

ICL Pathway

Programme Monthly Report

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Associated Documents:

	Reference	Vers	Date	Title	Source
[1]	PA/TEM/011	3.0	25/10/01	Pathway Programme – Monthly Report Template	

Approval Authorities:

Name	Position	Signature	Date
Stephen Muchow	Business Director		

Business Director's Summary

1 PROGRESS AND ISSUES

1.1 BUSINESS PLAN

January revenue was £330k better than forecast at £13.8million giving a PBT of £1.2million which is £101k better than forecast. Year to date revenue is £6.8million above budget and PBT £0.8million better than budget.

Total Cash Costs continue to track lower and are £11.3million better than year to date budget.

Net borrowings were marginally lower than forecast and £14.2M better than YTD Budget. Colin Lenton-Smith has confirmed to Group Treasury that borrowing requirements may be reduced to £40M from 31 March 2002. The prospect of breaking into a net positive cash position by year end is now tantalisingly close, but much will depend on POL's attitudes towards invoice payment over the next 2 weeks; the quarterly VAT payment of over £4.5m is also due at the end of the month.

1.2 PROGRAMMES

1.2.1 CORE SYSTEMS RELEASE

Service performance was very good with no major issues. HAPS, the legacy system operated by Post Office Limited to interface to AP Clients, has now been successfully closed down and all Client interfaces are now direct to Horizon.

Data delivery SLAs again achieved excellent performance with 99.99% for OBCS and 99.97% for TIP.

Service Visit Reply cards are being returned for circa 25% of engineering visits and indicate that Customer Satisfaction levels of 90% are being achieved.

1.2.2 YOUR GUIDE (GOVERNMENT GP)

The Your Guide Pilot has now concluded. It will be withdrawn from Leicestershire outlets during the first three weeks in March. Ironically, January and February showed a marked increase in usage, returning to levels seen only at the start of the Pilot. We continue to engage with POL in looking for a practical means of rolling out some Your Guide functionality nationwide by the end of 2002. The DTI maintains that the Your Guide Pilot evaluation will be completed in June and that a decision on National Rollout will be reached in November 2002. It is clear that, informally, the Pilot is being seen as a success.

1.2.3 CONTRACT EXTENSION / OutsourcinG

Work continues on examining POL back end systems to assess the potential for outsourcing. The objective is to examine ways of extending the scope of the Pathway contract to allow us to offer a better value proposition to Post Office. Alan Barrie

remains adamant that he must see a significant reduction in the cost of Horizon as the business cannot afford current costs. He is looking to reduce overall costs by £30million pa. We are now extending the scope of this work to embrace the commercials and the overall architecture of Horizon.

1.2.4 NETWORK BANKING

Lengthy and very detailed negotiations continued throughout the month leading to a meeting with Alan Barrie on 7 March when he informed us that, subject to contract and certain other caveats, he had decided to award the Network Banking contract to ICL.

This is a fantastic achievement and the result of a tremendous amount of very hard work by the whole Pathway team. It is a great win against strong opposition from IBM.

The conditions attached to this victory are not entirely welcome and we are working hard to ensure that the overall contract margin position remains within our target range.

We hope to be able to move to contract signature in early April.

Commercial & Financial Report

1 MONTHLY SUMMARY

- The LPD wide Oracle Financials implementation is still impacting the production of monthly financial reporting, and we are having to learn to live with what it provides; possibly the capabilities of the system are not being fully exploited.
- February revenue is £330K above forecast at £13.8M, and PBT above forecast at £101K. Year to date revenue is £6.8M above budget and PBT £0.8M above budget.
- Total Cash Costs continue to track lower than budget and year to date are £11.3 better than budget.
- Net borrowings were marginally lower than forecast; £14.2M lower than YTD Budget. We have confirmed to Group Treasury that borrowing requirements may be reduced to £40M from 31st March.
- Following the rejection of CCN for Day D, meetings have been held with POL's operational team to iron out the objections. A revised CCN has been produced for final discussion in April, once Network Banking contract negotiations are completed.
- Discussions with Alan Barrie resolved most issues on the Network Banking proposal and contract schedule meetings resumed. However, we have been advised that POL are considering an alternative solution from IBM and slow progress in the contract meetings would appear to reflect a holding position until POL decides on the supplier.
- We have received notification that POL are reserving their rights to terminate the Codified Agreement in respect of two defaults; a) regarding lost data during 1 day in August 2000, and b) regarding failure to meet 100% LFS SLAs. We have rigorously rejected both claims on the grounds that neither breach has a material effect on POLs business.
- POL have taken a position rejecting our definition that a working day is 7.4 hours for T&M invoicing which is delaying payment of invoices. The Network Banking proposal contains an offer to resolve this issue.

2 RISKS

- POL's demand for work will outstrip our ability to supply. Currently ICLP are trying to resolve the issue of POCL demand, ICLP resourcing and limited software release windows until 2003.
- Slow progress in the convergence on the SLA package and CCN to Day D rectification.
- PO's slow payment of invoices is worrying; NWB proposal may resolve this.

