ICL Pathway	**Programme Monthly Report**	Ref:PA/REP/052
		Version:1.0
		Date:09/08/2000

Document Title: ICL Pathway Monthly Report – July 2000

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**
M. Stares	Managing Director		

Managing Director's Summary

1 PROGRESS AND ISSUES

Generally good progress is being made, although there are still significant pressure points. We are now at crunch time on CSR+. Our systems and processes are currently holding up well as we continue to increase the number of live Post Offices.

Rollout is on track. We have now migrated over 9000 post offices (50% of the estate) and are achieving in excess of 310 implementations per week. We are about a week ahead of plan. We have trained in excess of 30000 Post Office staff. This performance is recognised by PO and relationships are developing positively although there are still significant scars.

Weekly service performance is a key issue and recent problems with Help Desk service have significantly dented PO confidence. However, I am pleased to report that OSD service levels are now much improved and we are back on track with reasonable SLA performance. The poor service in Q1 has cost ICL over £200K in penalties. It is intended to remove the Red Alert by end July once we have demonstrated consistent performance. It will take week on week, month on month good performance to fully recover the confidence of PO Directors.

CSR+ quality is behind where we would like it to be and is being tightly managed through this critical phase. This is a major end to end software release with big functionality additions. Latest test results show that we are on a knife-edge. PO User Confidence Trial (UCT) has been successfully passed as a result of their decision not to request a second UCT. However, there are a large number of Pinicls outstanding from our own testing cycles and it would be foolish to move to Pilot phase unless we are confident of performance. Pilot is currently scheduled for 14th August in 300 offices. However it also includes a significant upgrade of the central software which will impact the whole of the 9000+ live estate. PO decision on full roll out of CSR+ is planned for 6th September assuming we proceed with Pilot.

Headcount management remains a big issue and is getting considerable attention. We have now entered a vulnerable phase where we are highly dependent on key skills and motivation but at the same time need to manage the start of a heavy cost down program, particularly amongst freelance staff. We are also in a rapidly developing scenario regarding new business opportunities that will demand a large variable profile of skills and resources.

1.1 PIU REPORT

The long awaited PIU report on the future of the Post Office Network has been released. It is directly critical of PO for not moving quickly enough into new business streams. It is also very supportive of Banking including the Social Bank and of using the post offices as e-gateways into Government services. The report acknowledges the investment in Horizon as a platform for developing PO business and should assist us in our quest for incremental business.

1.2 NEW BUSINESS

We are now engaged in joint working groups/discussions on Network Banking, EFTPOS and ERA (targeted at reengineering PONU processes and systems to save 20% of the total PONU costbase).

Progress on significant e-commerce initiatives proves difficult with lack of momentum in the PO. We have now met with Messrs. Wheelhouse and Dykes/Sweetman. They all acknowledge the need for fast co-ordinated action but are awaiting the initial recommendation from the two newly appointed MD's before committing to any real action. We are trying to gain commitment to an SEP in a Q3 timescale.

1.2.1   NETWORK BANKING

Pathway is the nominated contractor for the Counter and we are evaluating technical options with PONU and PO Network Banking Unit. In conjunction with Escher, we have secured a £620K feasibility study (Network Banking Proof of Concept) for the production and evaluation of an e-enabled counter banking approach. This could lead to considerable additional business.

1.2.2   RE-ENGINEERING/ERA

As with Network Banking, joint activities have been proceeding at a pace. Initial scoping suggests a £20M plus opportunity for Pathway in a 2002 timeframe. This would underpin Release 4 in the Business Plan. However, there are some difficult decisions facing PO as they balance cost reduction requirements with the investment needs of ERA. Their June Investment Board has authorised the next phase of this project to March 2001. We have secured a £400K consultancy contract that places us at the heart of this initiative, together with Sema and Deloitte Touche.

1.3 NATIONAL AUDIT REPORT

A formal draft copy has been issued to Keith Todd and others for quick comment with a view to NAO issuing the report before the summer recess. The final document is probably as good as we could have hoped for.

1.4 PRESS/INTERNAL IMAGE

There is evidence of an improved internal and external image of Horizon. We are already seeing more positive press comment and PONU are supportive of raising the image within Post Office. We are seeking PO Director level agreement to a joint press release to mark the 10000th post office and the release of CSR+.

1.5 FINANCE/COMMERCIAL/BUSINESS PLAN

Please see separate Finance Director's report.

Development Report

1 MONTHLY SUMMARY

- The maintenance and support load on the development team continues to reduce with CSR becoming very stable. We anticipate this stability being reversed for the first few months of running CSR+ live.
- The correspondence server upgrade in the data centres designed to provide extra capacity has now been completed satisfactorily.
- The sixth (audit) cycle of the Business and Technical Conformance testing completed on the 14th July achieved a 97% coverage and an improved pass rate of 97% against the 23,985 scripts executed.
- Horizon completed the formal User Confidence Test successfully on 21st July as planned and consequently did not request a further cycle. The witnesses target tests which followed between 24th – 27th July to demonstrate clearance of certain high priority incidents were only partially successful. In parallel, we ran a regression test of the live pilot software baseline and this showed signs of instability due to the amount of fixes applied and functional enhancements targeted directly at this version.
- The volume target testing was completed in the required timeframe but it identified two issues that required resolution before the migration of the Data Centre could take place.
- As a result of the events described above we recommended a delay of 3 weeks before commencement of the live pilot. This would give us the time necessary to resolve the six outstanding high priority incidents and carry out further regression testing.
- The mobile and satellite options continue to progress according to schedule although we are aware that our supplier may be experiencing difficulties with the casing for the mobile unit which may impact the 8th January 2001 roll-out date. The first satellite installation is due to take place 1St November 2000.
- Development of the 'Maintenance Release' remains on schedule and the first delivery to release integration is due 4th September. Distribution to the live estate is planned to occur in late January.
- Work on preparing for the ISO 9001 certification continues at a pace in all the development departments. We are not aware of any major issues in the design and development domains.

2 PROGRESS

- The sixth B&TC testing cycle (Audit Run) was run against the UCT software baseline and exercised 97% of the scripts and achieved a 97% success rate. Only 643 script lines of the 24628 (2.6%) were deferred. This is the lowest ever achieved.
- The customer completed their User Confidence Testing (UCT) on 21st July and due to positive results found did not request a further cycle. They did however ask to witness certain high priority fixes applied to the live pilot baseline during 24th – 27th July to produce the evidence required for the Release Authority Board. Unfortunately, we encountered several build and code problems which indicated that we had introduced some system instability.
- In parallel with this we were running a regression cycle against the live pilot software baseline (14th July – 2nd August) and completing the targeted volume and performance testing of the APS Host/Agent system (18th – 28th July).

- The results from all the above cycles suggested that our strategy to focus on stabilising the UCT baseline and try to keep the amount of change in the live pilot baseline down to a minimum failed. We were left with 6 major incidents that had to be cleared before we could enter the live pilot with a high degree of confidence. Accordingly, we recommended to Horizon that we delay the start of pilot by 3 weeks. This would enable us to resolve the issues identified and run another regression cycle against the live pilot baseline (11th – 23rd August).
- In the revised plan, the Data centre is to migrated during the weekend 26th/27th August. The pilot outlets will begin operating the CSR+ software from 4th September and the migration of the existing estate will commence 25th September.
- Development of the Maintenance Release (M1) is progressing according to plan. The first handover into the integration stage is due 4th September. Several deliveries are scheduled throughout September/October and testing is planned to complete 13th January. The release will be committed to the live estate 28th January 2001.
- System testing of the interim solution for the OCMS system has been going well.
- The proof of concept project for network banking is nearing completion. The formal report and presentation has been delayed by 1 week to allow more time for evaluating the findings.
- Work continues on the set of management and corrective action plans in preparation for the ISO9001 accreditation.

3 COST DOWN

- No new initiatives have emerged this month.

4 CURRENT CRITICAL PROBLEMS

- We must be able to demonstrate that we have satisfactorily resolved the seven major incidents to the Release Authority Board schedule to meet 18th August. The latest position is encouraging, two have moved on and have now been downgraded, three are fixed and fixes for two are undergoing tests.
- We will incur further delays if we encounter a major incident during the live pilot regression testing which cannot be resolved, either before the Data Centre is scheduled to be migrated (26th/27th August) or the outlets scheduled to be 'committed' (3rd September).

5 ISSUES

- The ISDN element of the OBCS foreign response time is non-compliant with the contracted requirement. The solution has been defined and the changes will be implemented in the Maintenance Release scheduled for January 2001.
- The Operational Change Management System (OCMS) supports Customer Services in responding to changes in the Post Office Network (e.g. temporary closures, permanent closures & new outlets). An interim solution will be delivered late November 2000 and this will substantially reduce the manual effort involved in handling these changes and consequently reduce the risk of human error. The final solution will be available towards the end of February 2001 and will totally automate the process.
- We are still experiencing a number of non-polled outlets in the live estate. This impacts our file delivery service level agreements because the transactions cannot be harvested from these outlets in the required timeframe. The current thrust is to ensure that we

have resolve all the system issues and to improve the quality of the various reporting facilities available to customer services.

