

ICL Pathway
Bringing
Technology
to **Post Office**
Counters &
Benefit Payments

Monthly
Progress
Report



December 1998



ICL Pathway

Programme Monthly Report

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Associated Documents:

	Reference	Vers	Date	Title	Source
[1]	PM/PRO/002	1.0	26/09/96	Pathway Programme - Project Planning, Reporting and Control	

Approval Authorities:

Name	Position	Signature	Date
J. H. Bennett	Managing Director		



ICL Pathway Monthly Report

Contents:

- 1 Managing Director's Summary**
- 2 Systems Report**
- 3 Commercial & Financial Report**
- 4 Customer Requirements Report**
- 5 Customer Service Report**
- 6 Quality & Risk Report**
- 7 Business Development Report**
- 8 International Sales Report**
- 9 Organisation & Personnel Report**
- 10 Post Office Client Report**



Managing Director's Summary

Managing Director's Summary

PROGRAMME PROGRESS

- Version 7 of the Pathway Programme Plan has been agreed with both our customers.
- The technical testing work for January 1999, which will prepare the main release of software for Live Trial continues to progress to plan.
- The key event is the start of National Roll-out, since this is the time when we begin to implement the critical infrastructure in the Post Office Network and on the completion of this, then the revenue flows to ICL Pathway begin in earnest. We and Post Office Counters Ltd are in agreement that August 1999 is the appropriate date to start National Roll-out with sufficient contingencies to cover the likely problems we will encounter. We believe that National Roll-out can begin in early August, whereas POCL view that it is more likely to be the last week in August. We continue to press for a more aggressive plan to avoid any unnecessary delay to this activity.
- Release 1c runs extremely well, has now been live for well over a year and is meeting all its design and performance objectives as agreed.

PROGRAMME ISSUES

- There are a number of the critical, technical and programme issues which we are actively addressing at this point and the ones we know are essential for successful management in order to achieve the major milestones for 1999.
- We continue to focus aggressively on the quality of the software and use all our efforts to drive out the remaining software bugs. Along side this, we do need to get the agreement of the customers to what we refer to as our Known Problem Register, which records often low level and low impact software and design issues which we intend to clear at a future date but not in 1999.
- There are a number of activities we must complete in order to be able to commence Live Trial in May this year. All of these are technically challenging, and probably the one we have given most attention to, and have the greatest concern with, is the Acceptance Process. This requires the commitment and support of our customers in order to allow successful completion of the Live Trial activity.
- The contract contained a large number of "Agreements to Agree". Most have been agreed informally, but it is essential that these agreements be captured and baselined as part of the new contract.

- The physical difficulty with the 19,000 Post Offices has been with us for a long time and although we have substantially upgraded the process to handle this task, it still provides us with a challenge. Included in this is the task to not only start, but maintain an implementation rate of 300 Post Offices a week for nearly 18 months, covering two winter periods. The team is well trained and well practised to tackle this but until we start it has to remain one of our major risks. Of great importance is the fundamental ownership and commitment on behalf of the two sponsors to seriously apply their efforts for the successful delivery of this Programme. Without customer support this programme will remain difficult and a clear cut ministerial decision will energise our two customers and remove any current hesitations they may have.

NEGOTIATIONS WITH THE AUTHORITIES

- We have now been in continuous detailed negotiations with POCL and Benefits Agency through the Treasury Review process for nearly five months now. The position we have reached in late December last year has been agreed in principle with POCL and now forms part of the ministerial discussions as to the way forward.
- There are a number of major components of the proposition currently with Government. Firstly and most importantly the operating life of this contract is doubled from a five year timeframe to 10 years. We have argued this consistently for over two years on the grounds that a programme of this complexity and high development risk must provide a sensible operating life to give the contractor any opportunity to recover a reasonable position. Notwithstanding the difficulties Government has expressed around procurement law, this extension period now looks secure.
- We have also progressed the argument that the increased complexity and requirements of the programme have to give way to increased prices and these, which largely fall on POCL have been accepted. In particular POCL have agreed to fund the technology refresh necessary in the Post Office Network in 2005/6.
- In addition to this POCL have built into the business plan and to their guarantees a whole new strand of transactions covering their ambition to enter the banking arena with their proposals for Network Banking Systems. These transactions are essential in the later timeframe of the programme to substitute for the BA transactions which we know will decline from 2006 onwards and will be close to zero by the end of the contract period.
- We have also established arrangements between ourselves and POCL to share costs and risk in areas such as Post Office Site preparation.

- We have also included within our business plan contingency funds to cover the critical known risks. The single largest of these is any risk or delay to the beginning of National Roll-out and possible problems in maintaining the beat rate of implementation. These contingency plans are an essential component of Risk Management which we must have in a programme which has elements of risk between medium and in some cases high severity.
- Progress with negotiations with BA have not been as good as those with POCL. BA have been asked only to maintain the Corbett offer of October 1998. They have been protected from the pricing adjustments we have made subsequently which have fallen almost universally on POCL. Nevertheless one critical area of negotiations with BA remains open and this includes their role in Acceptance. They have to date declined to accept and agree to the arrangements which are now agreed with POCL. This is a vital area for resolution after the ministerial agreement on the programme.



Systems Report

Systems Report

MONTHLY SUMMARY

- December gave us the opportunity to re-establish the customers confidence in the system and to overcome some misconceptions in terms of operational readiness, via a number of pre-proving activities. These were designed to demonstrate that the majority of the software incidents identified in previous end to end tests had been resolved satisfactorily. These and other tests planned in January would ensure a smoother Model Office Test and help us all to navigate the release authorisation (RAB) process successfully.
- All of the final test cycles for system test and business integration test have now been completed, comprising some 36,000 test conditions.
- The EPOSS Usability study planned to take place at Twickenham is to resume now that the electrical compliance work has been rectified.
- A considerable amount of parallel activities is now being undertaken by the team. In addition to the critical tasks associated with NR2 testing, release authorisation, contractual acceptance and roll-out preparation, the team is planning the introduction of a series of performance releases in the autumn involving the data warehouse, the host platforms and network configuration and is also well advanced with the design and development of NR2+. These represent another group of challenging milestones and deliverables for the team and will inevitably generate a new set of demanding management issues.
- We have had limited success with the permanent recruitment campaign both internally within ICL and externally. The IT market place is buoyant and it is becoming increasingly difficult to attract good people. In addition, the company is struggling to identify individuals currently on the ICL payroll who possess the required skills and willingness to work in Feltham.