- Ongoing review of NWB and overall Programme risk plans continues.

3 ISSUES

- Internal recruitment to build the Pathway finance function and the LPD shared service finance function continues as part of the ongoing plan for shared service to relinquish Pathway specific tasks. Recruitment is making slow but definite progress.

4 FINANCIAL PERFORMANCE

Please see pages 6 and 7.

ICL Pathway

Key Numbers – February 2002

£000s

Revenue & Profit:

Revenue
Profit Before Tax

Costs:

Cash Costs
Net Interest Cost

Cash & Investment:

Net Borrowings
Capital Expenditure
Project WIP
Gross Working Capital

Month of February 2002		
Actual	Forecast	Variance
13,823	13,493	330
1,213	1,112	101
6,090	9,228	3,138
24	53	29
1,731	1,912	181
1	123	122
10,143	13,358	3,215
11,819	8,381	(3,438)

YTD (vs Budget)		
Actual	Budget	Variance
121,437	114,662	6,775
15,932	15,176	756
80,093	91,431	11,338
1,239	2,018	779
1,731	15,962	14,231
622	4,674	4,052
10,143	29,198	19,055
11,819	3,106	(8,713)

Month End Headcount:

Permanent
Non-Permanent

317	322	5
66	66	0

317	318	1
66	58	(8)

Revenue and profits were again slightly up on forecast, with high revenues from Network Banking invoicing.

Receipt of on-time payments from POL remains an issue, particularly where T&M charges are concerned. Some part-payments have been received since the end of the month while the debate as to how many working hours there are in a day trundles on. Lower than forecast cash costs – due in part to the delay in the booking of any LPD divisional cost allocation – helped to offset the impact of the restricted cash inflow and net borrowings at the end of the month were marginally better than forecast.

Profit recognition this month is on a conservative basis, assuming that the Network Banking arrangements are successfully concluded and that certain credits would have to be issued, as well as the introduction of a separate and initially lower percentage profit recognition on Network Banking.

ICL Pathway

Commercial & Financial ReportRef: PA/REP/075
Version: 3.0
Date: 07/03/2002**ICL Pathway****Key Numbers – February 2002****Cash Flow and Borrowings**

2002

	Month of February 2002				YTD (vs Budget)		
	Actual	Forecast	Variance		Actual	Forecast	Variance
Opening Net Borrowings	(5,239)	(5,239)	0	846	846		
Closing Net Borrowings	(1,731)	(1,912)	181	(1,731)	(15,962)	14,231	
Movement	3,508	3,327	181	(2,577)	(16,808)	14,231	
Cash Costs	(6,090)	(9,228)	3,138	(80,093)	(91,431)	11,338	
Net Interest Costs	(24)	(53)	29	(1,239)	(2,018)	779	
Revenue Recognised	13,823	13,493	330	121,437	114,662	6,775	
Working Capital Movement	(4,200)	(762)	(3,438)	(42,060)	(33,347)	(8,713)	
Capital Expenditure	(1)	(123)	122	(622)	(4,674)	4,052	
Movement, as above	3,508	3,327	181	(2,577)	(16,808)	14,231	

Adverse working capital movements were offset by lower cash cost levels to maintain a better-than-forecast cash flow in the month. The prospect of breaking into a net cash position at the year end is now tantalisingly close, but much will depend on POL's attitudes towards invoice payment over the next 2 weeks; the quarterly VAT payment of over £4.5m is also due at the end of the month.

Working Capital

Month of February 2002			February 2002	
	Actual	Forecast	Budget	Variance
Invoiced Debtors	19,709	12,303	12,908	(6,801)
Accrued Debtors	9,677	13,493	8,498	(1,179)
Invoicing in Advance	(84)	(375)		84
Trade Creditors	(3,791)	(3,644)	(7,115)	(3,324)
Advance Payments	2,929	3,000	1,019	(1,910)
Intercompany Balances	(3,899)	(4,580)	(1,221)	2,678
ICL B2B Accruals	(1,805)	(2,400)	(2,200)	(395)
Financial Accruals	(4,967)	(5,538)	(4,149)	818
Oracle Projects Accruals	(1,369)			1,369
VAT	(4,581)	(3,878)	(4,634)	(53)
	11,819	8,381	3,106	(8,713)

Business Development Report

1 MONTHLY SUMMARY

NETWORK BANKING:

- Detailed negotiations have continued throughout the month leading to a meeting with Alan Barrie on 8th March where he informed us that he was awarding the contract to ICL subject to contract and four other issues.
- This is fantastic news and a great win against strong late opposition from IBM. P.O.L. do want to implement pinpads with Romec their own group company. They also want to see EFTPOS implemented within the same timescale as Network Banking.

CONTRACT EXTENSION:

- Work has continued on examining the POL back end systems to assess the potential for outsourcing. In other words, we are examining ways of extending the scope of the Pathway contract to allow us to offer a better value deal to Post Office. Alan Barrie remains adamant that he must see a significant reduction in the cost of Horizon as the business cannot afford their current costs. We are now extending the scope of this work to embrace the commercials and the overall architecture of Horizon.

