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Q&A BRIEF BA/POCL
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What caused the problems with this project? Government indecisiveness or failures by ICL?
This is a highly complex IT project, entered into by the last Government. It is this Government's decisive action that has put the project back on track. [Cannot comment on detailed technical issues which are commercially confidential between POCL and the supplier - ICL.]

Why has this taken so long to resolve?
This is a large and complex project, with significant amount of public money at stake, and with implications for 15 million benefits recipients and for 19,000 post offices. Only right that we should consider very carefully how to move forward. As a result, we have now been able to put this project back on track.

Wasn't the delay caused by splits within Government and between BA and POCL?
The delays were caused by technical problems with what is a highly complex IT project, entered into by the last administration. This Government has taken decisive action to put the project back on track.

How much has the Government contributed to the abortive costs of the benefit payment card?
As a PFI contract, the costs and risks associated with developing the benefit payment card fell to the contractor - ICL

Why have ICL/Fujitsu made a provision of £180m in their accounts?
This is a matter for ICL/Fujitsu and their auditors.

If pressed:
The provision reflects the costs and risks associated with developing the benefit payment card, which, as a PFI contract, fell to the contractor.

How much will this new deal cost?
This project will result in significant savings overall. There will be substantial fraud savings; and the automation of post office counters will provide a platform for improving the efficiency and quality of delivery of government and other services to the public, including the payment of benefits.

If pressed on whether this costs more than original project:
The Government has carried out an extensive review of all the options for taking this project forward. This option represents the best value overall for the Post Office, benefit customers and the taxpayer.

If pressed on costs and financing:
The Government will be discussing the funding arrangements with the Post Office in the context of the Post Office Strategic Plan, and the implications for the Post Office's external

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financing will be announced in the normal way.

What does the loss of the Benefit Payment Card mean for the future of the post office network?
This project represents a major investment in the future of the national network of post offices, and will help post offices offer better services to their customers. Benefits will continue to be collected using order books and girocheques as they are now. We intend to move to a more modern and efficient way of paying benefits through post offices in due course. Those benefit recipients who wish to collect their benefits in cash at post offices will continue to be able to do so.

Will Government Departments/Agencies continue to use the post office network?
The post office network with its nationwide reach represents a valuable channel for the delivery of Government and other services. Automation will provide a modern electronic platform for the delivery of these services.

What does this mean for benefit recipients?
Vast majority of benefit customers will be unaffected. Existing arrangements will continue, including paying benefits over post office counters as now. Those currently using the Benefit Payment Card - around 30,000 people - will see no interruption of their payments.

Will the Government now pay all benefits into bank accounts?
Benefit recipients can currently opt to receive their benefits through their bank accounts. We intend to move those recipients who are currently paid by traditional paper-based methods to a more modern and efficient way of paying benefits in due course, but we will ensure that all those who wish to do so can continue to collect their benefits in cash at post offices.

What does the loss of the benefit payment card mean for the BA's anti-fraud strategy?
The nation-wide introduction of bar-coded order books will save up to £100 million annually, in addition to existing savings achieved by other existing measures.

What will happen to the Benefit Agency's Customer Accounting and Payment Strategy project?
The CAPS Programme is not just about the payment card. It is also introducing a computer system that will improve customer service and security by linking benefit computer systems. It will also improve the way in which the DSS accounts for its expenditure. This work, which is well advanced, will continue.

Given the failures in this project, why doesn't the Government just terminate and find another supplier?
The Government is satisfied that the agreement in principle with ICL puts the project back on track, and automation of post offices should begin later this year.

Only if raised: Why is this no longer to be a PFI project?
The project has been restructured to remove the Benefit Payment Card, and the

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service element associated with the Card which was the basis for the PFI deal. The Government therefore decided that the first stage of the project, in which the Post Office purchases the automation system, would be more appropriately taken forward in a conventional procurement. But this is just the first stage, and in parallel with this the Post Office will be exploring the opportunities for developing a long term partnership with the private sector to exploit the full potential of the national network of post offices, using state of the art technology.

If pressed: doesn't this mean there will be greater upfront cost?
The Government will be discussing the funding arrangements with the Post Office in the context of the Post Office Strategic Plan, and the implications for the Post Office's external financing will be announced in the normal way.

<u>This project is no longer to be a PFI. Doesn't this show that the PFI concept is fatally flawed when it comes to IT projects?</u>
There is nothing fundamentally wrong with PFI procurements nor are there any fundamental flaws with taking IT projects forward under PFI — others are being delivered successfully: providing good value and service to the public- sector and attractive return to the private sector investors. For example:

- the OSIRIS project supplied by Siemens Business Service for the Welsh Office
- ArmyMail Project supplied by Bull for the Ministry of Defence
- Employment Partnership Project supplied by EDS for the Department for Education and Employment.

<u>What does this mean for the Post Office White Paper?</u>
The Government will be publishing the White Paper shortly.