- The new enhanced invoice functionality in the MIS programme suite was to be included in the Maintenance Release planned for January 2001. Unfortunately, this is part way through a financial quarter (defined as Dec – Feb in the contract) and therefore unsuitable. Plans are now in place which will enable the functionality to be exercised from the beginning of the final quarter i.e. December.
- We believe that our supplier (Celestica) is encountering difficulties with their sub-contractor regarding delivery of the casings for the mobile units. This could adversely impact the 8th January 2001 roll-out date if it is not addressed urgently.

6 COSTS

The development activities continue to progress in accordance with the forecasts and remain under tight control and subject to regular financial reviews.

Commercial & Financial Report

1 FINANCE

Financial performance continues to track better than plan. In particular, roll out continues to run ahead of plan. This has had a beneficial effect on revenue and hence profit. Cash costs have at the same time been held consistently below plan, month on month. Cash flow has been further improved by careful control of working capital.

1999/00 ended with a favourable outcome against Budget and Business Plan on all counts, with revenue at £230m and Pathway PBT at £39.4m. PwC declared themselves entirely satisfied with the project accounting treatment (specifically, revenue accrual and margin recognition) and detailed audit.

Good progress has been made towards cost down. Project-to-date cash cost savings amount to some £26m (excluding phasing improvements), of which £19m are saved subcontractor termination costs. A further £22m of cost reductions have been secured from subcontractors over the life of the project as compared with the May 1999 Business Plan. Areas of cost underestimate have also been identified, the net effect being broadly neutral, but the plan is now much lower risk than it was last May. £68m of the cost savings assumed in the May 1999 Business Case (total assumed £115m) have been secured. The main item still to secure is the much reduced resource level assumed after completion of CSR+.

Important early progress has been made in establishing the new business revenue stream although it is too early to tell whether the current plan (some £60 million of new business above the core contract to 2005) is set at the right level. Early customer commitments mean that we are currently on track to drive out an 'Option B' approach (emphasis on new business as well as cost down rather than Option A which was all about cost down) but this will need to be kept under close review. In particular, resources will have to be very carefully managed to match supply to demand.

The Business Plan continues to show a £15 million overall project loss at Group level. A number of significant risks have been successfully managed out at low cost over the past six months. The most significant near term risks are currently around CSR+ implementation. If these can be successfully dealt with, the risk profile of the project will improve significantly and the dependency on task to offset risk will come down to quite modest levels. Currently task stands at £21m against risk contingency at £23m.

2 COMMERCIAL

The status generally on change control continues to be good (in sharp contrast to a year ago). We now have a consistently low CR/CCN backlog, high resolution rate, few issues and a high hit rate on chargeable change.

Initial CCNs to a value over £1m have been signed for Network Banking and Project ERA.

As always, there are a number of contractual matters to resolve, e.g. around service level agreements, training, the final roll out milestone, help desk, and the like. These are all 'in the normal course of business' and, although not trivial, are under control. The joint Contract Administration Board oversees the resolution of such issues. They tend to be as much operational and practical as commercial and contractual. With selective involvement of technical experts and lawyers as necessary, the outcomes are generally regarded as reasonable and workable by both sides. The aim is to achieve a win/win, and there have been notable successes. Since exiting from extended Acceptance, we have not had to make any commercial concessions of significance.

Agreements to Agree have been virtually eliminated. There is only one left which may still cause us some difficulty (internal service levels), but there is no need to resolve it quickly and we are playing it long. Notably, CCNs for mobile terminals and satellite communications have now been approved. These complete the solution definition for CSR+ and infrastructure implementation.

Planning Case: With new business included	Pathway Business Case March 1999 cum	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	Total To go	Total Project July 00	Total Project May99	Total Project Nov99
FINANCIAL SUMMARY											
REVENUE											
Base Contract	2	230	205	118	118	118	111	900	902	897	900
New Business	0	0	3	12	22	16	12	64	64	0	44
Total	**2**	**230**	**208**	**130**	**140**	**134**	**123**	**964**	**966**	**897**	**944**
PBT before extraordinary item											
Base Contract	-2	20	22	15	13	17	19	107	105	132	105
New Business	0	0	0	2	5	0	1	8	8	0	9
Total	**-2**	**20**	**23**	**17**	**18**	**17**	**20**	**115**	**113**	**132**	**114**
Extraordinary item	-182	19	0	0	0	0	0	19	-163	-182	-164
Pathway PBT	-184	**39**	**23**	**17**	**18**	**17**	**20**	**134**	**-50**	**-50**	**-50**
Group intercompany profits	2	8	6	4	5	5	5	33	35	35	35
PBT - ICL GROUP	-182	**48**	**29**	**21**	**23**	**22**	**25**	**167**	**-15**	**-15**	**-15**
Project PBT % before extraordinary		9%	11%	13%	13%	13%	16%	12%	12%	15%	12%
Margin % on New Business			17%	14%	13%	11%	14%	13%	13%		20%

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PROJECT CASH FLOW after interest											
Discrete	-253	7	-23	92	36	44	48	203	-50	-50	-50
Cum	-253	-246	-269	-178	-141	-98	-50	-50	-50	-50	-50
FUNDING											
Equity	20	152	152	152	152	152	152	152	152	152	152
Year end borrowings	-233	-94	-118	-26	10	54	102	-118	-118	-232	-232
B/(W) May 99 Business Case	**-1**	**34**	**9**	**-3**	**-4**	**-1**	**0**	**-4**	**34**	**0**	**0**
Peak cash requirement	-253	-310	-306	-191	-175	-137	-93	-310	-306	-342	-321
NET PRESENT VALUE AFTER TAX									-75	-77	-76

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Planning Case: With new business included	March 1999 cum	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	Total To go	Total Project		
									July 00	May 99	Nov 99
FINANCIAL SUMMARY											
REVENUE											
Base Contract	2	230	205	118	118	118	111	900	902	897	900
New Business		0	3	12	22	16	12	64	64	0	44
Total	**2**	**230**	**208**	**130**	**140**	**134**	**123**	**964**	**966**	**897**	**944**
COSTS - Base contract											
Opex - Base Contract	199	112	143	82	77	79	74	568	766	731	759
Opex - New Business	0	0	2	10	16	12	10	50	50	0	35
International	2	0						0	3	0	2
Treasury recovery		-8						-8	-8	-8	-8
Liquidated damages - SLAs	0	0	1	2	1	1	1	6	6	12	8
Sub-total	201	104	146	94	94	93	85	617	818	735	796
Depreciation - Base contract	32	18	32	32	25	5	0	111	143	145	142
Depreciation - New Business		0	0	0	1	3	1	5	5		
Utilisation of BPS Provisions		-25	-19	0	-2	-2	-1	-49	-49	-68	-50
BPS subcontractor termination		8	0					8	8	27	9
Losses on forward exchange cover		1	2	0	0	0	0	4	4	3	4
Interest	18	11	9	3	1	-2	-5	18	36	38	43
Risk contingency (opex)		0	5	6	5	4	3	**23**	**23**	**0**	**17**
Cost Task		0	-1	-2	-5	-6	-7	**-21**	**-21**	**0**	**-17**
Transfers (to)/ from WIP	-247	92	10	-19	2	21	27	133	-114	-114	-114
PBT before extraordinary item	**-2**	**20**	**23**	**17**	**18**	**17**	**20**	**115**	**113**	**132**	**114**
Write off of BPS spend to date	114							0	114	114	114
Provisions for BPS spend not yet incurred	68							0	68	68	68
Release of excess BPS		-19	0					-19	-19	0	-18

provision											
Pathway PBT	-184	39	23	17	18	17	20	134	-50	-50	-50
Group intercompany profits	2	8	6	4	5	5	5	33	35	35	35
PBT - ICL GROUP	-182	48	29	21	23	22	25	167	-15	-15	-15
Project PBT % before extraordinary		9%	11%	13%	13%	13%	16%	12%	12%	15%	12%
Margin % on New Business			17%	14%	13%	11%	14%	13%	13%	N/A	20%

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COST DOWN INITIATIVES ASSUMED IN MAY 1999

With new business included

£m	Cost reductions assumed in May Business Case		
	Project forecast	Committed to date	Gap to close
Manpower related costs			
Percentage of freelancers reduced from 37% to 15%	19.0	4.0	15.0
Resource shortfalls to Plan/ recruitment lag	8.0	8.0	0.0
Post CSR+ Development headcount reduction	22.5	5.0	17.5
	49.5	17.0	32.5
Communications costs			
Line connections made every 30 minutes instead of 15	13.0	13.0	0.0
Price reductions of 2-4% p.a.	11.0	7.0	4.0
	24.0	20.0	4.0
Data centre and product support savings (no BPS)			
Data centre operations and OSD support	11.6	9.0	2.6
Product support	14.2	12.0	2.2
	25.7	21.0	4.7
Help desk calls			
Steady state call rate down from 4 p.m. per outlet month to 2.5 (cf. 2.8 to 1.9: see Cost Up)	11.0	5.0	6.0
OBCS software licence costs (Oracle)			
Annual fee eliminated by bringing product within POCL licence	4.7	4.7	0.0
Gross savings assumed	115.0	67.7	47.2

Memo			
Status in December	115.0	50.0	65.0

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TRACK OF COST MOVEMENTS SINCE MAY 1999