2 PROGRESS

Relationships are being built with the Strategic Alliance team, MFU client teams and Product Deployment team within Post Office Limited in a positive manner. The main objective being to ensure that we receive earlier insight of opportunities and that communication is shared during the scooping period.

AP FILE SERVER:

Discussions continue regarding how we can position this opportunity in relation to Girobank clients. There are 500 clients under Girobank with 800 products underneath them. Post Office Limited are currently under review as to whether they continue to use Girobank for all their clients, share the clients between Girobank and Post Office Limited or manage all clients independently. We have proposed a complete managed service and suggested that Post Office Limited provide us with a CR for a feasibility study.

MIS:

This initiative within POL is now being managed by Dave Parnell and Aldyth Rowe, who report to Alan Barrie in the Change & IS team. We are engaging ICL resource who have undertaken similar tasks for M&S.

TRAINING SCREENS:

Initial meetings have been held with Post Office Limited National Training Team to gain their perception of the prototype and to discuss the way forward. Possible enhancements have been shared with in ICL Pathway and we now need to determine as to whether we undertake this at our own risk – meeting March to discuss.

PORTAL:

Post Office Limited are keen to move this forward. Proposition produced covering phase 1 and phase 2 approach.

EFTPoS:

- SRS work is now complete and Issue 1.0 is now approved.
- Two CPs have been raised, one to cover chargeable work and one for non chargeable but as yet everyone is too busy on Network Banking to impact.
- Changes to NWB DRS have caused a knock on effect with EFTPoS such that the first release will have to be de-scoped (e.g. no DRS connection).

MAILS LABEL PRINTING:

- Mails label printing went live Feb 14th in 1000 branches (90 % positive reaction). Some problems with printers but this is now tailing off.
- The printer manufacturer has given temporary approval for label printing (until May 31st) but still need to test 72,000 labels (at a cost of \$6000) for ongoing approval. ICLP will pay the \$6000 but Po Ltd Commercial is complaining about the cost of shipping the labels (about \$1000)!

MAILS:

- There is now a small team of Pathway and POL people working towards introducing a comprehensive mails system by July 2003.
- The first two phases are planned in detail and are Make / Buy decision and Business case by Mar 31st and SRS and SDS by Mid year

- The Make / Buy decision is between the extension of the Scales Application or purchase of the Escher Mails Package. After producing compliance matrices and arranging various workshops the decision has been made to use Escher Mails. The major factor in this decision was the Escher statement that "mails was already available, would only take 3 months to deliver and would not require a release!!! Although this is probably not true the expectation has now been set.
- Several urgent meetings now being set up to see what can be done with Mails in a short timescale.
- There are a number of urgent requirements that POL need and these are being progressed via separate CRs for inclusion into S20 but these may fall by the wayside if Mails can be implemented early.

BUREAU:

- The On – Demand proposal is now a live project and a CR has been received.
- First installations will start by September 2002.
- ICL are proposing a solution that includes provision of PC's, installation, h/w and s/w maintenance, management of all data transfers between 1st Rate and the Outlets and use of ISDN channel a la YG. – Reuse of YG decommissioned equipment will be possible.
- John Burton appointed as Project manager.
- Proposal for pre order include to AP has been accepted by First rate and Post Office and a CR is expected soon.

3 OTHER

3.1 CONSIGNIA

- **P&PS ITC Unit:**
Small work packages continue & as a result of Penetration Testing at Chesterfield an identified weakness appeared whereby an intruder could get onto their switchboard & allocate a free-phone number! Similar testing is now planned at Old Street.
- **ISD:**
Held their "Census 2000 workshop" with mixed results & Consignia are undertaking financial analysis of data preparation/document handling real costs in Chesterfield (a la ERA!). Concern is that their traditional speed of progress will result in missing the window of opportunity (although why ISD didn't offer up this suggestion last year is a mystery.) WDM issues seem to be resolved.

- **e-Innovation/MCD:**
No activity
- **KnowledgePool:**
Consignia Purchasing remain vague as to possible outsource of T&DG but they know K'Pool is interested & will contact them should things get clearer.
- **Your Guide:**
Reasonable session with Catherine McCrohan, received *"Interim Evaluation Report"*, & linked Interforum initiative to proposition for a YG kiosk physically in Parliament. Pushing Jim Arnold to release his audit of ICL Pathway score-carding activities. The YG pilot first half game is over and doubt surrounds whether the teams will meet for the second half.

3.2 OTHER ACTIVITIES ICL PATHWAY, CLIENT MANAGEMENT TEAM

- Plans are in place to meet with key MFU managers within qtr 1 of 2002. This will potentially get us closer to their client base so that we can understand their business drivers and strategies.
- Discussions ongoing with MFUs to identify 'quick wins'.
- 'Horizon update' and 'ICL updates' sent out as a regular monthly feature.
- Production of 'ICL Pathway portfolio' discussed & planned for delivery in April.
- Engagement with Post Office Limited clients to increase awareness of Horizon, demonstrations include A&L, HBOS, HSBC, BBC, NAG.
- 'New Opportunity' qualification document produced, currently with Post Office Limited for approval.
- There is now a Pathway database (replaces the current spreadsheet) containing all the current opportunities being reviewed by the Business Development/Consultancy teams. The aim is to keep everyone engaged on these opportunities, in and above the funnel, fully informed so that we can more effectively and efficiently plan future work/ releases.

