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**PIR(02)08** **POST IMPLEMENTATION REVIEW BOARD**

# Horizon Implementation

## Introduction

1. This project started in May 1996 as a joint project with the Benefit Agency with the primary objective of introducing a Benefit Payment card. After significant delays and an extended review the Government decided in May 1999 that this card would not be introduced and that the Benefit Agency would migrate benefit payments to Automated Credit Transfer and withdraw from the project. The Post Office Board endorsed the transfer of the project from the Benefits Agency in May 1999, and the primary aim of the project became the automation of the counter network.

2. This paper covers the period from May 1999 until the successful completion of National Roll Out in June 2001. However, the financial data in Annex A does include the direct costs and sunk cost incurred since the start of the project in April 1996. The period prior to May 1999 was subject to a National Audit Office report, published 18 August 2000 (*www.nao.gov.uk/publications/9900857.pdf*) and is not covered by this PIR unless it aids the understanding of the post May 1999 situation.

## Background

*The project started as a joint project with the Benefits Agency with the primary aim to introduce an automated benefit payment card. When the Benefit Agency withdrew, Post Office Counters Limited took over the project and the primary aim was to automate all offices in POCL retail network.*

3. In 1996 Post Office Counters Ltd (POCL) and the Benefits Agency (BA) entered into a Private Finance Initiative contract with ICL Pathway to provide automated services for payment of benefits through post offices and to support other existing and new POCL business. After December 1996 the programme experienced many slippages against its plans and was subject to several reviews.

4. In 1998 a further review was commissioned by the new Labour Government to look into the future of the programme. This review, involving all 3 parties, took far longer than expected and concluded in May 1999 when Government announced that:
   - the Benefit Payment Card would not be implemented;
   - BA would migrate payment of benefits to Automatic Credit Transfer during the period 2003-05;
   - POCL would continue to contract with ICL Pathway to automate the network albeit under a different pricing regime.

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5. The Post Office Board endorsed this proposal on 24th May 1999 and POCL signed a Letter of Agreement and started a live trial with 300 offices. This was followed by the Codified Agreement on 28th July 1999. Contractual acceptance was scheduled for August butthe existence of a number of high severity faults meant that this was delayed. However, the delay in acceptance did not prevent the go ahead being given for a further 1532 offices to join the trial. Acceptance was formally given on and the final phase of implementation began on 24th January 2000.

6. The Automation Directorate was reorganised in January 2000. During much of 1999 management attention was strongly focused on live trial, acceptance and the early phase of roll out. By contrast the development and implementation of Core System Release Plus (CSR+), a software drop of a very significant scope and size, received scant attention. Dedicated teams were created for both the National Roll Out and CSR+ to ensure the necessary degree of focus on each activity. It is strongly believed that this decision contributed to the successful delivery of National Roll Out and CSR+.

7. The project gave rise to other related projects such as Transaction Information Processing (TIP), Reference Data, Business Support Management. Each of these was a significant project in its own right. A Programme Management Team, the Transformation Management Team, and a governance process was established to ensure effective integration.

8. The project also had a wide impact across the business. During national roll out the retail line was extensively used to support roll out and Transaction Services had changes in their work load with the level of errors increasing.

**Strategic Implications**

9. The project had its origins in the Post Office Counters Ltd. counter automation strategy as part of business mission and vision to create an automated retail network. Strategically the Horizon system provides a nationwide network of post offices with an automated platform to gain and retain clients who require electronic transactions, either now or in the future. It has the potential to provide a electronic gateway into Banking, EFPOS, and Your Guide. It supports the strategic aim of being seen as a business which harnesses technology.

**Results**

*The aims and objectives of the project were achieved within the cost and time targets.*

10. The main objectives of Horizon implementation phase are defined in the Project Initiation Document for Horizon NRO and performance against these is detailed in Annex B.