PROGRESS

- The design and development teams continue to support the pre-proving and model office testing activities. This involved a CAPS 4 day target test which was extended to include the TIP interface. An initial 2 day counter test followed by a 4 day POCL end to end test utilising the external interfaces. All of these satisfied the exit criteria and further proving activities are planned to be run in January 1999. Stage 1 commences 6th January and stage 2 week commencing 18th January. The formal E2E and MOT streams are schedule to start 8th and 15th February respectively.

- The final pass test cycles for BPS core, temporary tokens & online, BES recovery & reconciliation, EPOSS, TPS, OBCS, APS, AP Reconciliation, RDMC/RDDS, Training Mode, RODB, MIS (including SLAM, Common Charging System & Fraud Case Management System), Migration and Business Integration are now all complete. The closure reports for all the streams are in production. The testing teams are now concentrating on regression testing and fault clearance.
- The design activities for NR2+ are broadly on schedule. There is some evidence of requirements creep and this is being addressed.
- A consolidated development plan for NR2+ will be available for review at the end of January 1999. The initial resource estimates for KMS suggest that this component is much larger than anticipated, consequently more detailed plans have been requested.
- Preparation for the Multi-Benefit testing streams has commenced with the CAPS script proving exercise scheduled to start in early January.

CURRENT CRITICAL PROBLEMS

- Software fixes not considered critical for MOT and technical infrastructure changes not exercised in MOT are implemented in the Live Trial Build/Baseline. This version is currently being regression tested in parallel with Customer pre-proving and MOT. There is a risk however, that the customers will insist that this version is also subject to a MOT resulting in consequential slippage to the roll-out schedule.
- Due the number of problems encountered with the Audit functionality in the BIT Final Pass cycle, it was removed and rescheduled for the BIT regression test. Acceptance will be achieved via BIT and MOT. If we encounter serious issues we may now have insufficient time to resolve them.

ISSUES

- Software problems which cannot be rectified in the time available continue to be submitted to the sponsors for business impact evaluation. There is a risk that the sponsors will insist that certain errors are rectified before National Roll-Out, although this has not been the case to date.
- The elapsed time required to download the appropriate data from the data centre to the PC during initial outlet installation is too long and will exceed the SLA. Options to overcome this problem are being evaluated.
- We have still to prove the new message store replication mechanism when PC's are replaced in outlets. The current approach takes too long and is unworkable.

ICL Pathway**Systems Monthly Report**Ref: PA/REP/033
Version: 1.0
Date: 02/02/98

- There are still issues surrounding the appropriateness of the MIS Standing Data used in the test streams. POCL have been appraised of their responsibilities in this area (i.e. Common Charging Data) and the implications of not responding in a timely manner.
- The initial manpower resource estimates for the development of the Key Management System (KMS) are much larger than anticipated. Further work is being carried out and a management review is planned for January 1999.
- A 'get well' programme has been agreed for the Service Level Agreement Monitoring System (SLAM). This includes performance improvements for the host and client components, usability and presentational enhancements and a small number of functional amendments. It is hoped that these can be tested and implemented before NRO.
- We have now identified a number of infrastructure performance upgrades which are necessary to support all 20,000 outlets. They include the introduction of VPN into the network and an upgrade of the Riposte Message Server. Plans are currently being drawn up to describe how and when these changes can be implemented.
- Now that the total Pathway system is built and will shortly be in full operation, it has become apparent that there is a need for a Riposte regression facility, i.e. a special environment which enables new versions of Riposte to be properly regression tested.
- ICL Pathway believe that it should now assume responsibility for the BES application developed for the counter by Escher. The commercial negotiations must be settled quickly if we rather than Escher are to develop the enhancements for NR2+.
- The existing EPOSS product has undergone a number of significant design changes during the past 2 years and has had a very large number of fixes applied to it, resulting in early maintenance decay. A detailed engineering review was commissioned in October 1998 and the findings due in January 1999. The way forward will not be easy to determine due to the implications/risk of large change versus future development constraints and maintenance difficulties.
- Now that it has been agreed that the host platforms must be upgraded from Sequent SE70 to NUMA-Q during the early stages of roll-out, detailed plans are being produced to ensure a successful and low risk implementation. However, it is being carried out in parallel with many other important tasks.
- The permanent recruitment campaign has had limited success and the formation of A&TC has not brought the benefits anticipated. Further discussions are planned in an attempt to improve the situation.
- The Systems Directorate organisation needs to evolve to handle the additional workload anticipated in the immediate future, particularly the applications emerging from the Citizen Direct/Golden Cloud initiative.

COSTS

- The budgets for the systems directorate continue to be refined and regularly reviewed but are now being used to monitor expenditure on a monthly basis.



Commercial & Financial Report

Commercial & Financial Report**MONTHLY SUMMARY**

- The draft MOU with POCL agreed on 18th December will, if confirmed with DSS and Treasury, provide the starting point for detailed restructuring of the main contracts.
- The Business Case was used extensively to inform negotiations in December.
- A Pathway commitment was agreed with Fujitsu prior to the 9th December offer to HMG, and the bottom line is frozen at that level.
- Work continued with S.G.Hambros and Grant Thornton to validate the Business Model and assumptions, and this is close to being concluded satisfactorily.
- All CNT and Joint Programmes and Commercial forum meetings have been cancelled by BA/POCL pending the outcome of contract renegotiation.
- The A2A activity remains critical and a great deal of work has now been identified to drive it forward to a conclusion. This work falls on many parts of Pathway.
- Supplier negotiations have gone on in parallel with WTL, Sequent, Girobank, flat screen suppliers, Sorbus, Fujitsu and others.
- Finance and Programmes are jointly reviewing the end-to-end WBS/ cost control/ forecast processes including time recording and tighter linkage to the Business Case.
- 1998 actuals showed an underspend against forecast reflecting below target activity on below target headcount - good news for cash but not for work completed.

PROGRESS

- Draft MOU with POCL
- Continued smooth running of the R1c service
- Although some contingency has been used, pre-MOT work has been going well and the Programme is still on track to achieve start of roll out in August - just.

BUSINESS CASE

- The Business Case was used extensively during December to inform the negotiations and to quantify options. The bottom line against which we are now working was frozen at 9th December Pathway offer status, as agreed with Fujitsu.