4 MARKETING COMMUNICATION

Marketing Communications is working towards the introduction of the Fujitsu rebranding, such that it appears seamless and is rolled out to ICL Pathway within timescales specified, and that the customer is fully aware of the change.

REBRANDING

This is currently my main activity. With the migration to the Fujitsu brand happening on 2nd April time is running out. I am up straight with most activities, including:

- Supplier / Main contact letter – sent 6th March
- Working with NFSP regarding article for ‘The Subpostmaster’ – due for distribution 4th April
- Working with Post Office regarding article for ‘Counter News’ – due for distribution 28th March
- Posters arrived for Marketing Suite and general use
- Weekly email to ICL Pathway employees started called ‘Rebranding Update’
- Stated collating business card list for approval by Management Team
- Email from Stephen to ICL Pathway employees regarding how rebranding effects ICL Pathway
- Updating notice boards on regular basis
- Working with individuals to help understand how the rebranding effects them – document templates, etc.

INTERNAL COMMUNICATION

- Brief EnCounters – will be produced on a quarterly basis, with the first issue to be distributed once notification received on Network Banking.
- ICL Pathway Community on CafeVIK will be completely revamped and updated due to the rebranding. This activity will be completed by 28th March, with an email to employees advertising this, hoping that this will attract more people to use it.
- Work continues with regards to case studies. The plan is to produce a 'portfolio' of all the services that ICL Pathway / Horizon provide. The external copywriter is currently working on the ‘Overview / Summary’ study. Once this one has been agreed then the following topics will be approached:

APS / AP
EPOSS
Government Information Services – including Your Guide
Mails – stamps, parcels, bar codes, etc
Management Information System
CS / Managed Service – training, helpdesks, SLA's, non-pollled, etc
Banking – Network Banking, pin pads, smart cards

Consultancy Services Report

1 MONTHLY SUMMARY

- Good progress on developing and agreeing NB SRS, Schedules and CCDs.
- No progress on Acceptance Criteria
- The Consignia Outsourcing bid Pre-Qualification Questionnaire has been submitted by ISD.

2 PROGRESS

2.1 NETWORK BANKING: Major activity on agreeing Schedules and the associated clarification and cross-checking of requirements. SRS version 1.2 issued 28/01/02, and comments received. Mapping matrix produced and delivered to customer providing an xref from NBR (and PPR installation related) requirement numbers to SRS and the contract schedules. Additional spreadsheet produced detailing response for POL on outstanding omissions between the SRS and contract schedules. Counter Dialogues CCD issued and updated. We are now reviewing v1.1 of the NBSDS with a Requirements perspective.

2.2 CURRENT SERVICES: various CRs received and processed relating to enhancements to OBCS (new benefit types) and APS (New Clients and File resends).

2.3 FUTURE PROSPECTS:

AP data capture - APDU have now started the design study based on our specification.

Transportation for London - met with Deloitte to discuss Horizon's ability to operate this service. Concluded that without data capture and an ability to send data in 'near real time' Horizon cannot offer anything. Separate discussion whether SSC can 'acquire' the relevant data and make it available without any development effort.

The **VI / DVLA** initiative has now ceased with POL fully understanding our position and its removal from S20.

Euro - paper completed and issued to POL. Some follow up will be required.

Discussed with POL how a '**Your Guide phase 2**' solution could be provided using existing AP functionality. POL to consider if this would be worth it.

POL indicated they 'may' be prepared to ask us to formally consider impacting the **AP File server** proposal.

- 2.4** *Travel and Ticketing:* POL seem to be keen to embark on a process of transferring the T&T onto the Horizon platform. Their plan indicates a CR to be raised in March for contactless capability on the counter.
- 2.5** *POL Smartcard (Project Hood):* met David Truslove: he claims he has had approval for the business case for Project Hood. Quite what this means is not altogether clear. David was not very forthcoming at our meeting on 28th Feb. However, he appears to be on the move in/out of POL.

Met Card Europe who have been advising POL on Project Hood - they showed an inclination to work with us as long as we push them forward for strategic consultancy.

2.6 ***CONSIGNIA: Research Liaison***

Meeting with Phil Gilbert (Director Research) at Coton House to identify what Consignia Research Group are doing / interested in and to give an overview of Fujitsu Labs Europe (FLE). Phil agreed that an exploratory meeting was worthwhile. Dr Tsuda (FLE) meeting set for 15th March - John Bell and Dave Hollingsworth will attend.

3 ISSUES

Acceptance Criteria remain the key outstanding issue – no offers from POL on a plan or resources to progress.