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11. **Expenditure against authority:** the total project has a maximum authorised sum of £662.068m. The actual outturn is as follows:

| £ millions | Authorised sum | Actual | Variance |
|---|---|---|---|
| Capital payments to ICL Pathway | 564.000 | 561.693 | 2.307 |
| Sunk Cost | 47.841 | 47.841 | 0.000 |
| Non Recurring Revenue final phase (NRO/CSR+) | 41.427 | 41.600 | -0.173 |
| Departure from estimate (final phase) | 8.800 | 0.000 | 8.800 |
| **Total Authorised Sum** | **662.068** | **651.134** | **10.934** |

12. Capital payments were reduced by making two payments to ICL Pathway early in order to obtain a discount.

13. The Non Recurring Revenue spending (NRO/CSR+ ) was broadly in line with original projections. The savings made were due to a reduction in number of offices to be implemented, and to lower than expected costs of office modifications; these were sufficient to cover the increased costs of POiT and PO Consulting arising from the new charging regime. The majority of the Departure From Estimate was not required, the programme roll out rate proved sustainable and on occasions was exceed. The potential problems around training, and go-live office support, which were of concern to the capital board, proved to be manageable and extra costs were not incurred.

14. The authorisation included costs £1.2m related to supporting system costs, namely Interim TIP and Reference Data. These eventually became projects in their own right and these initial costs £1.7m have also been reported against these projects, but for ease of comparison these costs have been retained

15. The value of the assets acquired by the project were impaired and written down by £571m in the 1999-2000 Accounts in order to comply with Financial Reporting Standard FRS 11.

16. **Implementation against original timetable**: performance against key milestones is detailed in Annex C.

### Achievement of Planned Benefits

*The project enabled POCL to bind the BA into a long term relationship and the project has exceed the financial benefits as defined in the original plan.*

### Financial Benefits

17. The business case used a discount rate of 12% and had an overall a negative Pre Tax NPV of £181m. Using the same basis and the actual out turn it has a negative Pre Tax NPV of £96.2m. This £84.8m substantial improvement has been generated both in terms of reduced project spending and in substantially improved projections of the business benefits, mainly income. Explanations of these improvements are detailed later in paragraph 22. However, this NPV calculation includes avoided income loss not in itself an incremental cash flow

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18. The business case Post Tax NPV was negative £97.8m.The actual out turn Post Tax NPV improves by £103.6m and is positive £5.8m. This out turn is subject to the agreement of the Capital Allowances by the Inland Revenue.

19. When the project was initiated the primary purpose for POCL was to bind the BA into a long term relationship, with a secondary purpose of providing an automated platform to all offices in the network.

20. The financial savings attributed to switching to Horizon identified in the business case were limited to the avoided cost of five legacy systems. These systems were Electronic Cash Registers at Counters (ECCO+), Automated Payment Terminal (APT), Automation of London Post Offices (ALPS), and CAPTURE, and the central support Host Automated Payment System (HAPS). Savings of £24.6m (business case £21.8m) have been achieved.

21. The major area of financial benefit arises from gaining and retaining client income and the business case assumed that Automated Credit Transfer (ACT) was to be heavily promoted from 2003, but not compulsory, and that the network continued to contracted at the then current rate. The benefit can be broken down into three areas:

(i) **Benefit Distribution Incremental Income**. Implementing Horizon enables the business to encourage transaction substitution and thereby mitigate the impact of promoting ACT from 2003. The business case had a NPV benefit of £116.9m, the revised business case has improved to a NPV benefit of £153.5m. The £36.6m improvement is due to actual traffic volume being higher than in the business case projection. This has then followed through to future years projections where a more optimistic view of traffic volumes has been taken.

(ii) **Order Book Control System Income**. Previously provided by ALPS but only within the M25. Implementing Horizon enables this service to be extended to the whole of the country and gain additional income, the business case had a NPV benefit of £101.8m, the revised business case has increased to £118.9m. The position improved because contract negotiations were still taking place when the business case was being prepared and a more favourable outcome than expected was achieved. Renegotiation of the contract was seen as a major risk in the business case projections. £91.1m has already been received and included in the accounts.