ICL Pathway Commercial & Financial Monthly ReportRef: PA/REP/033
Version: 1.0
Date: 02/02/98

- 1998 actuals have been factored into the Business Case in place of prior forecast. Run rates for 1999 and beyond are being reviewed in the light of experience. The result should be no net change although there will be some line item variations and the level of risk in the plan could increase or reduce.
- Work continued with S.G.Hambros and Grant Thornton to validate the Business Model and assumptions, and this is close to being concluded. The work includes the modelling of Government Gateway and POCL Smart Card.
- The Risk Register was recast according to which risks had been catered for within the Business Case and which remained outside. High risk items have generally been covered within the Business Case, and this represents a level of contingency not previously included. However, planned revenues now include re-engineered POCL services, universal banking, household budgeting and magistrates courts fines and as such are at the top end of what we can reasonably expect. Reductions to headcount and other costs during steady state are already assumed although there are no firm plans to achieve them. It follows that without real action on the part of the Management Team there is currently a significant balance of risk in the base case. Bringing the programme back to profitability depends on identifying significantly lower cost ways to deliver and operate the business (Cost Down) and/or the inclusion of Better Government, POCL smart cards and other additional revenue streams (Revenue Up).
- The work continued with S.G.Hambros and Grant Thornton to validate the Business Model and assumptions, and this is close to being concluded satisfactorily. It includes the modelling of Government Gateway and POCL Smart Card.
- Discussions were held with our auditors PwC as to project profitably and the implications for accounting based on the latest negotiations. These remain to be concluded.
- We took the Fujitsu team through the cost model, including analysis by sub-contractor and headcount, and the track from previous versions of the Business Case.

COMMERCIAL - CUSTOMER FACING

- All CNT and Joint Programmes and Commercial forum meetings have been cancelled by BA/POCL pending the outcome of contract renegotiations.
- Joint work has gone on in the background to progress key CCNs and establish a solid contract baseline suitable for amendment when the time comes to incorporate the outcome of the high level negotiations. The agreed target, as a minimum, is Baseline Version 8 plus CCN117.

ICL Pathway Commercial & Financial Monthly ReportRef: PA/REP/033
Version: 1.0
Date: 02/02/98

- The A2A work continues. There is a great deal for Pathway still to do, much of it essential for a viable Acceptance process and smooth Release Authorisation into roll out. A series of workshops is being held to move the A2As forward, specifying the actions and responsibilities required to clear each one. Changes to Solutions are required in many cases. Some are administrative, some substantive. Some require changes to Requirements, but because the Requirements are so loose, these are in the minority.
- The likely outcome is a new CCN tally of circa 150, the majority of which will need to be signed off as contract baseline if our product and service specification is to be protected. We are currently not adequately resourced to carry out this work in the limited time available. Special actions are being considered to meet the demand. We should expect howls of protest from BA/POCL when we insist that these CCNs be signed as condition precedent to the new agreement (even though this was heralded in the commercial proposal of 9th November). Delay in closing that agreement will be difficult to avoid if we stick to our guns (which in my view we must - this is our third and last chance to secure an agreed specification).
- Enormous, sustained pressure will be needed to achieve a restructured contract in less than three months. Even this assumes that the eventual HMG instructions to DSS and POCL are clear, that the draft MOU and Partnership Plus agreements with POCL hold and that DSS act positively.

COMMERCIAL - SUPPLIER FACING

- Supplier negotiations have gone on with WTL, Sequent, Girobank, flat screen suppliers, Sorbus, Fujitsu (PCs) and others to deal with changing requirements and the programme slippage.
- Programme slippage will result in further payments for fixed costs in 1999, in lieu of activity, in the region of £5m plus. The majority of this value is accounted for by Girobank and De La Rue.
- Good progress has been made on enhancing the equipment, at reduced cost in the case of PCs and little net additional cost in the case of flat screens (on a cost of ownership basis).

FINANCIAL CONTROLS

- Finance and Programmes are jointly reviewing the end-to-end WBS/ cost control/ forecast processes, including the introduction of time recording. Changes will be announced very shortly with the objectives of improving the quality of resource planning, forecasting and control, and providing a more robust basis for product profitability and customer charging (CCNs).

ICL Pathway Commercial & Financial Monthly Report

Ref: PA/REP/033
Version: 1.0
Date: 02/02/98

- We are looking at how procedurally to tighten the link between these short terms processes and the Business Model which deals with the entire life of the project. The intention is that each component of the Business Plan will be allocated to a department Director for him to 'own' as an extension to the current short term budget window he currently deals with. The Business Model will become the primary tool for driving 'Cost Down' (and 'Revenue Up') as well as the basis for project accounting.
- More on this soon.

CURRENT CRITICAL PROBLEMS

- Dealing with the shear volume of A2As.

ISSUES

- The continuing cash drain without any agreement with HMG.
- The poor state of the current Business Case.
- The current balance of risk in the Business Case - pending identified, committed and achievable actions to achieve cost reductions and revenue increases.
- Funding requirements.
- Customer attitudes to the Programme.

COSTS

- The Controller's report follows.

ICL Pathway Commercial & Financial Monthly ReportRef: PA/REP/033
Version: 1.0
Date: 02/02/98**DECEMBER ACTUALS 1998****KEY NUMBERS (£000'S)**

		Month of December 1998		Year to Date / End December 1998		
		Actual	Variance vs. Forecast	Actual	Variances vs.	
					Forecast	"Budget"
Trading/Project Costs	Revenue	174	50	1,017	32	393
	Project Costs before Capitalisations	9,413	1,157	103,753	967	(20,154)
	Declared PBT Losses	21	121	1,296	141	(296)
Cash/Balance Sheet	Business Operating Cash Flow	(8,444)	2,675	(108,817)	3,359	(16,132)
	Project WIP			195,210	829	(19,298)
	Net Fixed Assets			40,896	850	1,597
	Total Borrowings			198,773	3,358	(11,275)

		End of December 1998		
		Actual	Variances vs.	
			Forecast	"Budget"
Headcount:	Permanent	195	20	(50)
	Non-Permanent (ITs and Temporaries)	11	3	(9)
	(Memo): Freelancers procured through ICL IT Contractor Services	179	5	(91)

Comments:

A fairly positive end to the calendar year, with overall cost levels well below forecast and a much smaller than forecast deficit on International operations. Although short-term variances against forecast went the right way, the significant full year adverse variances against our budgeted expectations in all areas must not be overlooked.

Improved working capital levels and lower fixed asset investment gave a favourable borrowings variance against forecast of £3.55m.

Total headcount levels for permanents and freelancers were both lower than forecast, although the above-forecast use of freelancers in lieu of hard-to-find permanents in Systems delivery areas continues.