Programme Report

1 MONTHLY SUMMARY

- The Your Guide Pilot has completed, as planned, at the end of February. It will be withdrawn from Leicestershire outlets during the first three weeks in March. Usage by the public during January and February has shown a marked increase, returning to the levels seen at the start of the Pilot.
- We continue to engage with POL in looking for a practical means of rolling out some Your Guide functionality nation-wide by the end of 2002, this being politically desirable as a quick win. We have most recently offered a solution based on existing Horizon functionality.
- Government is maintaining the line that Your Guide Pilot evaluation will be completed in June and that a decision on National Rollout will be reached in November 2002. It is clear that the Pilot is informally being seen as a success, but while this is a necessary pre-requisite for a positive National Rollout decision, it by no means guarantees it.
- Discussions continue with POL on the contents of the S20 Release, aimed at September/October 2002. This will of necessity be a small release, scheduled for the autumn, tackling some of POL's highest priority business enhancements. This Release may include the Cash account for 2003, subject to POL defining the requirement in time.
- ICLP, POL and IBM have now agreed the revised NBE AIS and TIS specifications, subject to three caveats being resolved and work continues in these areas. Whilst ICLP has been able to create a revised plan that achieves the same end date, a number of technical issues continue to emerge from the Programme as the revised technical architecture is fully taken on board.
- POL has generated a number of comments on SRS v1.2, from their review cycle, and seeks clarification on issues related to PIN Pads and OBC processes. POL has proposed that, subject to resolving the issues related to PIN Pads and OBC, the SRS should be set aside and all attention should be focused on creating the contract schedules that are derived from the SRS.
- POL and ICLP appear to be close to agreeing a contract price following a number of detailed discussions that took place during February. Significant effort is now focused on creating the NWB contract schedules, but the commercial situation in Energis is causing concern both within POL and ICLP.
- ICLP have now been able to propose a PIN Pad roll out plan that meets POL's expectations, but at an increased cost. The price is causing some concern within POL and there remains some work to be done to reach agreement on the assumptions that will govern the roll out Programme.

- The BI1 release of Tivoli continues to perform well in service. The BI2 Programme has now entered its final test phases but the schedule remains under pressure due to problems encountered with Web Riposte and PIN Pad Test Software. At this time, the BI2 end dates are still holding.
- The BI3 release, re-planned to intercept the NBE changes, is continuing to progress but late agreement on the detailed requirements in the areas of Counter Dialogues and Reconciliation Reporting continue to put pressure on the cost and the dates.
- EFTPoS has also been affected by the NBE CRs from both resource impacts and changes into its design and this is impacting ICLP ability to achieve the POL desire of Live by 31/3/2003.
- The Post Office signed-off the EFTPoS SRS V1.0.

2 PROGRESS

- The ICLP activities for the new AP client ESP were completed during February.
- Following the client meeting with National Savings, POL have asked ICLP to suspend the activities on this new client connection until National Savings have reviewed the impact of the proposed solution.
- Roll out of S11 continues, but there have been some issues with the last few that are being investigated.
- Your Guide availability has continued to run at a high level during the month and shows high average availability over the whole Pilot duration.
- Plans are in place for all the short term actions needed to end the Your Guide Pilot cleanly and to ensure that MIS data for the final week of operation is recovered, this being an essential feed into the Pilot Evaluation process.
- The five demonstration Your Guide kiosks will continue to function until November. These are based at Portcullis House, the DTi Future Focus Lab, the Consignia Innovations Lab and at ICL and CEGY premises. Discussions are in progress about installing a sixth kiosk in the Houses of Parliament.
- The revised plan for the development of the ICLP NBS, to support the changes to the IBM NBE, was issued to POL during February and subsequently reviewed with POL staff. The plan, although achieving the end date required by POL, does have increased risk associated with it, a detail that POL appear reluctant to accept.

- The NBE AIS and TIS were not agreed at the end of January as requested by ICLP, but a position of agreement was reached with POL and IBM towards the end of February, although there remain three areas of discussion ongoing. The late agreement on these documents has meant that design issues are still being encountered during the development Programme and the resolution of these may yet impact the cost and schedule. POL accepted ICLP direction to use FTP and FTMS, replacing Connect direct.
- POL have requested further details on failover and serviced capacity and scalability, which ICLP have suggested should form part of an end to end design document and not part of the AIS/TIS.
- The DRAFT CCNs that were prepared in January and submitted in February, to address the Change Requests created by POL to cover the NBE changes, were rejected by POL because the words describing Risk were considered unacceptable to POL. At this time it is still believed that the increase in development cost will be countered by the reduction in hardware expenditure.
- The outstanding design issues, related to the revised NBE AIS and TIS, were clarified by a statement of assumptions by ICLP during February and these assumptions have been accepted by POL.
- The changes to the reconciliation model, described in the January report, were impacted into the DRS development schedule, as planned. However, very late changes to the requirements for the Reconciliation Reports, which have not yet been baselined, has meant that there remains considerable risk associated with the delivery of the Reconciliation components of the NWB solution. The requirement changes are still being assessed but it is believed that the scheduled end dates are now at risk.
- POL have now confirmed in writing that the NBE systems are to be placed in a managed service environment at IBM in Warwick and Greenford. ICLP are currently assessing the increase in cost that will be incurred in providing network links from the Horizon environment to these two sites.
- Non-financial transactions have been removed from the DRS reconciliation model, to align with the NBE reconciliation model, and this has resulted in these transactions being also removed from reconciliation reporting.
- POL have agreed that the Horizon counter is only required to handle two lines of free text on a receipt, rather than the twelve specified within the SRS, because the NBE will only be generating two lines across the AIS interface. ICLP will implement the 12 line requirement post BI3 to coincide with POL's introduction of a mini-statement transaction.