(iii) **Other POCL contribution**. By agreeing to implement Horizon enabled the business to prevent the Benefit Agency immediately switching to compulsory ACT in 2000. Had this occurred there would have been a dramatic drop in income but the network fixed costs would still have been in place. Therefore, the business case had a NPV benefit of £148.9m which was an assessment of the costs which would not be recovered had this occurred. This was a one off calculation which has not been revised since the submission.

22. **Operational Benefits:** although outlet operations as measured by quality of service and quality of performance, were expected to be adversely affected in the 12 weeks following an office implementation; there was to be no long term impact. Operations

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were expected to return to pre implementation levels following this learning curve period. Consequently no benefits were included in the business case. PO Consulting researched the projects impact on outlets quality of service at various point in the projects life, the conclusions are summarised in Annex D.

23. Quality of performance shows an improving trend but because of other initiatives it is often difficult to link this directly to Horizon but in certain instances, for example week numbers and manual transcription errors, Horizon is thought to be the main reason for the improvement. The quality of performance trend during implementation is detailed in Annex D.

24. **Supplier performance:** ICL Pathway performance can be broken down into three phases:

(i) ***How did they perform during the delivery of NRO?:*** Achievement of the peak beat rate of 300 offices a week was against all expectations, however, considerable POCL resources were dedicated to managing ICLP and it subcontractors to ensure this successful outcome.

(ii) ***How did they perform during CSR+ roll out*?** This was delivered to plan.

(iii) ***Post Implementation:*** Operationally the service has proved to be very reliable and robust .

The contract with ICL is for a service not a system.. The performance of this service was laid down in the contact specification which defines 76 measures which form the basis of a Service Level Agreement with ICLP. This SLA is actively managed.

If a Minimum Acceptable Threshold for service is not met for three quarterly Service Level Measurement Periods in any 24 month period, then Post Office Limited may terminate the agreement. A number of areas exist where Post Office Ltd. has cause to terminate the contact. However, legal advice warns of the possibility that the court would consider termination for cause a disproportionate remedy relative to the business impact of the contractual failure.

The detailed data on ICL Pathway performance against the service level agreement is detailed in Annex E.

25. **Related benefits:** Horizon has been a key enabler for other projects such as Cash Handling and Distribution SAPADS and Universal Banking. The business case included an NPV benefit of £2.8m for SAPADS based on an inter business contribution to the system costs. The project authority for SAPADS, has NPV savings of £1.7m which can be clearly identified to Horizon and other savings of £14.8m. Without the Horizon platform to provide key data the SAPADS project would not have been able to proceed.

The successful introduction of Local Collect would not have been possible without the Horizon platform. There are other projects currently being developed, such as 3D parcel labels which would not have been possible without an automated platform. Had Horizon not gone ahead the ECCO+, APT, and ALPS systems would have required

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replacement, based on the original costs of these projects this was an avoided capital cost of £15m.

26. **Balance of Benefits:** The positives

- Operationally Horizon has proven to be reliable and robust.
- A significant number of new services and products have been developed and deployed at a cost below that which would have been incurred for stand alone solutions.
- The system has been very positively received by agents and their staff and Post Office Ltd staff.

The negatives

- The cost of the service is more than the business can afford.
- The system architecture was driven by the core BA requirements. This architecture is arguably more complex than that which would have been required for network automation alone . Because of the extensive testing required, new developments which require additions to the infrastructure do not meet business expectations in terms of speed to market or cost.
- The business is locked into a monopoly supplier on terms largely imposed by that supplier which means the business is forced to pay more for new developments.

