosure is appropriate in 10 of these cases, and a short letter has therefore been sent to each of the defence teams to bring their attention to the report. It is now a matter for the defence in each case to determine what action, if any, they might take in light of this additional information. We are also awaiting an unknown number of further historical prosecution files from Royal Mail, although at this stage we have no reason to believe these will substantially increase the number of actual disclosures. In view of the potential interest from the Criminal Cases Review Commission, we have also asked our criminal barrister, Brian Altman QC, to conduct an independent review of the overall process we have taken to review past cases, reaching the conclusion that our approach is "fundamentally sound".
- We will submit a paper to the November ARC reviewing our overall policy for investigating and prosecuting future cases. This will be informed by a separate report that Brian Altman is preparing on the effectiveness of our current prosecutions approach from a criminal law perspective, but will also take into account wider business considerations such as value for money and reputational impacts.
- The first stage of the workstream looking at improvements to our sub-postmaster training and support processes will be completed in November, identifying the key gaps and shortcomings in our current approach, a detailed plan for delivering 'quick wins' and an overarching plan for taking forward the more fundamental reforms to our organisational structure and culture over the next 6-12 months. The process will be informed by the new Branch User Forum, the inaugural meeting of which will be convened in November once the recruitment process for sub-postmasters has been completed.