- POL have proposed that the SRS is now shelved so that all attention can be focused on producing the contract schedules that will govern the service relationship. Issues relating to PIN Pads and OBC remain to be discussed and resolved. ICLP are considering POL's proposal.
- New versions of the Network Banking SDS documents covering End-to-End, Application & Service Infrastructure enhancements have been issued for review. A new version of the NB Message Flows & Interfaces document has also been issued.
- POL remain strong in their belief that the pricing strategy from Energis does not stand up well to their benchmark comparison with another supplier. POL have not revealed details of this comparison or the identity of the supplier to ICLP. POL also remain nervous about the commercial stability of Energis as a supplier and this situation has not been helped by the negative publicity that Energis received late in February. In an attempt to stabilise this situation, that affects both existing and future services, ICLP are planning to install standby circuits provided by another network service provider.
- BI2 entered the final test phases during February but Web Riposte and PIN Pad issues have continued to impact progress. The end dates are still holding currently but there is little leeway in the schedule to contain any further delays. The Programme is being monitored closely by ICLP.
- The BI3 plan, including the revisions to support CRs 26 and 27, has been issued to the customer. Work has continued, during February, assessing the cost impact of these changes, but the late agreement on the NBE AIS and TIS has meant that movement in the technical solution continues. This situation is further complicated by the lack of agreement between POL and ICLP with respect to the contents of the Counter Dialogue CCD and the Reconciliation Reporting CCD. Further cost impacts and possible date impacts are expected and POL has been informed.
- ICLP have now indicated to POL that they have developed a plan that will meet POL's requirement of installing 100% of PIN Pads by March 31st 2003. Subsequently POL have specified further constraints on the roll out schedule and have not yet accepted ICLP's previously stated list of assumptions. Discussions continue to seek resolution of these differences.
- A sample 200 Post Offices were visited during February to assess their ability to have a PIN Pad installed. The view was that a revised Pay Pole could allow 90% of outlets to be installed on the first visit.

- There has been good progress in agreeing the outstanding issues related to the PIN Pad technical specification, particularly in the area of power supply and mounting options. Unfortunately there is a cost impact associated with some of these decisions but it is hoped that these will be offset by a reduction in joinery costs and electrical work required to support a successful installation.
- Initial design, moulding and tooling work has been authorised by POL for the Pay Poles.
- A visit has been made to Hypercom in Sweden, during which the supplier's procedures for storing and loading cryptographic keys was audited and the ICLP test keys were generated and the loading procedure demonstrated.
- The contract workshops have continued during February with progress being good in some areas and non-existent in others, particularly with respect to discussions on Acceptance Criteria. POL has been particularly critical at the general rate of progress, indicating that it places the blame with ICLP.
- There is a potential window when changes could be made to the Live outlet estate in September/October 2002. POL has requested that a number of different changes are considered and ICLP is reviewing the impact of this against current skilled resource availability.
- We received a signed copy of the EFTPoS SRS V1.0.
- The EFTPoS Reconciliation design has been impacted by the two NWB CRs, both by the direct time impact that NWB has experienced and by changing its own design. Current planning does not deliver EFTPoS by 31/3/2003 and a review of possible areas to de-scope is underway, although not supported by POL.
- Outstanding EFTPoS issues include the Merchant Acquirer interfaces and internal security. An AIS/TIS needs to be produced.
- POL have requested ICLP review various Mails scenarios. POL has a desire for use of Mails in 2002 and although unlikely, ICLP is investigating all possibilities.

3 ISSUES

- ICLP and POL appear to be close to agreement on the price for developing the NWB solution, but POL is still expressing concern over the network costs. It is anticipated that the latest revisions, delivered at the end of February, may be acceptable to POL and confirmation of this is expected in early March.
- The NWB plan is under pressure due to late baselining of detailed counter details and reconciliation reports. POL will be offered a choice of reducing the requirement, accepting a stage delivery where some areas would be outside initial acceptance or to delay the Programme.