## Risk

*A measure of the success of the risk management policy was that the roll out went to plan and the impacts identified in the business case were contained.*

27. This PIR only covers the risk identified in the business case and does not cover the risk prior to May 1999. The National Audit Office dealt extensively with the management of risk prior to May 1999, of which it was critical. The business case identified two high probability risks as follows:

- Delay to completion of National Roll Out
- Adverse operational impact

These and other risks were managed by the monthly Automation Programme Board. Annex F summarises the risks and how they were mitigated.

## Lessons Learnt

*With such a large and complex project it is only to be expected that a considerable number of learning points have been captured.*

28. The progress made during the period covered by this PIR is in stark contrast to that made in the earlier stages of the programme. A number of significant factors explain this, each of which ought to be considered as key learning points. They are:-

- ICL was jointly managed by Post Office Counters Ltd and the Benefits Agency. The decision to transfer responsibility for managing ICL to Post Office Counters Ltd, with it, in turn, reporting on progress to the Benefits Agency, was a key factor in getting the programme under control and delivery on track.

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- At the point of transfer of responsibility for managing ICL to Post Office Counters Ltd a single point of accountability for the programme within Post Office Counters Ltd was established with Executive Committee status. The clear lines of command and sharp delivery focus that this created were critical to successful delivery. This single point of accountability with EC status was maintained through the creation of Post Office Network.
- The contract was let before requirements were completely tied down. This led to a considerable gap in ICL's understanding of what had to be delivered which, in turn, led to delays. Once requirements had been tied down and suitable governance put in place, progress proceeded to plan.
- There were gaps in the approach to risk management. The extent to which parties attempt to transfer risks between them significantly shaped subsequent behaviours. Although Horizon was rolled out to plan and has proven robust in operation, ICL have taken a consistently risk averse approach to developments on the platform.
- During this phase of the project considerable Post Office resources were employed managing the performance of ICL and its sub-contractors. This ensured that ICL met its contractual requirements and that any gaps were aggressively followed up. Without such investment in supplier management, it is unlikely that the progress of roll-out and the delivery of CSR+ would have been as successful as they were.

Other learning points are detailed in Annex G and the numerous lower level learning points will all be captured on the *Lessons Learnt Intranet site.*

## Other Issues

*Many of the contractual relationships were fraught with conflicting interests.*

29. **Quality and use of consultants:** Consultants were used extensively throughout the project although the services acquired were not strictly consultancy. Horizon was a systems project on a scale often referred to as the largest systems project in Europe. There were significant gaps in in-house capabilities to manage a project of such complexity and the use of consultants, therefore, contributed to the success of the project. Consultants do not bring business knowledge to the table and there were examples, particularly around testing, where problems occurred because of this.

    As the project approached contractual acceptance, the level of consultancy resource was reviewed. The balance of effort in the project was due at this time to shift significantly from systems build and test to implementation . This shift placed much greater emphasis on business knowledge and the number of consultants was reduced to below 20% of the former level. The bulk of what was delivered post May 1999 was after this "cull" of consultants.

30. **Relationship with ICL:** The stresses and strains of repeated delays and reviews shaped relationships as did the PFI based contractual relationship. The codified agreement was seen by many within Post Office Ltd. as having been imposed and on terms very much in ICL's favour and was the source of much resentment. Senior ICL Pathway personnel have reflected that there was a strong sense of resentment within their organisation also. Relationships could be described as adversarial.

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The success of National Roll out, of CSR+ implementation, other successful delivery and joint awaydays between senior management teams all contributed to a "thawing" of relationships. However, this could not be described as a successful co-operative relationship. ICL expects and achieves levels of profit significantly above normal industry expectations whilst transferring one hundred per cent of risk back to Post Office Ltd.

## Conclusion

31. This phase of the Horizon project, particularly given the scale and complexity of both the roll out and CSR+, was successfully delivered and this represents a considerable achievement. However, the Horizon project was overall much delayed, resulted in a write off of £571m, left the business burdened with operating costs it cannot sustain, has delivered a solution which does not meet business expectations in terms of time to market and with a supplier intent on leveraging its monopoly fully.