ICL Pathway Commercial & Financial Monthly ReportRef: PA/REP/033
Version: 1.0
Date: 02/02/98**DECEMBER ACTUALS 1998****PROJECT COST ANALYSIS (£000'S)**

	Month of December 1998		Year to December 1998		
	Actual	Variance vs. Forecast	Actual	Forecast	"Budget"
Revenue	174	50	1,017	32	393
Direct Cost of Sales	1,499	231	19,418	111	(3,192)
Gross Margin (Deficit)	(1,325)	281	(18,399)	143	(2,799)
Opex:-					
Labour - Own Staff	757	136	9,542	99	(1,725)
Travel & Subsistence	80	(15)	626	(35)	(5)
Freelancers	1,991	93	19,245	102	(5,843)
ICL Subcontracts	1,496	216	16,083	206	(3,687)
Other Subcontracts	484	268	8,653	213	(889)
Depreciation	1,290	34	13,473	44	(3,471)
Marketing	45	6	547	23	909
Professional	251	98	2,239	162	(1,279)
Other opex	389	21	4,152	(8)	(705)
Gross Project Opex	6,783	857	73,560	806	(16,695)
Interest costs	1,305	19	11,794	18	(659)
Costs before Capitalisations	9,413	1,157	103,753	967	(20,154)
Declared PBT Losses	21	121	1,298	141	(296)
Capitalised into WIP during year	9,392	1,036	102,457	826	(19,858)

Comments:

Revenue gains were derived from our involvement in overseas post office projects in Hungary, Namibia and Portugal.

Virtually all cost areas recorded savings against forecast. The £0.23m gain in cost of sales was due mainly to invoicing from the former ICL Sorbus in respect of field service and technical helpdesks being lower than accrued amounts. Further accrual adjustments on charges from Energis were also favourable. Payroll costs were lower than forecast because of a combination of recruitment lag and revised local bonus accruals.

Subcontract savings were recorded with both ICL and external subcontractors. Internal cost gains arose from lower than forecast use of ISTL resources and a credit from Outsourcing relating to 1st/4th line support. External subcontract variances of £0.27m were due to timing variances on Escher development costs and deferred implementation-related costs (Horizon Field Support Officers).

The other significant favourable variance was one of £0.1m on legal fees, due to later than forecast activities on extra project financing requirements.

DECEMBER ACTUALS 1998**HEADCOUNT**

	End of December 1998		
	Actual	Forecast	"Budget"
Permanent Headcount			
Systems	37	10	(21)
Implementation	48	7	(12)
Customer Service	56	1	(17)
All other departments	54	2	-
Totals - Permanent Staff	195	20	(50)
Non-Permanent Headcount			
Industrial Trainees and Temporary Staff	11	3	(9)
Freelancers sourced through ICL IT Contractor Services			
Systems	138	(5)	(78)
Implementation	3	2	1
Customer Service	6	1	1
All other departments	32	7	(17)
Totals - Higher Skills Freelancers	179	5	(93)
Totals - Non-Permanent Staff	190	8	(102)
Grand Totals	385	28	(152)

Comments:

December is never an easy recruitment month, and this is fully reflected in the across the board lower than forecast permanent headcount numbers.

The continuing scarcity of appropriate candidates for permanent positions in key Systems areas such as Design and Development forces the higher than forecast use of freelance staff in order to meet tight programme timescales.

ICL Pathway Commercial & Financial Monthly ReportRef: PA/REP/033
Version: 1.0
Date: 02/02/98**DECEMBER ACTUALS 1998****CASH FLOW (£000'S)****Inflows/(Outflows)**

Net Project Costs - capitalised into WIP
Project costs taken straight to P & L
Depreciation
Movement in other Working Capital Items
Fixed Asset Additions

Business Operating Cash Outflow

Opening Net Borrowings
Closing Net Borrowings

Month of December 1998		
Actual	Variance vs. Forecast	
(9,392)	1,036	
(21)	121	
1,290	(34)	
2,572	1,918	
(2,893)	(368)	
(8,444)	2,675	
190,328	684	
198,773	3,358	

Year to December 1998		
Actual	Variances vs. Forecast "Budget"	
(102,457)	826	(19,858)
(1,296)	141	(296)
13,473	(44)	3,471
(461)	1,542	2,903
(18,076)	894	(2,352)
(108,817)	3,359	(16,132)
89,955	-	4,857
198,773	(3,358)	(11,276)

BALANCE SHEETS (£000'S)

Net Fixed Assets
Project Work in Progress
Other Working Capital

Totals

Share Capital
Retained Earnings

Group Pooled Borrowings
External Loans

Total Borrowings**Totals**

December 1998 - Pathway Total		
December Actual	Forecast (made in Nov.)	ICL "Budget"
40,896	41,746	42,493
195,210	196,039	175,912
(19,218)	(17,679)	(12,310)
216,888	220,106	206,095
20,000	20,000	20,000
(1,885)	(2,025)	(1,403)
25,653	9,031	88,692
173,120	193,100	98,806
198,773	202,131	187,498
216,888	220,106	206,095

Comments:

Although fixed asset additions were higher than forecast in the month, this was mainly catching up on the previous period's deferrals. Several December items arrived just after the calendar year-end, leading to a lower fixed asset levels at month-end.

In spite of the lower levels of project expenditure, some extra days were squeezed out of our trade creditors to give a favourable variance of £1.54m on December working capital balances. This was the major contributor to the £2.68m favourable cash flow variance in the month, bringing the total favourable variance against the November forecast over the 2 months to £3.36m.

This cushioned some hefty unforecast outflows made in the early days of 1999.



Customer Requirements Report

Customer Requirements Report

MONTHLY SUMMARY

- The progress on closing down the Acceptance Specifications continued during December and the New Year break. The number agreed rose to from 13 to 20 leaving just three overdue (POCL Infrastructure, Reference Data and Benefit Encashment Service (BES)), and one due in February (Service Boundaries). The Trials Closure Report phase has started and the first Review Closure Report has been issued.

DETAILED PLAN ACTIVITIES**NEW RELEASE 2**

- The PinICL (testing incident) situation is under control, with only ten with Customer Requirements or the PinICL Impact Assessment Team (PIAT) - mostly lower priority.
- The Known Problem Register (KPR) (declared problems which should not prevent Acceptance provided there are few medium severity entries) stands at exactly 100 PinICLs.
- The BES, Card Issue (PCDF) and Help Desk (PCHL) Contractual Procedures (PPDs) are under formal review. The BES one is of particular importance to Acceptance and several issues have been flagged.
- The High Level Test Plan (HLTP) for Security Penetration Testing (not an Acceptance activity) is available and costings are favourable.
- *Benefit Payment Service (BPS) Reference Data at Release 2*, was revised for DSS and will go forward as a Contract Controlled Document (CCD).