- ICLP has now proposed a plan that meets POL's requirement of installing 100% of PIN Pads by March 31st 2003, but both parties have yet to agree the assumptions that are acceptable to underpin the project.
- The Installation Strategies for PIN Pads are behind schedule as until an implementation plan can be agreed, the approach may change. Until this is achieved, 3rd party suppliers cannot be engaged to underwrite any approach.
- POL have been allowing the Programme to move forward in small steps, delaying authorization of hardware until the last moment. It is now fast approaching the time that the order for PIN Pads must be authorized or their delivery will be delayed and impact the Programme.
- Whilst the Post Office remains keen to implement EFTPoS, there are still areas of requirement that impact ICLP ability to achieve this and a plan that meets POLs dates has not been produced.

Development Report

1 MONTHLY SUMMARY

1.1 NON-BANKING

EFTPoS design work is continuing.

Investigative / analysis work to support Business Development has been undertaken.

1.2 BANKING

BI2 testing continues.

BI3 design and development work is in progress.

2 PROGRESS

2.1 NETWORK BANKING

BI2 (infrastructure) – testing of the release is progressing, focussing on Web Riposte and the Data Centre migration process itself. A late (in the testing schedule) delivery of Riposte has been needed to resolve some regression issues found in testing, and this has introduced a late element of risk into this release. Testing of the counter upgrade process has started, as has Riposte performance testing.

BI2 (PinPads) – the Hypercom software has now been received, so testing of the ‘key proving utility’ with which it interfaces, has commenced, but behind schedule. Functional testing of PinPads has just started, but is behind schedule due to non-availability of test kit. The number of test cycles that can be completed is reduced.

BI3 (applications) – in the Applications Development Unit much effort still continues to be spent investigating and impacting changes requested by the Post Office. These are affecting the Data Reconciliation Service and Counter dialogues. As a result, development work in these areas is well behind schedule and is having to be mitigated by overlapping more of the plan activities. Development in other areas is progressing mainly to schedule.

In the Infra-structure Development Unit work is progressing mainly to schedule, as it is less prone to changing requirements. Work has started on development of the security elements of the NBE simulator.

Business Integration test analysis continues to plan, still without the agreed Post Office assistance of staff with business knowledge. Work has started on the NBE simulator.

BI3 (network)

Ad hoc design work continues in support of the NWB bid. Development has not commenced due to lack of any contractual agreement with the Post Office.

EFTPoS SDS work still continues, although out of budget. Evaluation of the Retail Logic (SOLVE/SE software) is ongoing, and continues to raise a number of concerns

over its proposed deployment. Revised development cost impacts have been prepared but have not been submitted to the Post Office as there is no agreed implementation plan yet due to the fluctuations in the NWB plans. No progress has been made by the Post Office in resolving their outstanding issues.

Discussions continue on the possibility of, and potential content of, a Sept / Oct release. Our capability to support this is being eroded even further by the additional effort that banking and EFTPoS are consuming.

Assistance has been provided in a number of investigative studies initiated by Business Development, namely Introduction of the EURO, Escher Mails product and a 'Generic AP File Server' facility.

3 ISSUES

3.1 DEVELOPMENT

Too much change continues to be incorporated into Network Banking. This is jeopardising our ability to meet the 11th October development completion date by diverting resources from planned activities and introducing additional effort.

3.2 Other

The VR exercise has diverted and de-motivated resources from their work.

Customer Service Report

1 MONTHLY SUMMARY

No major issues on the operational service.

Revised Rectification Plan CCN is being submitted following a number of meetings with POL.

HAPS has now been successfully closed down

1.1 VITAL STATISTICS

Live Base as at 28th February 2002: 17,523 Post Offices, 37,914 Counters

Cumulative Data is from 1st December 1999 to 28th February 2002 inclusive

Monthly Data is from 1st February 2002 to 28th February 2002 inclusive

OBCS

Total number of transactions to date	1,076,853,761
Total number of transactions in February	51,697,826
Total value of payments to date	£ 85,419,939,161
Total value of payments in February	£ 3,974,797,221

EPOSS

Total number of receipts to date	1,287,655,335
Total number of payments to date	218,586,373
Total number of zero value transactions to date	112,894,723
Total number of receipts in February	52,749,410
Total number of payments in February	7,924,681
Total number of zero-value transactions in February	5,671,016
Total value of receipts to date	£ 73,644,227,072
Total value of payments to date	£ 21,169,792,701
Total value of receipts in February	£ 3,036,313,231
Total value of payments in February	£ 768,732,652

APS

Total number of transactions to date	503,260,212
Total number of transactions in February	28,983,571
Total value of receipts to date	£ 13,731,216,514
Total value of receipts in February	£ 978,369,414

2 PROGRESS

2.1 OPERATIONS & SUPPORT

Data delivery SLA's achieved with 99.99% for OBCS and 99.97% for TIP. ISDN availability dropped slightly because of an issue on the Watford switch and numerous calls due to bad weather.

Limited success with business continuity tests this month with failures in Girobank DR test and postponement of HSH test due to performance issues on Man05 Powerhelp server.

There was a further instance on 17th Feb when a null value was sent to BT. The file was corrected and resent. A fix will be available end of the month. On 21 Feb Tip rejected all cash account records. This was a TIP problem as their systems had erroneously been loaded with data for the new financial year.

Cash account data was delivered over the weekend 23/24 Feb

HAPS was successfully closed down on 19th Feb.