## Recommendation

32. That the PIRBoard note the contents of the report including the learning opportunities and agree to this project's closure.

**Sponsor:** Dave Miller **Project Director**: Dave Smith

**Date:** March 2002

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**SUMMARY OF PROJECT INFORMATION** **ANNEX A**

**GENERAL**
**Project Title:** **Horizon**
**Project Sponsor(s):** **Dave Miller**
**Project Director(s)** **David Smith, Programme Integration Director**

| **FINANCIAL DATA** | **£m** | **Original Authority** | **Authorised Outturn** | **Actual** |
|---|---|---|---|---|
| Capital | | | 564.000 | 561.693 |
| Non-Recurring Revenue | | | 41.427 | 41.600 |
| **TOTAL AUTHORISED SUM** | | | **605.427** | **603.293** |
| Specific DFE | | | 8.800 | ----- |
| **MAXIMUM AUTHORISED EXPENDITURE** | | | **614.227** | **603.293** |
| Sunk Costs | | | 47.841 | 47.841 |
| **SUM TO DETERMINE AUTHORITY LEVEL** | | | **662.068** | **651.134** |

| **FORECAST RESULTS (no NPVs calculated PIR. Project is run on an Annual Equivalents basis)** | | | |
|---|---|---|---|
| Pre Tax NPV at 12% £m * | | -180.965 | -96.188 |
| Post Tax NPV at 12% £m * | | -97.802 | +5.839 |
| Pre Tax Internal Rate of Return % * | | -ve | -ve |
| Post Tax Internal Rate of Return % * | | -ve | -ve |
| Average ROCE % * | | -ve | -ve |

| **EFFECTS ON TARGETS** | **Cumulative** | **Cumulative** | **Cumulative** |
|---|---|---|---|
| Cash Flow £m **Business** | | -121.459 | +6.248 |
| Cash Flow £m **Group** | n/a | n/a | n/a |
| P&L Steady State per Annum | n/a | n/a | n/a |
| **TOTAL P&L** | | **-608.437** | **-483.057** |

| **KEY TARGET DATES** | **Original** | **Target** | **Outcome** |
|---|---|---|---|
| Project Authority to Proceed | | Sep 1999 | Oct 1999 |
| 1800 Office live | | 1 Nov 1999 | 8 Nov 1999 |
| 5590 Offices live | | 1 May 2000 | 3 May 2000 |
| 10680 Office live | | 1 Nov 2000 | 17 Aug 2000 |
| 15000 Offices live | | 31 Dec 2000 | 1 Dec 2000 |
| Ready for Service | | Apr 2001 | Jun 2001 |
| PIR | | Oct 2001 | Mar 2002 |

| **OTHER TARGETS** | **Original** | **Target** | **Outcome** |
|---|---|---|---|
| Manpower Savings/Increases | | Nil | Nil |
| Quality of Service | | Nil | Nil |
| Operating Performance | | Nil | Nil |
| Customer Service | | Nil | Nil |

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**HORIZON NATIONAL ROLL OUT** **ANNEX B**
**PERFORMANCE AGAINST ORIGINAL AIMS AND OBJECTIVES**

The main objectives as defined in the Project Initiation Document (PID) and performance against each are:-

**1. Assure through effective planning and management of the components of the plan with ICL Pathway (ICLP) that implementation and training delivered to outlets meets contractual and business requirements on time, cost and quality specifications.**

1.1 All milestones have been met, including the PID deliverables, and the project came in under budget

1.2 The structure of the programme was systematic and enabled all key activities to be undertaken at the relevant time

1.3 Roles were clear and interfaces with other functions, particularly territories, generally good. Some confusion existed in the early days about the decommissioning and recovery of legacy system equipment though this was soon resolved

1.4 PRINCE methodology was used throughout the project. The application of proper project disciplines throughout the project has provided a benchmark for others to follow.