RELEASE NEW 2+

- We have lodged a number of issues for resolution at the next DSS Processes (CAPS) review, including problems being encountered on the live 1c system. DSS continues to send both file changes to both the Payment and Card interfaces even where a change only affects one, thus causing a nugatory incident to be logged on the other.
- The equivalent POCL forum, the Joint End-2-End Board, is struggling with its identity: the POCL bias is for Pathway technical architecture and design, rather than its own business process functionality.
- The designs for BPS at New Release 2+ were reviewed. A session to go firm on the final content is to be held.
- *Access Control Policy* was baselined as planned.

ICL Pathway Customer Requirements Monthly ReportRef: PA/REP/033
Version: 1.0
Date: 02/02/98

CARS

- There was again no Contracting Authorities' Responsibilities activity.

A2AS

- Agreements to Agree for Order Book Host system (ESNCS) and BES encashment data were achieved.

CCNS / CRS / CPS

- Customer Requirements is responsible for 38 open Change Items of which 30 are complete as submitted Change Control Notes or rejected Change Requests, and four are raised as Change Proposals. Of the remainder:
- CR B5b (single signature receipts) requires Design costings, two (CR R32,33) for EPOSS and TIP raised 23/12 are being assessed and one (CP 1392) to introduce new AP schemes requires Customer Service timetable agreement and a reworked CCN.
- In addition, for CCN 117, more comments and text revisions for Requirements and Solution changes were discussed; the details are understood to be now close to agreement.

ACCEPTANCE RESOURCING

- Jan Holmes has been brought in as the Audit Acceptance Test Manager and has produced an initial Reviews plan.
- Dave Groom has similarly been brought in to cover the Policies & Standards area - an all-Review task.

ACCEPTANCE SPECIFICATIONS

- There are ten specifications approved and ten more with approval in progress, leaving four outstanding:
 - BES: The specification is approved at working levels but POCL has been legally advised not to approve it. A formal letter from POCL has been sought in writing and is awaited. DSS is willing to approve it. This issue is believed to be that POCL do not have legal powers to incur a liability should Pathway's liabilities under the contract be exhausted. Normally, difficult issues like this are handled by separating them from operational work for legal/commercial agreement, but in this case no such "caveat" has been proposed.
 - Reference Data: A further few comments were responded to and a further revision provided to POCL 8/1.
 - POCL Infrastructure: POCL are reviewing version 1.7, 22/12 together with two requested caveats (Office Platform/Transaction Management (OPS/TMS) boundary and Technical Documentation).

ICL Pathway Customer Requirements Monthly ReportRef: PA/REP/033
Version: 1.0
Date: 02/02/98

- Service Boundaries: With DSS/POCL for review, not due for approval until 2/99. Acceptance will be discharged by a review of the SADD Appendix B (with some minor additions needed) and a new document on Boundary Performance Methodology.
- Security: The document produced for Requirement 897/2 (Security Threat Analysis) was well received by Horizon, underpinning the original agreement to the specification. The list of caveats has been reviewed by Pathway. Approval of the caveats is a dependency on completing outstanding approvals.
- The Acceptance database has been updated for BES and Service Boundaries specification changes.
- The Acceptance caveats were reviewed.

ACCEPTANCE TRIALS

- OBCS (Order Books): The Closure Report was revised and re-issued. One PinICL (and thus one Acceptance Criterion) is awaiting retest.
- BPS (Benefit Payments): The Final Test Pass went reasonably well with 93% of Acceptance scenarios running error free. The Acceptance Closure Report will classify the PinICLs noting those which result in any form of Acceptance Incident. Several categories have been identified:
 - Previously known faults, which were repeated under Final Pass
 - New faults (grouped as fix underway or fix deferred/KPR)
 - Observations, where the underlying system operation is deemed correct, but some clarification needs to be agreed with Horizon Acceptance Managers
- Areas of major incidents were:
 - Card renewal (not critical operationally until NR2+)
 - Foreign encashments under certain circumstances
 - Error handling on manual card entry screen, particularly in casual agent transactions (a limited fix has been agreed for this due to complexity of full solution and risk of destabilising NR2)
 - Data Warehouse & Management Information (MIS)
 - Audit
- In addition several problems relating to payment migration between the current Release 1c and New Release 2 were identified and these will be grouped together for KPR purposes.
- EPOSS: The Final Pass was completed and the retests are being progressed. The test results are being analysed from the Acceptance standpoint.
- APS (Automated Payment): No activity.

ICL Pathway Customer Requirements Monthly ReportRef: PA/REP/033
Version: 1.0
Date: 02/02/98

- **Service Levels (Performance):** All but one of the 25 "Tranche 1" performance tests were run and most test reports are in draft. These reports will be used by Systems to document Scalability and Performance for the Release Authorisation Board as well as Acceptance. The Performance Testing baseline will specify two further tranches and will need to provide the 20 counter tests required for Acceptance. Of the 82 Performance PinICLs raised all but 16 are now closed.
- **Security:** The issues affecting test completion are platform availability - Roll-Out Database will definitely need to be deferred - and certain build items such as MiECCO (a migration utility). Third party testing has made good progress and Horizon is satisfied with the projected schedule for completion. There are 99 open Security PinICLs, two of which are agreed as HIGH, and seven more, mainly in the FTMS area, are rated HIGH by the customer (but not us) and nine jointly agreed MEDIUM. Of the 99, 38 are ready for build. The test phase formally closes on 18 January.
- **Systems Management (supports POCL Infrastructure):** The excellent test report indicates that all testing in this area was complete and there are no Business Impact 1 or 2 PinICLs outstanding.
- **Technical Integrity and Networking (part of Security):** The report shows that 111 of the total of 191 PinICLs have been closed, with Audit the main work area.
- The OBCS sample Trials Closure Report comments were responded to.

ACCEPTANCE REVIEWS

- The Review Closure Report for Customer Education was issued.
- BPS: Work has started on getting the documents together.
- Security: The documentation needed is in good shape; with just a few still in early draft.