There are now 20 AP client interfaces of which 7 are new connections

2.2 INFRASTRUCTURE SERVICES

With regard to HSH telephony SLA's there were 2 peaks of calls during 16 Feb due to changes to AP reporting functionality as a result of the S11 release where outlets were having difficulty in balancing. This affected out calls engaged/abandoned greater than 40 seconds.

System Service SLA (A priority remote) failed to achieve conformance this month due to a number of software calls. These calls are currently being scrutinised.

Remedial payments have now been completed for last June-Sept, securing a refund to Pathway of £10k. Recovery from ISD in respect of system service calls to Feb 2002 is expected to be in the region of £50k.

Complaints from NBSC has risen this month to 24 principally in wrong advice category. PM's are being asked to repay monies in suspense accounts and PM's are trying to blame the helpdesk advice for the shortage. On investigation none of the claims have been justified. System issues are high this month because of the AP reporting incidents mentioned previously

Printer complaints have increased. Because of this and some feedback from the SVR cards we are in the process of issuing a counter news article with some 'self-help checks'.

SVR response rate is in the region of 25% with the customer satisfaction level of 90% being achieved.

All OBC changes are up to date. There were 144 changes, 21 closures in February, 107 more than allowed within contract.

The rectification plan final CCN is now being sent to PON for informal review following a number of meetings between Pathway and PON. The pilot has now finished and the final report is being compiled.

2.3 SECURITY MANAGEMENT

Network banking security requirements continue to be incorporated into schedules. Most effort has been expended in respect of litigation support and DPA issues.

An internal audit of the Pinpad supplier has been carried out. This has identified a number of issues, which need to be addressed, and which will be incorporated into the risk register

2 audit data extractions were completed in response to POL requests. 2 witness statements were produced in support of litigation activities.

An audit of current Horizon pass issues has been undertaken prior to the introduction of new ICL passes. An example of the new pass has been passed to POL in order to raise awareness of the new pass amongst BSM and counter personnel.

2.4 SERVICE INTRODUCTION

BI2 datacentre meetings are being held weekly and all activities are currently on schedule with regard to release planning. The first part of the Correspondence Server upgrade has been successfully completed. The main upgrade weekend is planned for Easter weekend

BI3. The datacentre upgrade will take place on 4/5 Jan 03

Network Upgrade. Level 4 plan has now been tied into the Programme plan. Still awaiting CCN approval for kit purchase

Costings have now been updated and input to the pricing and margin model.

Monthly reviews are continuing on NFR's

SMC/MSS are causing a number of issues. Weekly reviews will continue until they provide a better service.

2.5 STAFFING

All VR/SR matching for new roles nearing completion. Main concern is that there is no suitable candidate for Service Introduction Manager

2.6 FINANCE

Current forecast is £45.8m against a budget of £56.3m. The 4 year forecast is £17.2m better than budget which exceeds the £12m task

3 ISSUES

POL requirements for investigation support place an undue strain on existing audit architecture

Requests for provision of witness statements and other legal support needs to be consolidated by contractual agreement or legitimised under litigation support arrangements for NBS

There are a number of issues from the pinpad supplier visit which must be resolved before contract signature

There is little time in the plan for any live fixes until BI3 or beyond. We need to look at this further.

SMC/MSS performance and SYSMAN2 performance is not good enough and is being reviewed.

Organisation & Personnel Report

1 MONTHLY SUMMARY

1.1 PROGRESS

- Appointments in February

External Recruits	1
Transfers In	2
LINKwise	0
Freelance	0
Fixed Term Contracts	0
Adecco Temps	0
TOTAL:	3

- Known Joiners

External Recruits	7
Transfers In	8
LINKwise	0
Freelance	0
Fixed Term Contracts	0
Adecco Temps	0
TOTAL:	15

- February Leavers:

Permanent Staff	1
Freelance	0
Transfers Out	0
Linkwise assignee	0
Fixed term Contracts	0
Adecco Temps	0
TOTAL:	1

- Known Leavers

Permanent Staff	10
Freelance	2
Transfers Out	0
Linkwise assignee	0
P&PS	0
Fixed term Contracts	0
Adecco Temps	0
TOTAL:	12

Resource Management

Approval for the external recruitment activity was finally given for a number of selected RARs, which has resulted in offers being made to 2 Oracle developers, 5 testers and a freelancer conversion. Some other roles have been filled with internal

transfers. However there has been an increase in resignations. There has been a lot of activity with the Rationalisation Programme, and especially with the SR/VR pairing.

There is one person 'at risk' in Pathway and opportunities for redeployment are being investigated, but not looking very promising.

Further planned replacement of freelancers needs to be incorporated into the headcount forecasts for 2002/2003.

Freelancer Reduction and replacement

Update	28-Feb-02
Summary	No of Heads
Freelancers in Pathway 01/2/02	56
Freelancers in Pathway 28/2/02	56
Freelancers in Pathway 01/03/02	55
Current FC of Freelancers in Pathway on 31/03/02	57