With new business included

£m

	Variances from May Business Case - B / (W)		
	Project forecast	**Committed to date**	**'To go' projection**
Cost down initiatives since May 1999	62.8	49.1	13.7
Cost increases since May 1999	-69.2	-46.4	-22.8
Inclusion of New Business - contribution basis			
Additional revenue	64.1		64.1
Additional cost - marginal	-55.8		-55.8
	8.4	0.0	8.4
Inclusion of contingency for Risk	-23.2		-23.2
Inclusion of Task	21.3		21.3
Net improvement since May 1999	0.1	2.7	-2.6

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COST DOWN INITIATIVES SINCE MAY 1999

With new business included

£m	Variances from May Business Case - B/(W): includes margin on additional revenue			Jan	May
	Project forecast	Committed to date	Gap to close		
BPS termination costs					
Girobank	10.0	10.0	0.0		
De La Rue	7.5	7.5	0.0		
Other	1.7	1.7	0.0		
	19.2	19.2	0.0		
System service costs					
Reduced use of counter printer - no BPS	5.7	5.7	0.0		
Extended warranty terms on equipment	7.0	7.0	0.0		
Substitution of laser back office printer	5.0	5.0	0.0		
RPI settlement with OSD	4.5	4.5	0.0		
Less: increased capital cost of extended warranty	-1.6	-1.6	0.0		
Less: increased capital cost of laser printers over ink jet	-1.0	-1.0	0.0		
	19.6	19.6	0.0	48	68
Communications costs					
Line connection intervals set to transaction count: equivalent to 60 minutes instead of 30	6.0		6.0		
Satellite instead of frame relay for non-ISDN	3.0	3.0	0.0		
	9.0	3.0	6.0		
Capital costs					
Riposte licence fee reduced (APS)	0.7	0.7	0.0		
PC price reduction of 4% - 6%	1.7	1.7	0.0		
Less: POCL credit note re. 750 counter redn.	-0.5	-0.5	0.0		
	1.9	1.9	0.0	145	140
Overheads					
Professional fees/ bid cost repayments	2.9	2.9	0.0	9	12
Pre-sales work pared back	3.0	1.0	2.0		
	5.9	3.9	2.0		
Interest costs reduced on improved cash flow profile	2.0	1.0	1.0		
Liquidated damages forecast reduced	5.2	0.5	4.7	6	12
Gross improvements identified since May 1999	62.8	49.1	13.7		

Memo			
Status in December	59.0	33.0	26.0

A D V E R S E   V A R I A N C E S   S I N C E   M A Y

With new business included

£m

	Variances from May Business Case - B / (W)		
	Project forecast	Committed to date	'To go' projection
Manpower related costs			
Development resource level held higher post CSR+ to enable new business	6.0	2.0	4.0
Freelancer dependency higher, contractor rates higher	5.0	3.0	2.0
Increased operational support (CS)	4.6	2.0	2.6
	15.6	7.0	8.6
Maintenance and support costs - test environments	5.0	4.0	1.0
Systems management costs were understated	14.6	8.0	6.6
Help desk useage was underestimated	11.7	4.0	7.7
Comms useage - downloads etc.	20.3	12.0	8.3
Non - ISDN outlets increase (to close to 500)	7.0	5.0	2.0
Acceptance related costs			
Pre-training event	0.7	0.7	0.0
Extended roll out pause around Christmas 1999	1.5	1.5	0.0
Delay to CSR+ (3 months)	4.0	4.0	0.0
TIP charges	1.4	0.2	1.2
	7.6	6.4	1.2
Other	-12.6	0.0	-12.6
Net adverse variances since May	69.2	46.4	22.8

Memo			
Status in December	76.0	24.0	52.0

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T A S K

W ith new business included

£m   **'To go' projection**

Unallocated task - candidates to close gap

Rationalise certain Pathway activities, e.g.
    Testing - streamline systems test through to OTT (CS) testing   2.0
    Design and development - streamline lifecycle processes post CSR+   4.0
    Business development/ business requirements/ TDA consultancy - streamline/ improve utilisation   1.0
    Staff functions - devolve to line units/ streamline   0.5

Rationalise certain Pathway and OSD services, e.g.
    Combine SSC (Pathway) and SMC (OSD)   4.0
    Service Management - eliminate OSD layer into Pathway   1.0

Rationalise certain Pathway activities into ICL, e.g.
    Implementation into e-Apps or Large Projects (£0.5m already assumed in Budget baseline)   1.0
    B&TC testing into e-Apps or Large Projects   3.0

Recovery plans - recover half forecast overshoot against original planning assumptions
    Systems management   3.3
    Dependency on freelancers   1.0
    Help desk useage   3.9
    Comms useage - downloads etc.   4.2

Renegotiate banking lines to reduce the interest margin down from 0.7% to say 0.2% (Fujitsu)   1.9

Reduce SLA remedies (LDs) by, say, one third   2.1

(Profit improvement opportunity)   -11.5

Total Unallocated task   21.3

PATHWAY RISKS FOR INCLUSION IN PATHWAY CONTINGENCY

Planning Case:	Comment	Prob'y	Total

Option B
 ASSET CO. CAPITAL SPEND

PC compatibility 4: last time buy made early would require a contingency stock of 1000 additional PCs	Reduced limits agreed with POCL	0%	1.0
CAPITAL SPEND - GROSS RISK			1.0
CAPITAL SPEND RISK - WEIGHTED BY PROBABILITY			0.0

ASSET CO. IMPLEMENTATION SUBCONTRACTS

PC compatability 2: Availability causes a 1 month break in rollout (September 2000)	Increased costs	0%	2.0
PC compatibility 5: new PC delivered late on in the roll out would require an extension to Celestica etc. subcontracts	Increased costs	0%	0.5
Two week delay to national roll out restart. POCL want additional time to monitor reconciliation and progress Ref Data Agreement Specification.	Delayed revenue for NRO milestones 2 and 3. Loss of interest. Increased Implementation costs.	0%	0.5
ntl: remedial costs. Additional costs to mitigate / remedy inadequate infrastructure quality: 1. Man in a van 2.Additional installation teams	No longer required and stood down	10%	0.7
Installation beat rate: Only 250pw can be sustained.	Low risk now	0%	2.5
Implementation tail: site prep. ntl & Pearce contract extended by 3 months (+ internal staff)	Assumed in base case	0%	0.5
Implementation tail: Installation tail from March 2001 extended by three months: mobiles, satellite, etc.	Assumed in base case	50%	0.8
POCL reduce beat rate or stop roll out: Business Service Management, or Help Desk performance, or issues around CSR+ migration	Increased Implementation costs - assume 2 months.	20%	1.5
Training occupancy: below average 6 target, results in need for additional courses	Increased number of courses, and an argument with POCL & KP as to blame and cost	40%	0.5

		apportionment		
	Slip to achievement of final rollout milestone: tail, satellites, mobiles delay by 1 month the 99% achievement	Interest loss .5, increased costs .2	30%	0.7

IMPLEMENTATION - GROSS RISK		**10.2**
IMPLEMENTATION RISK - WEIGHTED BY PROBABILITY		1.2

OPCO OPERATING SPEND

Develop ment	**PC compatibility 1:** Replacement pc requires substantial development work (new software, validation & support). Possible delay to CSR+.	Increased costs	0%	1.0
	Additional work for NRO restart causes a 1 month delay to CSR+. POCL require additional Ref Data, reconciliation or Help Desk work which diverts resource from CSR+ and results in a delay.	Delayed reduction in Development staff levels. Increased costs.	0%	1.0
	One month delay to CSR+ programme: Due to eg rig build, quality, Riposte 6 intercept	Delayed reduction in Development staff levels. Increased costs over the slowed reduction already assumed.	40%	2.0
	Flip of CSR+ general release into 2001: Combination of factors - NRO work, quality, rig build, pc compatibility cause sufficient slip to push CSR+ into 2001	Delayed reduction in Development staff levels. Increased costs. Revenue loss.	30%	2.0
	Cost recovery processes not adequately implemented: Time recording controls are inadequate to support charges/ plan and control resourcing.	Reduced margins	30%	5.0
	System architecture/ structure causes significant rework activity in R3: Re-development required to address outstanding shorcomings eg. SLAs	Increased costs	0%	5.0
	Correspondence server re-configuration work not completed in time: stops roll out for one month		0%	1.5
	Loss of key staff: uncertainty over Option direction results in key staff leaving: backfill by more freelancers, re-training, and delay	Increased costs and delay - knock ons to recruitment, SLAs, help desk, CPs	30%	4.9
	Headcount cost down: not able to manage down the headcount in absolute or mix	Increased costs and delay	30%	15.0

	Ability to recruit key skills to fulfil new business commitments: impact is loss of margin through lost business	Margin loss at 25% on, say, 20% of total revenue	50%	4.0
Customer Services	**PC compatibility 3: CM, Tivoli, CS field (spares, etc.)** Increased CS cost ongoing as a result of running 2 pc configurations	Increased costs	0%	1.0
	CSR+ quality results in increased support costs: High level of Help Desk calls, fixes to be applied	Increased costs	25%	3.0
	Remedial work to sustain SLAs: Development required to reduce SLA LDs or to satisfy SLA termination conditions. E.g. SLA measurement, OBCS transaction times	Increased costs	30%	2.3
	Cash account discrepancy payments to POCL: Discrepancies occur at a higher level than planned or require remedial work: Assumed attributable to Reference Data process rather than code errors.	Increased payments to POCL	50%	2.9
	Help Desk workload (1): Higher than in plan because of poor turnover training	Increased costs	20%	4.0
	Communications costs: Eicon problem (or similar) continues resulting in comms costs higher than in plan	Increased costs	20%	5.7
	Help Desk workload (2): Higher than in plan because of poor back fill training re. APS smart & LFS	£1m additional cost built into CS Budget for help desk costs. This is on top.	30%	0.5
	Buyout of SLA conditions - help desk and transaction times	Expectation of a deal.	40%	1.0
	CSR+ migration: 2 week firebreak to apply CSR+ (additional fallow payments/ delay to end of roll out)	Increased costs/ delay	60%	1.5
Business Development	**New Business margin shortfall:** unable to charge for all the work which has been resourced/ done: additional risk over the under-utilisation assumed	Assumption is that 20% of planned work is not carried out/ completed, and that it is only possible to save 25% of the planned costs: hence the margin loss is 75% of 20% of planned revenue	40%	9.7