NEW BUSINESS SUPPORT

- **SPM: (Simple Payment Module (British Gas Smart Card support))** The target is to get a firm Requirement Specification by the end of January to underpin design. The remaining issues, Regional Tariffs and a customer Standing Charge, are both potentially subject to decisions of the Government's regulator (OfGAS).
- **Token Verification - Customer Service** is agreeing the operating timetable for introducing new batches of AP tokens for inclusion within the revised CCN.

OTHER TEAM ACTIVITIES

- Dave H has been nominated unopposed to chair the Workflow Management Coalition Technical Committee for a further year.

CURRENT CRITICAL PROBLEMS

- None.

ISSUES

- Technical & Security Testing (Bracknell): There is a considerable amount of PinICL clearance to achieve during January.
- There is also a considerable amount of Feltham-based deferred testing and retest to achieve during January and February.

Customer Service Report



Customer Service Report

MONTHLY SUMMARY

- Counter service was good with few problems and no new major ones. The most serious outstanding issue remains that of BA issuing order books with bar codes that cannot be read. This is causing extra workload for the Helpdesks and could become a significant customer satisfaction issue if not resolved quickly.
- The Data Centre experienced a major problem when the EMC SCSI adapter failed. PAS/CMS was down for 6 hours. This also impacted the PCHL service.
- A second problem occurred with the Energis switch at Kearsley where, despite efforts to improve process quality, Energis allowed one of their suppliers to apply an untested patch to the live system.

RELEASE 1C VITAL STATISTICS

- Installed base : 204 Post Offices, 334 counters
 - Number of Cards issued 46,664
 - Number of Active Cards in use 36,816
 - Total number of BES Counter Transactions 841,020
 - BES Counter Transactions in month 89,013
 - Total value of Benefit Payments received £26.7m
 - Value of Benefit Payments received in month £3.0m
 - Total value of Benefit Encashments made £25.5m
 - Value of Benefit Encashments in month £2.7m
 - Total number of OBCS Transactions 6.4m
 - Total number of books impounded 17,721

PROGRESS**OPERATIONS**

- The Data Centre experienced a major problem when the EMC SCSI adapter failed. PAS/CMS was down for 6 hours. This also impacted the PCHL service. The major issues concern the poor response times of the EMC engineer and the time taken to recover the Database. Oracle World-wide Support was called in and they were puzzled why the database failed to restart automatically. A full investigation is underway.

- A second problem occurred with the Energis switch at Kearsley where, despite efforts to improve process quality, Energis again allowed one of their suppliers to apply an untested patch to the live system. This has been explained by Energis as human error. A full report has been requested.

BUSINESS SUPPORT

- The overall incident rate increased slightly to 0.04% in December with 40 incidents being received against 89k payments. Of these, 21 were 'Non committed' transactions all due to the clerk voiding the transaction after paying the customer.
- The number of incomplete transactions increased to 13 (0.015%) 4 of which were entirely due to power failures during severe weather.
- There were no SLA non-conformances and the BES stream continues to be fully reconciled.
- In preparation for NR2, the BSU was able to reconcile TIP and CboS data for each day of the end-to-end test. This has given a welcome confidence boost to POCL.

BA & POCL SERVICES

- PCHL suffered loss of system due to the Sequent failure. Calls were still taken and more than half, that did not require PAS/CMS access, were processed successfully.
- An RML trial was conducted to test the payment card delivery and hand-over procedure. It found that the PO address data is far from accurate. A report has been received and shared with the implementation team.

CUSTOMER SATISFACTION

- Customer perception of our service continues to be high, reflecting the efforts of the helpdesks and engineering teams.
- The 3 most significant problems by volume are:
 - 'Shiny barcodes' - Despite early optimism, the initial resolution has only been partly successful. BA owns the problem, but POCL are currently reluctant to send any briefing to the Postmasters.
 - Power cuts - The recent storms particularly in the North East caused significant problems. Knock on effect with missing PMMC cards.
 - Ithaca printers - A persistent problem although there were only 3 genuine printer hardware faults this month. This is within expected reliability levels.

SYSTEM SUPPORT

- Agreement has been reached with Workplace Technology over plans for the extended machine room on the 6th Floor at BRA01. The work is expected to be complete by the end of February.
- A draft of the support agreement for Eicon software has been produced.
- Agreement has been reached with Oracle for residual 1C support.
- Filtration from the SMC remains a problem. We are meeting with OSD this week to establish improvement plans.

CURRENT CRITICAL PROBLEMS

- None

ISSUES

- None



Quality & Risk Report

Quality & Risk Report

MONTHLY SUMMARY

- FRM progress - Sign-off of CCN243 is still being pursued, with issues raised by POCL. Hangouts in FRM reports for NR2 have been identified.
- Risk Management - There is now significant activity in roll-out risks. The NRO Risk Register is highlighting the need to tightly control the end to end process, including the dependency on POCL and modelling of processes has begun. The Programme Risk Review has shown an increase in overall risk exposure, due mainly to the identification of increased roll-out and Acceptance risks.
- System Security - Penetration testing (counter and technical) has been defined at high level. Security Event Management and general security processes continue to be progressed. Issues regarding the incomplete adoption of security requirements continue to be raised and dealt with.
- Quality - Dave Groom has now assumed responsibility for Acceptance Test Manager for Policies & Standards. Disaster Recovery Planning; collection of information to support the plans continues. Packaging recycling returns have started.
- Audit - There are still significant issues remaining with the Audit solution and testing. Substantial progress has been made with the operational definition of the function (Audit Manual and Trail Specifications). Two internal audits have been completed - Customer Services and Verification Centre. Jan Holmes has assumed responsibility for Acceptance Test Manager for Audit.
- Year 2000 Conformance - Internal testing continues well, with only a few faults raised. Some gaps in test coverage have been identified. Testing of Implementation systems and the potential impact of Y2k problems on roll-out remain issues.

PROGRESS**FRAUD RISK MANAGEMENT****NEW RELEASE 2**

- FRM reports - There are still outstanding issues with the EVP, Lost & Stolen Cards and Impounded Cards reports, anticipated to be fixed for Live Trial.
- Modelling of FRM activities has started, so that investigation costs can be determined.

NEW RELEASE 2+

- EVP: The sign off of CCN 243 ('Soft EVP') is still being pursued, with POCL arguing about Card Reader failure issues.

