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# ICL Pathway Memorandum

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| **To:** | ICL Pathway Senior Management Team |
| **CC:** | Keith Todd, Sir Michael Butler, Richard Christou, George Hall<br>John Cheetham |
| **From:** | John Bennett |
| **Date:** | 29 July 1999 |
| **Re:** | **Update and introduction to the new POCL/ICL Pathway contract (the Codified Agreement)** |

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- Back in May 1999 we announced that a change of Government policy had caused the withdrawal of the Payment Card.
- An amended contract between ICL Pathway and Post Office Counters Ltd has now been agreed
- This note sets out the main points of the amended contract Please make sure that this note is discussed at team meetings: the implications on future practices and the business of ICL Pathway should be fully understood by all teams.
- This remains a service contract. We are paid for providing a service NOT for providing resource. We continue to own the IPR.
- The CSR, RCD and SADD define what is required of us: if anything needs changing, Change Control is the route – this must INCLUDE early evaluation via a paid study.
- Performance risk transfer is essentially unchanged from 1996. ICL bears the initial build risk and financing costs. POCL are not buying either products or assets. They have an option to buy for a nominal £1 the service infrastructure, to acquire licences and to have subcontract assigned to them at the end of the contract in March 2005. This option is little changed from that in the original contract.
- The big structural change is that, with POCL business volumes less predictable without the Payment Card, revenue is now based on milestone delivery and not on transaction volumes.
- Milestones matter – they are related to payment and ICL Pathway's ability to generate revenue.
- If any questions arise on the new contract, Hilary Forrest or Tony Oppenheim are first ports of call. Any common points of clarification may find their way into further bulletins of this kind. Do not hesitate to ask. All feedback is welcome.
- Much progress has been made in dealing with A2As, CCDs and CCNs generally as part of the codification exercise. There are very few A2As left in the contract. The key task now is to keep on top of CCNs.

**The amended contract – general information**

- The contract is shorter and reads better. It now comprises two lever arch binders (excluding associated CCDs) in place of the original four.

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- Certain Terms (Schedule A01) have become significant, particularly around the definitions of CSR and CSR+. These now need to be well understood in terms of what they say about our commitments.
- A Table of Contents is included for the first time at the beginning of Volume 1. It lists all the important Clauses by subject and all the Schedules with cross references to Clauses.

**Key updates to the Letter Agreement and detail of the amended contract**

1. The Acceptance and Roll Out payment dates and amounts are confirmed notwithstanding agreed changes to Roll Out run rate (item 5 below).

2. Key milestones for this year are:

- Acceptance on 16th August [plan shows18th] Resulting in a payment amount
- Roll Out to the first 1800 post offices by 1st November [plan shows 6th]. Resulting in a payment amount.
- Payment amounts are collected within 30 days of each event (note Schedule A10 payment terms).

3. The Core System is now defined by reference to Service Definitions for EPOSS, APS, OBCS and POCL Infrastructure Services (Clause 201.3) but subject to the functional limits set out in the CSR RCD (Clause 201.6). Likewise, Core System Plus is limited by the CSR+ RCD. Notwithstanding Requirements for additional functionality (eg. EFTPOS), the effect is that the RCD exclusions now have precedence over Requirements. Any functionality above CSR+ is chargeable.

4. ‘Further releases’ in relation to client re-engineering and ‘further use of the Core System’ in relation to network banking and (via smartcards) Modern Government are both specifically provided for in the contract (Clauses 210 and 211). There is reference to the intent of the parties to revive the Private Public Partnership. Clause 210 also introduces the concept of maintenance releases. ICL Pathway will remain responsible for maintenance releases for the life of the contract. This maps on to our SLA obligations. POCL must pay for functional releases on either a time and materials or fixed price basis. To the extent that we agree a release which is a mix of functional and maintenance, we must also agree in advance the proportion which is chargeable.

5. The post office Roll Out run rate is reduced to 306 per week, extending the ‘tail’. As a result, Roll Out is divided into two phases, A and B.

    - ‘Part A’ runs to 12th February 2001 (17,797 post offices),
    - after which the balance (Part B) is to be carried out under Operational Business Change, albeit at no incremental charge.
    - [The OBC mechanism, with charging structure, is introduced for work above the limits set out in Schedule A12 (the new charging schedule)].
    - The significance of the change is that the final Roll Out payment is payable when 95% of Roll Out is complete (not 99% as before).

6. The number of terminals to which POCL are entitled is now 39,750, up from the previous 38,750 but below the cap of 40,250. However, if ‘churning’ the terminal population under OBC calls for more terminals, we are entitled to charge for such additional terminals.

7. Acceptance Specifications survive unchanged. ICL Pathway has warranted that if we have missed any impacts of the BPC elimination or the new contract generally on either the Specifications or regression tests, to the extent that it was reasonable for us to have foreseen them we will put them right at our cost post Acceptance.

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8. T & M rates are added for Senior Consultants and for Senior Management. Out of pocket expenses are chargeable.

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- These should be taken to include admin; overheads of managing the work (programmes office, etc.).
- Correct designation and tracking these becomes very important from now on.

9. Change Control procedures are revised.

    - There will be a fortnightly Joint CCB to progress issues. We are required to submit CCNs in hard copy with ICL Pathway signatures (in parallel to electronic submission) such that there is a clear offer on the table for POCL to accept.
    - The 'valid to' date will mean that the offer expires on that date.
    - The onus is on us to not start work before approval. The 5 day rule still applies and we should stick to it. If in doubt, CRs with insufficient information to specify the work fully should be rejected with reasons.

10. An Asset Register of data centre equipment now forms part of the contract. This describes the hardware and software for the Core System at Acceptance, adjusted to include committed changes around the NUMA-Qs etc (having taken out the PAS/CMS processors). The significance is that we are required to maintain an equivalent data centre 'capability' over the life of the contract. In addition, ICL Pathway remains responsible for CSR+ additions required for KMS, VPN etc. and for any scaling of the Core System required to meet SLAs post Roll Out. Beyond that, we additions required, e.g.. for network banking, are chargeable.

11. Transaction time targets for EPOSS have been relaxed by 0.9 second to allow for the fact that we will no longer be eligible for BES 'credits'. SLA aggregation as between OBCS and EPOSS/APS no longer applies, although that between EPOSS and APS continues as before.

12. The training implications of each service enhancement or change must be captured as part of the impacting of that change and included in the T&M or fixed charge associated with it. This applies to updating training course content and associated collateral, and also to upgrading the training system builds.

13. The DSS is shown as a subcontractor in relation to the OBCS help desk. This relates to the arrangement we have agreed with the DSS whereby they will handle calls in fallback for the balance of this year pending re-implementation of the OBCS help desk under HSHD.

John Bennett