ICL Pathway	**Commercial & Financial Report**	Ref:PA/REP/052
		Version:1.0
		Date:09/08/2000

New Business volume shortfall: £20m revenue risk at 50% unable to develop full revenue margin loss on stream, with loss of contribution to contribution basis fixed costs	40%	**10.0**
Aggregation - eliminate double counts	100%	**-3.0**
OPERATING SPEND - GROSS RISK		**79.9**
OPERATING SPEND RISK - WEIGHTED BY PROBABILITY		22.0
GROSS NOMINAL RISK		**91.1**
TOTAL ASSESSED RISK	**25%**	**23.2**

Customer Requirements Report

1 MONTHLY SUMMARY

The Performance and Innovation Unit (PIU) proposals for pilot projects is in hand and will go to POCL on 10/8. The ERA business analysis work is underway. All CSR+ release business as usual dependencies are being covered. The Mobiles & Satellites holding factors for roll-out completion have been cleared.

2 PROGRESS

2.1 NEW BUSINESS

2.1.1 NETWORK BANKING

Because there is no customer funded requirements activity running during the Network Banking Engine procurement and the Pathway Proof of Concept project, the main task has been document review and origination. The following were reviewed:
- POCL Requirements & Solutions draft F (for internal POCL use only)
- Pathway and Escher architecture documents
- PoC draft report
- Two sets of NBE vendor questions and answers

New documents issued included:
- A competitive NBE architecture based on RS 6000
- A competitor analysis
- A longer term Pathway architecture
- An alternative architecture cutting out the NBE
- An initial risk register

We also prepared for a Network Banking end-to-end review with POCL, particularly concerning reconciliation requirements, but this was cancelled by NBU at the last moment.

2.1.2 ERA

Alan Paterson and Mike Chawner started on the ERA project, based out of Chesterfield, on 16/7. We now know this was later than should have been the case because most of the POCL workshops were complete and the opportunity for business analysis input into the requirements was passing.

Much of the input to the business requirements, and hence the shape of the new Pathway requirements, is being influenced by our competitors. There are currently five from Deloittes, four from SEMA, two from FI, in addition to the ten or so Post Office staff on the project. These numbers dilute the influence of the (three usual) ICL staff even though the analysis centres on the re-engineering of the Pathway solution.

2.1.3 POCL SERVICE DEVELOPMENT PLAN

No activity.

2.1.4 PIU REPORT

The Network Banking team has produced two documents, whilst waiting for Network Banking to come back on to the agenda. These are in response to the Performance & Innovation Unit (PIU) report seeking ways of replacing the Post Office Counters business that will be lost when Automated Credit Transfer (ACT) of benefits becomes more widespread from 2003.

One was one a general Pathway response to the PIU proposals and a second detailing our proposals for pilot opportunities. A presentation was also developed and given to POCL as part of the discussion on PIU response actions. An initial internal response against the POCL "11-bundle" wish list was generated and this is in course of elaboration to a proposal that will be provided during the week of 7/8 and will help POCL make its response to central government.

2.1.5 CARD SYSTEMS

ICL is sub-contractor to EDS in the bid for the "Youth Card". We sent documentation on CMS to the team involved, but their initial feelings are that CMS appears too specific to benefit payments. We have offered to go and talk to them.

2.2 CSR+

2.2.1 ACHIEVING SLAS

We have produced a Change Proposal (CP) to address the major issue Customer Service has where the office is not being harvested because one or more counters have become disconnected, typically because they are powered off or not POLO'd following power being restored after a cut.

The Tidy Closedown facility, which was put into CSR+ to help bear down on users shutting counters off in fixed outlets, was forced through the CCN process. We will now be able to document these wilful switch-offs and can therefore expect these to disappear from the statistics.

We have resisted a further attempt by POCL to call our TIP File Repair Facility into question.

2.2.2 AP CLIENT MIGRATION

Specifications for migrating more AP Clients were put through and a disaster standby facility for Girobank was proposed.

2.2.3 AP FILE DELIVERY

The cut in of migration depends on introducing facilities to allow Client files to be sent according to customised schedules. This requirement has been developed and the CCN produced.

2.2.4 QUANTUM/SPM

The CCN to licence the secure Siemens .dll for enforcing security of these smart cards at the counter was forced through. Quantum is still not a first day player in CSR+.

2.2.5 OBCS

We produced the CP to change the statistics to be generated for OBCS local/foreign encashment counting.

2.2.6 SADD

A version 5.4 of the SADD, responding to 200+ POCL comments, was issued on 20/7. There were a further 29 supplementary comments, now resolved, and a version 5.5 will be previewed the week of 7/8 August and published on 18/8. This version will have been maintained for CCN approvals to the date of issue and should correspond with the CSR+ system, which is due to be approved for release at the Release Authorisation Board on that day.

2.2.7 RELEASE NOTE

An Appendix, in effect updating the year-old CSR+ Release Contents Description for the 80 or so significant CCNs that have been Approved in the last year, was produced for incorporation in the CSR+ Release Note.

2.2.8 PINICLS ETC

Customer Requirements helped in the "scrubbing down" of the PinICL inventory to help define what had to be fixed at the various stages of CSR+ and to evaluate new PinICLs as the release date approaches.

2.2.9 MOBILES & SATELLITES

The CCN for the Mobiles Configuration specification and introduction was approved and the volume requirement of 340-349 units set by POCL. The Physical test was also completed by POCL so all the holding factors on product line production have been cleared.
The CCN for introduction of Satellite communications access method was approved.
Now that these two CCNs have been seen through it will be possible to complete the rollout in Q1 2001. Customer Requirements will now withdraw gracefully from these areas of endeavour.

2.3 ISO PROCESSES & PROPEL

John C has attended the Siebel release update session. He produced the Customer Solution Life Cycle (CSLC) checklist to qualify new projects and maintain the Siebel entries. He has reviewed the new Business Management System roles and processes intranet and the associated Process Review Forum, the group that reviews the ISO9001 processes. He has also contributed to the process that includes Customer Requirements input at Stages 3 and 4 of CSLC, functional and system requirements specification.
We have got John P through the scarce second part of Macroscope training, and Alan P through the two-day Macroscope course on Business Analysis using ArchitectureLab and OPAL techniques & software.

3 CURRENT CRITICAL PROBLEMS

None.

4 ISSUES

I believe we may need to look again at the commitment to ERA, particularly in terms of sales objectives, earlier than we had planned. Our representation is strong for our numbers but is entirely systems oriented. The opportunities appear to be crystallising earlier than anticipated even though their delivery will be protracted. Liam and I will discuss this before offering the team a proposal.

Customer Service Report

1 SUMMARY

- Data Centre performance has been marred by problems with the Correspondence Servers. These caused major failures for the transaction deliveries for OBCS/HAPS/TIP. Significant numbers will show up as DAY B transaction failures and are expected to result in high penalties. The problems are under investigation but in the meantime a workaround has been initiated which requires SSC to stop and restart Riposte twice a day.

- The LRDP is now complete and the final report issued. The release of CSR+ data to the live estate has been completed with time to spare.

- There are currently issues within the APCM plan with resourcing for bespoke developments. The bespoke interface for Northern Ireland Electricity is stretching APS Host resources and the current view is that development will not be completed before January 2001. Furthermore, BT has indicated that they may not have any resources available during the next 12 month to perform tests of the new interface. The AP Client Migration programme needs to be replanned to incorporate the changes required to address these issues and there is a high risk that not all activities will be completed by the end of March 2001.

- There is concern over the amount of change currently being put into the CI_4 baseline to be used for the Live Pilot and the consequent risk to the successful running of the system following the upgrade.

- Following the successful trialing of the revised Non Polled Outlet incident management procedures during early July, PON have now agreed to suspend the BIMS process and accept updates to incidents via a summary column on the Non Polled Outlet report.

- Remedies have now been calculated and submitted for Q1 2000 for Data file delivery (£26,199.13), OBCS stops (£998.92) and System Service (£255,574.19 of which £192,403.82 is recoverable from OSD).

- OSD continues to work to achieve service levels and many improvements in SLA performance have been achieved. The red alert has been downgraded to Divisional alert for continued monitoring.

- Reg Barton, Nick Crow, Wendy Kerrigan and Claudia Walker join the team on 14/8/2000 as Field Service Managers. Christine McKay joins on 21/8/2000. They will be the eyes and ears for Customer Service in the live estate concentrating on Manager Care visits and Outlet Problem Management.