RISK MANAGEMENT

- NRO Risk Register, December. It is highlighting the need to manage the end to end process (including the dependency on POCL) very tightly to achieve a beat rate of 300pw. Two major impacts have been identified:
 - A high risk of a long tail of hangouts, potentially 4 months, at the end of roll out.
 - A low to medium risk of interruption to the roll out (worst case scenario), the impact decreasing as roll out progresses.
- Modelling of the NRO process has now assumed a high priority.
- The December Programmes Risk Review showed an increase in overall risk score:
 - NR2 risks have decreased overall; there remain concerns over software quality, level of PinICLs, and recent changes to the schedule to introduce pre-proving exercises before MOT.
 - NR2+; the major risk remains conflict of resources with NR2
 - Implementation / roll out. Risks have increased with the identification of significant levels of exceptions in the infrastructure programme. This has resulted in a need to restructure the approach and, with POCL dependencies, a significant risk of a long tail of hangouts.
 - Acceptance. The risks associated with dependency on POCL resource level and ability remain.
- Business Continuity plans for all providers of roll out services are being reviewed and a risk assessment conducted.

SYSTEM SECURITY**GENERAL**

- A Security Awareness programme has been agreed for use internally, in the HSH and SMC. Trevor Birch, an ICL Consultant is creating a programme to Pathway requirements and will conduct the sessions in the New Year.
- An article is being prepared for inclusion in the April '99 edition of 'The Courier'.

RELEASE 1C

- Concerns regarding physical security at sites is being addressed:

ICL Pathway**Quality & Risk Monthly Report**Ref: PA/REP/033
Version: 1.0
Date: 02/02/98

- Bootle, car borne devices; escalation procedures during security alerts are being discussed with A&L
- Wigan; changes to the site security are well advanced.
- LSA; solutions to the issue of cryptographic vulnerability are being discussed.
- Horizon Security Passes Audit Procedure and Horizon Security Passes Procedure have been updated.

NEW RELEASE 2

- Work continues on documentation and procedures for NR2;
 - The Security Management Procedures; Horizon comments have been discussed and incorporated as appropriate.
 - One Shot Passwords, POCL processes have been included in PPDs.
 - SecurID Token and PIN Management processes are being reviewed.
- Penetration testing - Discussions with T&I re: rigs, resourcing and timing are planned during January.
 - Technical penetration. The HLTP prepared by Admiral has been agreed.
 - Counter penetration. The high level definition has been produced.
- Testing;
 - Business impacting of PinICLs continues.
 - Security Joint Working Team has visited A&L and Outsourcing to observe and review third party testing.
- PACE - ICL Outsourcing obligations have been agreed for the provision of data and documentation to support the production of certification for fraud prosecutions.
- Antivirus - Requirements for initial installation and monthly upgrades of AV software on workstations in the live environment (e.g. MIS, SEM, Audit, FRM, RoDB clients) are being produced and agreed with Design.
- SEM - NT codes for Tivoli filtering are being agreed. Patrol security event retention needs to be improved to include more details. The SEM Requirements document is being updated.
- Issues:
 - Clearance of Pathway and other ICL staff to view NSI data - with BA
 - Password quality on CAPS boxes - with DITSG.
 - PCHL cannot harvest NT events as there is no system management - with Customer Services.

QUALITY

- Disaster Recovery Planning continues. 36 out of 44 sets of data has now been forwarded to SMH. Reviews of draft Plans have been fed back.
- Packaging recycling - 1998 returns. Collection of data has begun. During rollout, Pathway packaging will form a significant proportion of the total used by ICL. The recycling process is capable of relatively easy control and modifications to the Exel contract have been discussed, so that they provide Packaging Recycling Notes.
- Dave Groom has now added to his responsibilities the role of Acceptance Test Manager for Policies & Standards.

AUDIT

- The Horizon System Audit Manual (HSAM) has been reviewed by BA / POCL. Comments have been incorporated.
- Audit Trail Specifications. These are intended to be detailed descriptions of data flows for business streams, to help with audit extraction. Draft specifications for OBCS, APS, CCS, SLCA and SLAM have been produced.
- The Legato interface has been confirmed as totally unsuitable for Audit retrieval. Legato is being consulted regarding a more practical front end.
- Customer Service Audit has completed. Audit meetings have been held to discuss findings - a few minor issues have emerged. The draft report is due to be issued and discussed with CS managers, during January.
- Verification Centre Audit has completed. Issues raised include verification of rig builds, Celestica quality assurance, manufacturing security, process definition and updating of On-Line Standards.
- Jan Holmes has now added to his responsibilities the role of Acceptance Test Manager for Audit. A draft analysis and matrix of reviews, visits, tests that are required has been produced for discussion.
- Audit testing. Audit acceptance activities had to be dropped from BIT due to the unacceptable number of PinICLs. These activities will have to be addressed during the BIT regression cycle. The provision of MOT audit testing facilities is being progressed.

YEAR 2000 CONFORMANCE

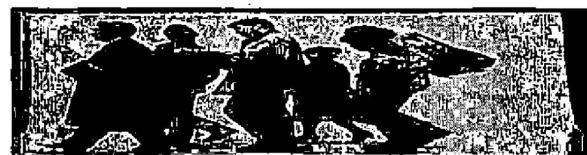
- Y2k testing continues well with only a few faults raised. A test coverage review has revealed a number of issues including Audit archive, Data Warehouse, script gaps and Implementation systems.
- We have now seen the draft DSS Millenium Operating Regime overall plan (no detailed plans). There is nothing of substance that is not covered by the ICL Policy.
- 3rd party issues continue to be monitored and changes impacted.

CURRENT CRITICAL PROBLEMS

- Sign off of CCN243.
- Audit delivery; particularly content, testing and assurance for R2 authorisation is still an issue.

ISSUES

- Disaster Recovery Plans; loss of SMH staff.
- Audit; requirement 816 states that Record retrieval shall be packaged in weekly batches as complete POCL Outlet Accounting Period cycle. This has not been resolved.
- Roll out vulnerability to Y2k problems.
- Test coverage of implementation systems.
- Ensuring Y2k readiness of external support organisations.
- Business critical systems continue to be run on platforms not recognised in the TED or TEI and not subject to proper verification and configuration control.



Business Development Report

Business Development Report

MONTHLY SUMMARY**BUSINESS DEVELOPMENT**

- Overall progress is somewhat difficult in the current climate of uncertainty. POCL do not want to engage until there is a clear green light from Government. In this fallow period, we are continuing to progress plans for activity as soon as the green light is given. These plans principally cover banking, bill payment and mails.