1.5 There has been an evident reluctance by ICLP to treat Post Office Network as a valued customer from the early days of the Horizon system. This may, in part at least, have emanated from the commercial implications of the switch from a PFI to direct contract. Protracted deliberations on the PFI and project slippage created a potent situation which undoubtedly influenced behaviours.

1.6. Whatever the cause, without active management by the project team, including the provision of extra resource, ICL Pathway would not have performed as well, and time, cost and quality specifications would have been in jeopardy. ICL Pathway planning and supplier performance was variable and required detailed control mechanisms, systems (eg. issues management, supporting satellite and mobile solution surveys) and people (eg. Contract Compliance Managers, Product Knowledge Managers) to be put in place by us to manage progress and performance of activity at all outlets. Training, initially on course scheduling then latterly on course occupancy levels, was an aspect that required extra management attention throughout. PON also had to extend its implementation team from 10 people to 450 as it inherited added responsibilities, for example, overseeing surveys, undertaking data migration and supporting outlets post-migration.

1.7 Training administration attracted criticism throughout around convenience of course locations, inflexibility of dates and course occupancy. Subpostmasters generally found the second day of the Counter Managers course was not focused enough on balancing, suspense accounts, lottery and bureau de change. During live trial, the decision was taken not to extend the length of the training which would have increased PO costs. The view at the time was that to make a real as opposed to perceived difference in training would require more than a trivial increase.

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1.8 Balancing training was perhaps the weakest link until outlets became familiar with the system. Distribution of the Balancing With Horizon guide did much to bolster knowledge and confidence levels and was well received.

1.9 The scheduling of installation activity in outlets was geared more towards supplier convenience than the demands of customer service. This is more a reflection of contractual specification than supplier performance and emanated from the requirement to contain costs by not imposing undue constraint on installation activity. Having said this, the impacts were generally well managed though some tensions were encountered during the later stages of the project.

1.10 The management of suppliers and provision of contingency arrangements by ICL Pathway was variable; third party and sub-contracted arrangements were seemingly the weakest link (e.g. provision of communication, particularly satellite, links; modification to counters). Greater visibility of performance management information and contact with suppliers without transferring risks to ourselves would have been helpful.

1.11 One of the strengths of the project was the comprehensive and structured documentation of processes and change management.

**2. Satisfactory roll out of Horizon to all outlets taking remedial action to secure business performance by initiating or developing policies/frameworks as appropriate.**

2.1 Activity in the outlets generally worked well though problems with ISDN line provision and satellite permission delays eroded achievement of weekly targets on a number of occasions. Some problems were encountered with appointments and the standard of some survey and modification work at outlets left something to be desired

2.2 The absence of a coherent and robust outlet and product reference data system was evident at various times during the project. Additional data verification processes had to be introduced and databases constructed.

2.3 Policies and approaches to support roll out were developed and deployed as appropriate. Documentation, change control and issue management were universally acknowledged as major strengths

2.4 The management of problem outlets (eg. too expensive, no solution, refusals etc.) were all handled sensitively with the co-operation of the NFSP. The agreement of the NFSP to use their Discretionary Fund to finance the extra cost of automating those outlets above business limits indicates both the advantage of partnership and seeking inventive ways of meeting excessive costs. There was however a reluctance by the retail line to manage these situations in a prompt and proactive manner.

2.5 Stages of the programme (e.g. live trial and acceptance) were used to good effect to review progress and improve a number of roll out dependencies. In particular, a deliberate decision was taken to extend the Christmas 1999 installation break. This was a crucial factor in preparing for the rigors of relentless implementation and enabled various preparation projects to be undertaken before national roll out commenced. In particular the Balancing Guide To Horizon filled a real gap.

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**3. Plan and manage Post Office Network resource requirements according to the needs of the project.**

3.1 Numbers on the project team were managed according to need via a project manpower plan which was adjusted to reflect significant changes in the ICL Pathway implementation plan. The nature of outlet migration activity resulted in some variations in weekly scheduled hours worked amongst field staff but these were managed out within the life of the project.