1.1. VITAL STATISTICS

Live Base as at 1st August 2000: 9814 Post Offices, 22,198 Counters

Cumulative from 1st December 1999

OBCS

Total number of payments to date	100,524,027
Total number of payments in July	28,858,272
Total value of payments to date	£7,653,950,795.95
Total value of payments in July	£2,140,997,022.43

EPOSS

Total number of receipts to date	162,773,795
Total number of payments to date	52,309,938
Total number of zero value transactions to date	12,369,038
Total number of receipts in July	37,312,683
Total number of in payments July	7,542,502
Total number of zero value transactions in July	2,934,795
Total value of receipts to date	£8,984,101,567.69
Total value of payments to date	£4,739,326,163.42
Total value of receipts in July	£2,301,609,748.09
Total value of payments in July	£698,531,699.90

APS

Total number of receipts to date	50,423,968
Total number of receipts in July	11,936,285
Total value of receipts to date	£1,083,691,935.86
Total value of receipts in July	£325,775,004.05

NOTE:

Data from May 1999 will be published once analysis of archived Data Warehouse data is complete (end of August 2000 target date).

The above data is monthly. Weekly data is now available on the Customer Service web site at the following location:

IRRELEVANT

2 PROGRESS

2.1 OPERATIONS

2.1.1 AVAILABILITY MANAGEMENT

- Data Centre performance has been marred by problems with the Correspondence Servers. These caused major failures for the transaction deliveries for OBCS/HAPS/TIP. Significant numbers will show up as DAY B transaction failures and are expected to result in high penalties. The Bootle Bootserver is currently off-line for investigations into the recent failures.

- During July there were no major network incidents, although on Sunday 30th July there was a fibre break affecting one half of the ATM service into Bootle. Due to the network resilience, there was no impact upon service.

2.1.2 REFERENCE DATA

- The CSR+ LRDP is now complete and the final report has been issued. A number of minor problems are outstanding but these should not cause any issue with signing off.
- The release of CSR+ data to the live estate has been completed with time to spare.
- PON data quality is still a cause of concern. PON have not yet been able to appoint a problem manager.

2.1.3 POCL INTERFACES

- A draft CP has been raised to start the LFS operational schedule earlier and avoid excessive phone costs. This is still under discussion. POCL have raised a CR concerning 6 or 7-day working in the weekly schedules, but this has not yet been received by Pathway.

2.1.4 AP CLIENT MIGRATION

- The forthcoming release of CI_4 is diverting attention away from APCM issues, resulting in slippage across the patch.

- The current view is that the required functionality to deliver files 5 days per week instead of daily will not be available before Q1 2001. So far, only 5 clients have been confirmed which can be migrated without the 5-day delivery functionality developed for Girobank, leaving a short window to migrate the remaining clients.

- The bespoke interface for Northern Ireland Electricity is stretching APS Host resources and the current view is that development will not be completed before January 2001. Furthermore, BT has indicated that they may not have any resources available during the next 12 month to perform tests of the new interface.

- The AP Client Migration programme needs to be replanned to incorporate these changes and it is almost certain that not all activities will be completed by the end of March 2001.

2.1.5 PERFORMANCE MANAGEMENT

- Work has been proceeding on the confirmation of the short-term and the long-term designs. It is planned to issue a draft end to end design document at the end of next week and follow that up with a walkthrough.

- Resource has been devoted to addressing the live performance issue with the Correspondence Servers. As an interim workaround, it has been resolved by reloading Riposte twice daily on the Correspondence Servers in both Wigan and Bootle.

2.2 SUPPORT SERVICES

2.2.1 GENERAL

- SSC are performing the closure and reload of Riposte at 07:00 and 18:00 daily.
- Interim arrangements have now been put in place with TeamWARE for on-going support of Crypto. In the medium term it is expected that the service will be provided via OSD/E-Applications.

2.2.2 MAJOR RELEASE IMPLEMENTATION

- The Data Centre migration plan is now fairly stable and the upgrade of the OTT rig is now due to start on Monday 7th August. The HAPS and TIP upgrade were merged into the overall upgrade plan but this is currently being revisited due to the change of upgrade date.
- Counter implementation planning continues with weekly reviews. Discussions with POCL are ongoing and further discussions this week may change the migration schedule.
- The amount of change currently being put into the baseline to be used for Live Pilot seems to be slowing down. The problems that require urgent fixes are being reviewed on a regular daily/weekly basis.

2.2.3 RELEASE MANAGEMENT

- 57 Release Notes for CI_3R have been raised over the reporting period and 26 have been authorised for live. To date, 48 Release Notes for CI_4 have been raised from the system baseline document.
- Release Management has completed its move to the 6th floor in BRA01.
- Rebecca Burger, Amanda Knight and Shadim Hussein (I.T.) have joined the team as Release Controllers.

2.2.4 ISSUES

There is concern over the amount of change currently being put into the CI_4 baseline to be used for the Live Pilot and the consequent risk to the successful running of the system following the upgrade.

2.2.5 METRICS

For the month of July 2000.

Release Notes cleared by OTT	59
Total Calls raised through SSC	1293
Total Calls closed through SSC *	1662

*

Of the total calls closed, 1040 were in categories (e.g. Advice and Guidance, Published Known Error) which should have been closed by SMC.

2.3 INFRASTRUCTURE SERVICES

2.3.1 MANAGEMENT SUPPORT UNIT

2.3.1.1 BUSINESS INCIDENT MANAGEMENT

- Following the successful trialing of the revised Non Polled Outlet incident management procedures during early July, PON have now agreed to suspend the BIMS process and accept updates to incidents via a summary column on the Non Polled Outlet report. This has enabled MSU to devote more time and effort into the reporting and follow up procedure in addition to a resource saving of approx. one half man-days effort. PON are exceedingly happy with the new procedure which they say assists them in monitoring the Outlets and, more particularly, APS transaction delivery, more closely.

- Charges for MERs have been submitted by POCL for April, May and June 2000 and April and May have been agreed with the exception of those incidents which are identical to the incidents referred to the Commercial Department for ratification in March this year. We are awaiting the outcome of their deliberations.

- The joint Accounting and Reconciliation incident review was held at Chesterfield on 17th July. Once again this went well with both sides commenting on the positive aspects of now working together. Concern was expressed though at the number of APS reconciliation errors and differences within PON where HAPS and TIP were brought into balance within PON central systems. As a result a meeting was held with the APS reconciliation team on 24th July at BRA01 to identify the main problem areas. The feeling within Pathway was that PON were making a good deal of noise over minor problems, which had now either been fixed for CI_4, or were in the process of being fixed. As a result, PON went away confident that we were handling any incidents we had received correctly and that Pathway were taking the appropriate steps to ensure the service was delivered to specification.

2.3.1.2 MIS

- Remedies have now been calculated and submitted for Q1 2000 for Data file delivery (£26,199.13), OBCS stops (£998.92) and System Service (£255,574.19 of which £192,403.82 is recoverable from OSD). MSU are now calculating the weekly and have completed June 2000 for Q2 (Data file delivery = £6911.42, OBCS stops = £663.97 and System service = £8274.03). Data file delivery remedies have been agreed with PON a further meeting to discuss the System Service remedies is scheduled for 18th August.

- Pathway and PON have now agreed on the way forward to ensure remedial calculations are delivered on a weekly basis for review. This will ensure that agreement can be reached as soon as possible after the end of the quarter.

- The July service review (discussing June 2000 service performance) was held on 26th July with PON. The review book showed a steady improvement in HSH / System service SLA performance which was enthusiastically received by PON. Quarterly conformance figures were shown for all SLAs from Q4 1999 to date.

2.3.1.3 IT SUPPORT (FELTHAM)

No issues to report.

2.3.1.4 GENERAL

Procedures for ISO 9001 are currently well under way and in a good state around the whole of MSU.

2.3.2 BUSINESS EFFECTIVENESS

A draft of the CI_4 AP Outlet migration process is out for comment, as is a draft of the complaint management process. Work is on going in the areas of the re-write of the Service Management Framework and in preparation for the BSI audit.

2.3.3 FIELD SERVICE MANAGERS

Reg Barton, Nick Crow, Wendy Kerrigan and Claudia Walker join the team on 14/8/2000. Christine McKay joins on 21/8/2000. They will be the eyes and ears for Customer Service in the live estate concentrating on Manager Care visits and Outlet Problem Management.

2.3.4 STRATEGIC SERVICES UNIT

2.3.4.1 BUSINESS AS USUAL

1. **OSD Red Alert**

   OSD continues to work to achieve service levels and many improvements in SLA performance have been achieved. The red alert has been downgraded to Divisional alert for continued monitoring.

2. **Help Desk Forum**

   a) July's HSH/NBSC review took place on the 18th July in Manchester. The Helpdesks were actioned to meet to look at the impact of CI_4 on the c/a scripts and interface agreement.

   b) The Joint ICL Pathway/PON/Helpdesk CI_4 meeting was held as planned. The output has been widely reported and recognises how well both desks work together.

   c) A CI_4 training meeting was held with HSH this week. 60 staff will be trained before Live Pilot and the remainder will be trained before migration. There are still some areas requiring clarification of training detail.

2.3.4.2 OCMS

The first release of OCMS will now be delivered at the end of November and the final release, which introduces the capability to update Tivoli configuration changes automatically, will be delivered at the end of March 2001. Before this the Tivoli configuration will have to be completed in a semi-automated manner but this is not critical to the success of the change business.