LOGISTICS FEEDER SERVICE (LFS)

- The CCN is now signed off by all parties. There are a number of contracting authorities responsibilities (CARS) which now need to be delivered. No firm commitment has been given yet for Release 2+ as that is dependent on delivery of the CARS. However the planning assumption is for delivery in NR2+.

NETWORK BANK

- No discussion with POCL. Their programme director for Network Bank is leaving to head up Royal Mail in USA. No replacement has as yet been found. I am checking ICL contacts for possible candidates. However despite that, there has been major progress on the architecture front with a high level design document due by end Jan.

EFTPOS

- POCL's trial has finished but the results have not as yet been shared. The project manager has moved to another role but we continue to press for a statement of requirement.

PARTNERSHIP

- On the assumption of a green light, Partnership + will come into being. I am engaging with a number of different groups right now to assess how we need to change to make Partnership + work. My concern revolves around the fact that we will be dealing with the same people on a day-to-day basis. There is no reason for them to modify their behaviour and to join up in a partnership way. While we must continue to make this point at the highest level in Post Office, we need to examine how we can work the system to best advantage.

CUSTOMER EDUCATION & COMMUNICATIONS

- As the plan moves, we are continuing to hold to our customer education baseline. This is vital to ensure that we stay within our budgeted figures. If any change is proposed, I want the customer to raise this issue, not us. There is currently not a lot of agreement between the two sponsors on the detail of the advertising campaign. We can but await the outcome of their deliberations while still keeping an eye on progress. The crux of this debate is that BA hold the upper hand on customer education and POCL would like to do so.
- There has been little press interest in the past month. We still receive regular calls from journalists but they can't find any new story.

PROGRESS

- The One ICL presentation given to Post Office in November has now been passed to Group Comms. We expect this to appear on CafeVIK for cross-company use.
- Steve Cowburn's management of change work is on hold again pending the outcome of the review.
- Work on A2As has continued with a renewed urgency following the need to clear all outstanding contractual areas as part of the detailed work to form a new baseline.
- Meetings/presentations have continued with Fujitsu, National Savings, Royal Mail, Camelot and ICL Government.
- The marketing suite is in the process of being upgraded. We are also examining an enhanced set of demonstrations that better show the end-to-end nature of the system.
- Training has taken up quite some time in an effort to tie down our contractual baseline and limit any exposure. This appears to have been successful and POCL are now raising a Change Request to cover the shortfall in training as a result of them underspecifying their requirements.

CRITICAL PROBLEMS

NETWORK BANK

- We need design resource available for early February to follow on the architecture work. This resource is not yet in place.

JOINED UP COMMUNICATION

- There is an obvious need for a joined up approach to both internal and external communications. Having raised this at John Roberts & Stuart Sweetman level, there is now a meeting in diary with Rob Durrant, POCL's Director of Communication. I do not hold great hopes for the outcome but I go with an open mind and a set of proposals.



International Sales Report

ICL Pathway International Sales Monthly Report

Ref: PA/REP/033
Version: 1.0
Date: 02/02/98

International Sales Report

MONTHLY SUMMARY

- No submission this month



Organisation & Personnel Report



Organisation & Personnel Report

MONTHLY SUMMARY

- Recruitment activity remained at a high level although the numbers of candidates actively looking to change jobs declined as Christmas approached. The Personnel team continued to work with managers, group H.R. and the Career Action Learning Centre to prepare for the introduction of Performance + and Professional Communities.

PROGRESS

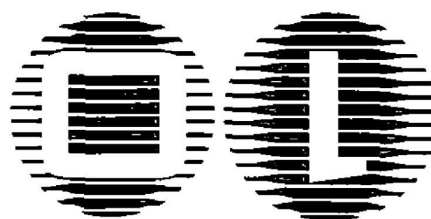
- Recruitment of permanent employees was as follows:
 - Permanent appointments in December 3
 - Currently under offer 3
 - Appointments YTD 103
 - Current requirements 31
- Recruitment activity took place across a number of departments within ICL Pathway. The main source of candidates was external recruitment through careers fairs. Internal advertising did not produce enough suitably qualified candidates and external advertising is currently not seen as cost effective, given the level of response. Therefore, ICL Pathway will continue to be fully committed and highly visible at recruitment fairs throughout 1999.
- It was also recognised that ICL Pathway needs to strengthen its links with A&TC in order to increase the numbers of vacancies filled by professionals from this unit. A key requirement is speed of turn round of CV's by ICL Pathway managers to ensure suitable candidates are not lost. The Personnel department will undertake more progress chasing activity to improve the situation.
- In respect of graduate recruitment, the numbers and skills required for 1999 were identified and a number of assessment centres set up for early/mid 1999.
- Provisional allocation of all permanent employees into a Professional Community was completed during the month. The next step is a discussion between the employee and their manager to check the correct assessment has been made. It is expected this will take place in Q1, probably as part of the appraisal discussion.
- Performance + workshops were generally well attended. 50 managers will have been on the course by the end of the series. Feedback was generally good and it has been decided to hold additional 2 courses to cover everyone who was not able to attend.

- A report has been created to support the appraisal process, which will allow managers to track their progress in completing appraisals, objectives and personal learning plans. This will be issued to the Management Team on a weekly basis until all are complete.

CURRENT CRITICAL PROBLEMS

- None

Post Office Client Report



The Post Office - Client Director's Report

MONTHLY SUMMARY

- Another satisfactory month's revenue from the One Stop Shop contract. The Golden Cloud work has been completed. The IWIM Integrated Workflow and Image Management bid was delivered and final presentations made. The Technical Resources contract is being extended to include work packages, in addition to the existing bodyshop supply.

BETTER GOVERNMENT

- Presentations and demonstrations to David Cooke head of CITU were well received.
- Work has started with Govt Division on planning how Government Gateway / Golden Cloud should fit within ICL's Government market plans.

IWIM

- Following submission of ITT and final presentations from ICL, IBM (with Bull), Unisys and PriceWaterhouseCoopers, Post Office awarded the contract to PwC. We met PwC early January, it is clear a major factor in PO decision was PwC's strengths in Change Management and BPR. We await the formal debrief from PO.

TECHNICAL RESOURCES SUPPLY CONTRACT

- Having booked orders for over £500k in 1998, this contract is being extended from initial bodyshop supply of technical skills to small-to-medium work packages, of which there are an estimated 400 outstanding. This should deliver around £4m in 1999.

ONE STOP SHOP

- The ICL MC contract for supply of desktop PCs and infrastructure has proved very successful, with over £20m of revenue won in 1998. This represents around 80% of the business awarded with Computercenter confined to 20%.