2.3.4.3 OPERATIONAL BUSINESS CHANGE

The following tables show actuals for June & July and firm orders raised for changes up to the beginning of September.

1. Opening/Relocation/Refurbishment (Outlets)

Month	Total Deliveries	Actual Deliveries Allowed Within Contract	Actual Deliveries Additional to Contract
June	41	10.31	30.69
July	32	12.25	19.75

Month	Total Orders	Forecast Deliveries Allowed Within Contract	Forecast Deliveries Additional to Contract
August	37	14.05	22.95
Sept	6	15.64	0

2. Closures (Outlets)

Month	Total Deliveries	Actual Deliveries Allowed Within Contract	Actual Deliveries Additional to Contract
June	4	6.44	0
July	13	7.66	5.34

Month	Total Orders	Forecast Deliveries Allowed Within Contract	Forecast Deliveries Additional to Contract
August	7	8.78	0

Quality & Risk Report

1 MONTHLY SUMMARY

- Security. Virtually all effort is still focused on implementation of KMS. Issues are being addressed daily to maintain progress, including demand on and performance of Certification Authority Workstations (CAWs), incorrect build of live KMS platforms, Siemens metering code, testing live keys on OTT rigs. Additional resource has been identified to fulfil the role of Key Manager – this now being further reviewed to impact the proposal for increasing migration rate.
- Risk Management. The Business Case risk exposure has increased slightly in the last month, mainly as a result of a further increase in new business risk and increasing headcount pressure. The pressure of CSR+ activity has resulted in cancellation of several risk reviews. Business Continuity plans continue to make progress despite replacement of a member of staff in the last month.
- Quality. ISO9001. Progress is being made with process update. Most Directorates will be complete by end August. A date for formal assessment has still to be agreed with BSi – it will be timed so as not to coincide with critical programme activities. Process readiness, cross-directorate issues, and Business Management System (intranet) content are being reviewed via the Process Review Forums.
- Audit. The audit programme continues to plan. It is generally raising issues of poor adherence to process, lack of document control, poor project definition. The audit solution is still the major issue – problems continue to plague it and large chunks of data cannot be extracted and are having to be reconstructed.
- Issues:
  - Build problems are emerging again – on Audit workstations and live and test security workstations.
  - Turnover and recruitment of suitably experienced QRM staff.

2 PROGRESS

2.1 RISK MANAGEMENT

- Risk reviews have been conducted with Customer Service and B&TC.

- The Risk Analysis & Management Process (RAMP) has been defined.
- The Business Case Risk Register. The weighted total now stands at £23.1mn, an increase of £0.6mn from June. The major risks are now associated with:
- New Business (increased by £0.5mn to £9.3) – continuing recognition of the difficulty in realising the total volume in the business case.
- Staff (increased by £1mn to £8mn) as a result of increasing pressure on headcount and therefore risk to the cost reduction plans.
- Implementation risks have remained the same at £1.2mn, despite an additional risk being identified - slip to the achievement of the final roll out.
- Development risks have fallen by £0.6mn to £3.3mn, as a rsult of reducing long term technical risk of the solution architecture. The CSR+ risk will reduce significantly in September as a result of completion of data centre migration and start of counter migration. The impact of the 3 week slip will be included in forecast costs.

- Operational risks have decreased (by £0.4mn to £4.4mn), as a result of the reduction in helpdesk workload risk.
- Business Continuity plans. The first draft of a high-level project plan for completing and implementing the plans has been defined. A control document to track the number and structure of Business Recovery Teams (BRTs) has been developed. The structure of each BRT team is being reviewed and an awareness campaign developed.

2.2 SYSTEM SECURITY

2.2.1 GENERAL

- CP2292 et al (Anti-Virus software on the Live-Estate). This CP still being progressed as a matter of real urgency. A meeting has been held to finalise arrangements for implementation. Progress delayed by other CI4 activities.

- DPA. Responsibilities under the DPA for ownership of data have been agreed and work is underway on producing requirements as a precursor for contractual negotiation on processes for handling Subject Access Requests.

- Security documentation continues to be reviewed as part of the ISO 9001 plan. Most documents have been re-baselined or are in the process of formal review. Work is required on establishing a security presence and process on the Pathway Intranet.

2.2.2 CSR+

- The draft continuity plan for the security administration workstations is progressing.
- Cryptographic Key material continues to be provided for test purposes.
- Work continues on a security awareness programme for new and existing Pathway staff. A new presentation has been base-lined and input to the induction event is being scoped.
- The KMS User Guide has been completed and is being baselined. All PinICLs raised for changes to the Guide during Technical Testing have been signed off. Some low priority PinICLs remain for software issues.
- KMS Implementation. KMS supporting documentation, including processes for key handling and exception events during migration is undergoing formal review. Work continues on a number of hangouts from the Plan. These include finalising arrangements with SMC for problem resolution and reviewing KMS events to determine security-related incidents and to produce KELs for SSC. A solution to the problem of testing live keys on the OTT rigs has been found and implemented. A CP has been prepared to raise additional resource for a full-time Key Manager until April 2001.
- Network Security tools. A CP is imminent and a presentation given to interested parties.
- Implementation of agreed recommendations from the RODB risk assessment is being monitored.

2.3 QUALITY

- ISO9001 Programme.
  - Quality Management processes continue to be reviewed and updated.
  - Process Development update:
    - Risk process complete; security processes progressing – many will be revised as CSR+ experience is gained.

- Completion of C&F processes is still proving difficult.
- Development is still on target; the major process (DE/PRO/003) is being reviewed. Interfaces, primarily to CS are being discussed.
- Customer Services processes are being re-structured; target end August.
- Programme Office; Document Management Process update is under review.
- Business Development and Customer Requirements will use the CSLC processes as relevant for new business.
- Implementation processes are in final stages of review.
- Process Review Forums have been started, with the objective of defining Business Management System (Intranet) content, identifying process issue and interfaces.
- Business Management System (BMS). Reviews of Directorate requirements have been completed. Intranet test site set up for review purposes. High level overviews of Pathway processes and of Pathway responsibilities for ICL processes created. Utility established in PVCS to automatically update the site, each day, with links to the current approved versions of QMS documentation.
- The date for the final assessment has been delayed, so as not to coincide with CSR+ migration. Exact dates are to be discussed and fixed with BSi.
- Propel implementation.
  - Stage 1 outputs have been reviewed. Those of relevance to Pathway have been identified and will be completed prior to moving to Stage 2 (for Network Banking initially).

  - Other programmes are being reviewed, discussed to understand the relevance to Pathway and timing of rollout.

2.4 AUDIT

- Internal audits:
  - CSR+ Migration Audit. Comments on the draft report have been incorporated and Corrective / Preventive actions being discussed.

  - Commercial/Financial Audit. The first part of the audit (documentation) is in progress. Lack of documented procedures and due diligence activities for flotation have delayed proceedings

  - Supplier Management – Training. Audit is in progress.

  - Data Centres Audit has been completed and the draft report circulated to the Data Centre managers. A CAP is considered inappropriate but the report suggests possible action within the Data Centre and OSD to remedy deficiencies identified.

- Joint Audit preparation.   A meeting was held with Chris Paynter in Chesterfield to discuss POCL's planned audit programme. Although most of their auditing will be in the POCL domain, there are possible end-to-end issues on Reference Data and Invoicing, which might point to joint audits. These issues were raised with Dave Wilcox and Graham Wingrove who do not foresee problems given the likely timescales.
- Audit documentation update for CSR+ has been nearly completed.
- CSR+ preparation. Audit server and workstation migration activities were found to be missing from the migration plan, and the missing steps have been added. Audit workstations at Wigan & Bootle were found to be markedly off-spec on test;

representation has been made to OSD to correct the deficiencies in line with Migration timescales.

- Audit Solution Problem List. The top problem still concerns rebuilding of missing file indices. OSD's data initial recovery plan was rejected; Richard Laking is assisting them.
- Brian Mooney has now left Pathway. A direct replacement is not being sought. A data analyst is being recruited to conduct audit extractions and support security event management.

3 ISSUES

- There are certain areas of Pathway's business that need to be more actively involved in the risk analysis and management process e.g. TDA.
- Risk reviews are re-scheduled or postponed indefinitely on the basis that there are more urgent problems to which to attend; these problems arise more often than not from unanticipated or discounted risks. This is symptomatic of an underlying lack of discipline in certain areas within the business – in for example following processes, definition of projects, document control.
- A plan has been devised to handle the demand on the availability of the limited number of Certification Authority Workstations (CAWs). There are emerging issues over the performance of CAWs under volume conditions. This is being addressed by KMS Development.
- It is apparent that the test and live KMS platforms have been built with the incorrect increments and a complete re-build is required. This places further demands on QRM resources to repeat commissioning activities.
- Delivery of secure storage for cryptographic key material has been delayed. Existing secure facilities mitigate risk in the short term.
- There is an urgent need to establish that we have the correct version of the Siemens Metering deliverables for AP Quantum/SPM and that the code as prepared will interact correctly in the live environment. Tests have been scripted and will be undertaken imminently.
- The impact on the Key Manager of recent proposals to increase the daily number of migrations will need to be assessed.
- Staff turnover in QRM has been very high and it is proving more difficult to recruit.

Business Development Report

1 SUMMARY

- Principal efforts continue to be focussed on Network Banking and ERA with a renewes emphasis on Government gateway as a result of the PIU report.
  - **Network Banking:**
    - The Proof of Concept work is nearing completion with the final report and demonstration available 11th August. The POC exercise has achieved all objectives to date and there is now a clear view of the forward development path with the associated risks identified. Web enabled Riposte is achievable within the Horizon environment and this will also provide us with a clear forward strategy on Horizon.
    - The ITT responses for the Network Banking Engine have been received by Post Office and are currently being evaluated. A decision is expected by end August. We continue to review the Pathway strategy regarding Horizon being the interface to the banks. We are ready to respond to Post Office if needs be.
    - Post Office are now under pressure to respond to the government's call for Universal Banking. The banks have come out against supporting Universal bank. There is a real [political play going on and our position is to stay low in that we can respond to whatever direction is taken.
    - A successful visit to Escher's premises in Boston took place earlier in the month. Five PO people attended and came away impressed by what they saw and heard.
  - **ERA:**
    - Progress on the ERA project is good with additional resource now being applied from ICL Pathway. This involves requirements, TDA & counter development staff and this resource will be involved up till end October when the next phase of work starts.
  - **Government Gateway:**
    - The PIU report has emphasised a number of key areas where it believes the Post Office can be the focal point of delivery, namely GGP (Government General Practitioner) and ILAP (Internet Learning Access Point). The Post Office must put clear business cases to Government by 1st September. The PIU report has stressed that it wants to see pilots in place in Spring 2001. We are currently discussing these with Post Office and reviewing options.
  - **Marketing Communications:**
    - Slow progress. This is a real grind. Post Office are not tuned in to positive pro-active comms. They much prefer a reactive defensive position. We continue to try to break down the barriers. The good news as I write is that we have approval to use their material to promote the fact that we have just installed the 10,000th post office.
  - **NAO Report:**
    - Looks like this is finalised at long last. It is now due for publication on 18th August. NAO have also given us sight of their press release which we have commented on.

2 PROGRESS

Business Development:

		FUJ00078051
		FUJ00078051

ICL Pathway	**Business Development Report**	Ref:PA/REP/052
		Version:1.0
		Date:09/08/2000

- **EFTPOS:** We understand that Andy Radka, ex BSM manager returns from extended leave 7th August to take overall project management control for EFTPOS. We expect to engage with him within two weeks.
- **Mails:** A very useful Mails workshop has taken place with Escher's support. This has given Post office a lot of thoughts and ideas for them to build into a forward plan to engage their Royal Mail and Parcelforce colleagues.

Internal Communications in ICL Pathway

- Brief EnCounters was distributed w/c 17th July. It has been redesigned and launched via email with a hyperlink to the ICL Pathway Community on CafeVIK. Positive comments received from staff members regarding the re-launch.

- An internal ICL Pathway Opinion Survey on marcomms. has been produced and sent to all ICL Pathway staff. To-date approx. 100 replies have been received. A full evaluation report will be produced and distributed to the Management team first and then to all staff via Brief EnCounters.

- The 'Induction Pack' - produced as a slot-in document for new joiners, is at present with Document Control, waiting for PVCS approval.

- We have placed an urgent request in for an additional 5 systems to be built:

  - 1x P1 - Future Focus for DTI

  - 4x CSR+ PII = 2 for Marketing Suite, 2 for external demo

Communication within ICL

- The ICL Pathway Community on CafeVIK has been re-launched and has received positive feedback.

- ICL's Future Focus has now been signed off with the inclusion of Horizon. This is for the REA24 Future Focus, with the same going to the additional Future Focus site at the DTI late summer.

- The ICL Pathway rolling demo has proved a huge success within ICL. Because of its success, it is being updated and redesigned by the 'Design Studio' in BRA01, such that we can distribute it to a wider field.

External communication/ PR/Media

- Working with a number of suppliers (Energis, Eicon and Metron) regarding case studies and press releases - all of which are with the Post Office for approval.

- Relationship building with National and IT media continues and is improving.

- Please find attached two summaries on press coverage received during July on ICL, ICL Pathway, Horizon & Post Office automation.

Post Office Network Communications

- Pastiche event is due to take place in September with key players from the Post Office attending. To-date Stuart Sweetman, David Miller, Alan Barrie, John Main, Tim Thorpe and Ann Nevinson have accepted.
- We are working with the Post Office on the forthcoming Party Political Conferences. They are deciding whether to run with demonstration offices or operational temporary offices. Dates of the Conference are as follows:

- 17-21 Sep - Liberal, Bournemouth
- 24-29 Sep - Labour, Brighton
- 2-5 Oct - Conservative, Bournemouth

Government communications

- Reviewed executive summary and press release of the NAO report; drafted an ICL positioning statement and forwarded to flotation document clearance team for checking.

- Wording on Horizon for the MP's newsletter (Information Technology Bulleting) has been approved between Jane Warriner (PO) and John Cheetham (ICL Corporate Affairs). Due to be published in August.

Marketing Communication Team

- All team members have attended Conversations for Change.
- Alex Garforth replacing David Hilton started on 3rd July.

International

- Continue to receive requests about Horizon from overseas. Interest this month includes Egypt and Mauritius. Profiles and achievements have been forwarded.
- We are still helping South Africa to get a framing agreement in place with Escher to enable ICL to have the marketing rights for sub-Saharan Africa.

3 ISSUES

- None

Implementation Report

1 MONTHLY SUMMARY

A total of 10,116 outlets have now been migrated to Horizon, as of close of business at 4th August 2000, representing 56% of the network. Achievements in the installation programme continue to exceed the planned levels on a weekly and cumulative basis.
The programme remains on track to achieve the 1st November 2000 rollout payment milestone of 10680 live outlets. It is currently forecast that this will be achieved in mid-August.
Training scheduling, specifically invitation timeliness has improved considerably. At a working level this is no longer believed to be a major issue. However, a significant deficit in the number of courses required compared to the contracted quantity is being forecast and is likely to create a dispute with PONU over responsibility for the issue and the costs involved (see Critical Concerns).
Activity continues to align all staff with future opportunities in ICL in preparation for the closedown of the Implementation team at the end of rollout next spring. This includes the planned transfer of staff into E-Applications and into vacant roles in Pathway Customer Services. This work also includes the creation of a rollout services group to provide a shared rollout service to this and other rollout programmes in ICL.

2 PROGRESS

The infrastructure tail plan continues to make good progress and is on track to be completed by the end of September. The deadline for accepting non-compliant outlets was passed on 3oth June. From this point outlets can only be accepted if they are already compliant otherwise they will need to be managed through Operational Business change.
On an individual outlet basis Pathway will consider accepting outlets, provided dates can be agreed for completion of infrastructure activity which meets the requirements of the installation programme.

Review of formal documentation for the survey and preparation activity for satellites is at an advanced stage and has included PONU review. These activities remain on target to achieve the planned dates for satellite and mobile installations. The CCNs for mobiles and satellites have now been approved by PONU.

> Preparations for CSR+ the introduction of CSR+ and the live pilot remain on track for the revised CSR+ live pilot dates. Up to 20 new installations will be included in the live pilot.

ACTIVITY	CHANGE	CUMULATIVE
Number of Open Post Office Outlets	-9	18,147
INFRASTRUCTURE PROGRAMME		
Sites Entered Into the Programme	-	18,050
Sites Remaining to be Surveyed	-	674
Sites Remaining to be Prepared	-	1,491
INSTALLATION PROGRAMME		
Sites Migrated and Live	-	8,553
Percentage of Open Sites Live	-	56%
Counters Live	-	23,000

3 CURRENT CRITICAL PROBLEMS

Examination of course usage, relative to the contracted number of training course, and the introduction of a detailed usage forecasting model has identified a large potential shortfall of courses. This would require PONU to purchase approximately 2,000 additional training courses. The driver for this is course occupancy. Levels of course occupancy reduced in the last two months consecutively, exacerbating the problem. The deterioration in occupancy levels is considered to be caused by an increase in the number of postmasters refusing training dates because of holidays. Postmasters are made aware of installation dates and the training window, relative to the install date, up to 14 weeks prior to installation, but the dropout occurs several weeks after this. This indicates that acceptance of training dates and lack of enforcement by PONU is having a considerable impact on attendance. This has, and will continue to add to, the shortfall in training courses currently being predicted. All parties will need to increase their efforts to improve this situation.

Not surprisingly PONU are concerned about this and are likely to claim the issues around training scheduling caused this situation. Although training scheduling has contributed to the problem, PONU have a large degree of responsibility for the status also. Pathway and PONU are currently working together to determine actions to resolve the issue. Once such action, allowing 1 additional person to be scheduled onto a training course at the point of re-scheduling, will be introduced from 1st August and is forecast to reduce the impact by 25%.

Good progress is being made introducing other actions to reduce the magnitude of the problem.

4 ISSUES

During the last reporting period an increase in the number of modification snagging issues was observed. This occurred, as a result of the supplier under-estimating the complexity of the work required. This also resulted in the supplier being unable to complete the work by the planned date of 30th June. By agreement with PONU, the work has been reviewed and it was determined 24 sites required snagging items to be addressed for which all appointments with outlets have been made and work is underway.

ISDN line failures have been noticeably less this reporting period. This area of work will continue to be monitored until the end of the programme to ensure a consistent level of acceptable performance is maintained.

Telephone sampling by PONU has continued with the aim of monitoring improvements in training invitation timeliness. Actions taken last month by Pathway have enabled a clearer view of the issues to be determined, action to be taken and improvement to be put in place. An RODB audit determined two key issues:

- Inconsistent implementation of the scheduling process for the Preview event introduced in January and the consequential change in process timing for the UAE event. Consequently, outlets would have been scheduled late until the point where improvement would be seen in calls made week commencing 19th June. This improvement was observed in the actual results reported.
- Occasional failures in data format transmission between Pathway and their training supplier. This resulted in incorrect or missing scheduling data for a small proportion of outlets such that UAE events where impacted in terms of invitation timeliness. Data format corrections are in place such that from the end of July no further occurrences should be observed. Until then a small percentage of outlets will be impacted with late UAE invitations (worse case 10-15%).

The following additional issues were also been identified after examining the reported failures from PONU:

- Sampling calls being made too early by PONU staff
- Discrepancies between when invitations were sent and postmasters response, which remains unexplained
- Evidence of invitations being received when postmasters claim they have not been (questionnaires returned to KPL).
- Late notification by PONU to KPL of outlets to be invited to Preview events.

The results and supporting evidence of this analysis has been shared with PONU for each of the 4 weeks where it was undertaken such that corrective action can be taken. The analysis will continue until such time as a consistent acceptable level of performance has been achieved. It is considered that the issue of training invitation timeliness has improved markedly and is above or close to the level of performance required.

A CCN for the extension of the Counter Manager training course has been submitted for PONU approval but has since been rejected. There will be an unacceptable impact to the training quality after the introduction of CSR+ if the extension is not taken up. Feedback from postmasters continues to support this view.

5 COSTS

Implementation forecast for the period remains within budget.

Headcount forecast costs have reduced following efforts to begin the transfer of staff to alternative positions at the end of rollout. This is in line with the Implementation cost improvement programme.

Negotiations continue with ntl: over weekly site shortfall charges.

Organisation & Personnel Report

1 MONTHLY SUMMARY

Good progress was made with the transition plan for the Pathway Implementation team. Employees were notified of the EIP/PVP bonus schemes for 2000/01 and managers were supported in the associated activity of objective setting.

2 PROGRESS

- Appointments in July:
External Recruits	3	
Transfers In	0	
E-Apps		5
LINKwise	0	
Freelance	6	
Fixed Term Contracts	5	
Adecco Temps		1
TOTAL:	**20**	

- Known Joiners
External Recruits	0	
Transfers In	0	
e-Apps	1	
LINKwise	0	
Freelance	0	
Fixed Term Contracts	0	
Adecco Temps		0
TOTAL:	**1**	

- July Leavers:
Permanent Staff	1	
Freelance	6	
Transfers Out	2	
Linkwise assignee	0	
e-Apps	5	
Fixed term Contracts	2	
Adecco Temps		0
TOTAL:	**16**	

  Known Leavers

Permanent Staff	2	
Freelance	4	
Transfers Out	0	
Linkwise assignee	0	
e-Apps		4
Fixed term Contracts	4	

Adecco Temps   0
TOTAL: **14**

- Letters confirming the details of the 2000/01 EIP and PVP schemes were issued to all eligible Pathway employees. The PVP scheme requires specific personal objectives to be set for each participant and the Personnel department is working with managers to ensure all employees have SMART objectives set. The Pathway Managing Director will review these in early August. To date there has been a reasonable amount of work undertaken by managers but so far only approximately 25% of objectives have been received by the Personnel Department.

- The Roll-Out transition team met and a proposal was tabled by e-Applications to transfer the Pathway team virtually in its entirety into e-Applications in one group as soon as it can practically be managed. The original working plan had envisaged people being transferred to e-Applications once their individual work on the Pathway Roll-Out was complete. The new proposal involves a group transfer taking place as soon as the details can be agreed and with employees still needed by Pathway being placed on assignment to Pathway until their roles have finished. E-Applications would then place them on other assignments within ICL.
  This proposal is currently being considered in detail by Pathway and the Technical Centre to decide whether it is workable and is the best way to manage this activity. The implications for the supply of roll-out services to Large Projects are also being examined. Many of the Pathway team will have a role in delivering the roll-out of these projects and this has therefore also to be factored into the transition plan.

- Agreement was reached on the roles of the first group of people who are working full time on roll-out services for Large Projects. Changes to Terms and Conditions were made which reflected the new roles and offers were made confirming these changes.

- 20 appointments were made in July. The number of live vacant requirements has reduced from 27 at the end of June to 19 at the end of July. Only 4 new requirements were submitted by Line Managers for approval.

- Junior Business Analyst roles remain outstanding in Customer Service. 8 external candidates will be interviewed in early August.

- Substantial progress was made on the rectification plan to clear the non-compliances identified by the Health and Safety report on the Pathway laboratories in BRA01. The Manual-Handling course was completed on 27th July and Workplace Assessments were completed on 21st July.

- The Pathway Accommodation plan was presented to the Management Team and it was agreed to implement the plan as proposed. The plan is now being implemented and will also be formally reviewed in Quarter 3.

- A large number of questions and requests for help were generated by the implementation of the Personal Choices benefits programme. These were dealt with by members of the Personnel Department with support from the HR Direct team.

The Post Office - Client Director's Report

1 MONTHLY SUMMARY

The problems with the OneStopShop contract (MC), the ParcelForce WDM contract (MC and OSD) and the SMPP contract (OSD, eAPPS) continue despite escalation within ICL.
Renewed dialogue with PO on the government market has been encouraged by the demands of the PIU report.

OneStopShop
ICLMC have been informed by PO that the cancellation of new orders will continue until end-August and ComputerCenter will supply 6,000 laptops single tender. MC have yet to establish the criteria for renewal of orders. PO have also now informed MC that the selection process for a single supplier under OneStopShop starts in September.

SMPP
This staggers on with OSD still failing to satisfy customer expectations on either closing down the original contract or presenting a strong sales case for the proposed Peregrine-based asset management service.

WDM
This ParcelForce Worldwide Despatch Manager contract was a spinoff of OneStopShop, which has caused problems in OSD and MC for over 12 months. After much agitation by Caroline this was straightened out, but now MC have run into MC product supply problems and OSD are failing to meet SLAs - this is particularly critical to ParcelForce as the kit is installed on their customers' premises. Caroline is attending a service review with Parcelforce on 10th August 2000, with MC and OSD and ParcelForce.
Penalties start to be applied to OSD/MC from 1st August 2000.

E- Infrastructure
Windows 2000 initiative kicked off in Man05 with some key Windows2000 resources.
ICLMC and A&TC are now working together to sell W2K services into Post Office.

eGovernment
PO, in response to the PIU report, are developing various plans for govt services under project names CMCO, ECLIPSE as well as PIU and are evaluating GovWorks. ICL Govt Division are now involved, with Yatin Mahandru meeting P Rich and D Waltho 4th August. PO intend to ask several suppliers if they wish to partner in some/all of these initiatives and in effect we have been given early briefing. The key (hard) part will be to establish exactly what ICL is expected to do, and to evaluate the associated risk/reward.

John Roberts is personally leading the PIU response (not just while S Sweetman is on leave) and there have been a number of tough meetings with Treasury. It is clear that PO are expected to produce strong commercial business cases before they will see the PIU pilot money; of which £15m is earmarked for govt pilots. Debate continues as to what constitutes a "pilot", where it should take place, who pays for what etc. Treasury are insisting on a PO response by 1st September.

CMBU
CMBU's earlier plans for reaching parnering agreements for joint bids with ICL for Customer Management business in govt, utilities, financial services and retail have been scaled back to Government market only. This is realistic recognition of the difficulties PO face in pitching for external

CRM business given the state of their in-house CRM capability; and the importance of Govt as a client.

eBusiness
An ITT for a "management of change and eServices partner" is being issued. John Bell has helped e-Innov to submit the qualifying first response.

Jim Reed, Director of IT Procurement has expressed a strong desire to understand "how PO can exploit the Horizon asset" - date fixed for 30th August. Jim also attended a FJ seminar at which Andrew Boswell's session on e-futures was well received.

Network Banking
The ICL response to the ITT, based on Lifestyle, was submitted on time and a host of follow-up questions are being dealt with. Bids were received from IBM, ICL, UNISYS and Brokat-Sanchez.

Smartcard
Discussions continue with PO Network Banking Div regarding the potential for London Transport Travel Cards issued by PO - we took Alan Oliver MD of Transys to meet Paul Rayner 4th August. Some mutual potential is being explored.

In the course of his consultancy work for Dave Waltho, Mike Jenkins has been asked to switch focus to a 3 million cardholder scheme which could support a Government General Practitioner pilot in (possibly) Northern Ireland.

VIACODE
Have now held two meetings with Peter Taylor GM of ViaCode, with Andrew Boswell and assorted ICL security people. Andrew's aim is twofold: i) to establish if ViaCode could be brought into internal ICL use as our own encryption and digital signature service; and ii) whether it would be a good Go to Market offer for ICL to take to our customers. There is strong interest in PO but much work remains to be done.

Account Team
Owing to a clash of dates with Post Office the Account Planning session planned for Sep 27/28 is being re-scheduled.