3.2 The involvement of senior field management in the sponsorship and development of implementation activity from an early date proved to be an effective arrangement as too did the use of experienced outlet staff.

3.3 The organisational structure of the team was generally sound though the revised gradings during SCS implementation, coming as they did just before national roll out began in earnest, caused a degree of consternation and unrest. One very significant problem that had to be overcome in the early stages of national roll out was inconsistent business approach on temporary promotions. Many staff had been used in such a way for over 2 years some as long as 6 or 7 years.

3.4 A notable success was the way field teams bonded and supported each other as a result of sound leadership across the project.

3.5 Training and preparation arrangements for the CSR+ software upgrade, which were handled by the project, generally worked well.

3.6 Equipment resources (e.g. cars, mobile phones, laptops) and hotel bookings were logistical challenges at times but were managed efficiently and economically. Central London proved to be a particular problem from a parking, transporting and security viewpoint and required special arrangements to be made.

3.7 A comprehensive staff release plan and database were developed to manage the release and redeployment of over 400 people from the project.

**4. Confirm readiness of other business units to engage in Horizon implementation through effective liaison and communication.**

4.1 The involvement of PONEC members on the project board facilitated both a high degree of ownership across the business and close and active co-operation in the delivery of the project without becoming intrusive.

4.2 The creation of the Horizon Evaluation Review Forum brought together key people from affected units across the business to co-ordinate activity and provided an effective vehicle for brokering solutions to emerging problems. Salient pieces of work included scenario planning, impact analysis of service failures and driving down amounts in suspense accounts.

4.3 An influencing plan to secure the active participation of people across the business was developed and deployed and used to inform the communications plan.

4.4 Communications was actively driven by the project manager throughout with regular briefings via all the main internal channels, reactive external publicity and attendance at subpostmaster forums at national and local level.

4.5 A regular dialogue was maintained with key stakeholders, including NFSP General Secretary, CWU and CMA, territorial staff and support functions to secure their active co-operation.

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**ANNEX C**

**HORIZON NATIONAL ROLL OUT**
**PERFORMANCE AGAINST KEY MILESTONES**

| Key Milestones | Plan Date | Actual Date |
|---|---|---|
| Commencement of National Roll Out authorised | 27 September 1999 | 24 September 1999 |
| £68m contractual payment to ICL Pathway | 27 September 1999 | 24 September 1999 |
| Business Case Authorisation | 13 October 1999 | 13 October 1999 |
| 1800 offices live and £90m contractual payment to ICL Pathway | 1 November 1999 | 8 November 1999 (invoice date) |
| Review of high level Acceptance Incidents | 24 November 1999 | 24 November 1999 |
| Network Business Support Centre in place | 13 December 1999 | 13 December 2000 |
| Resumption of National Roll Out | 24 January 2000 | 24 January 2000 |
| 4000 offices live | 31 March 2000 | 20 March 2000 |
| 5590 offices live and £90m contractual payment to ICL Pathway | 1 May 2000 | 3 May 2000 (invoice date) |
| Upgrade to CSR+ pilot authorised | 6 September 2000 | 11 September 2000 |
| Commencement of CSR+ roll out | 23 October 2000 | 23 October 2000 |
| 10680 offices live and £90m contractual payment to ICL Pathway | 1 November 2000 | 17 August 2000 offices live<br>1 September 2000 (invoice date) |
| Completion of CSR+ migration | 3 December 2000 | 15 January 2001 |
| 15000 offices live | 31 December 2000 | 1 December 2000 |
| Final outlet live in core roll out and £90m contractual payment to ICL Pathway | 9 March 2001 | 6 March 2001 |
| Secondary roll out of non core outlets complete | 15 June 2001 | 30 June 2001 |

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**ANNEX D**

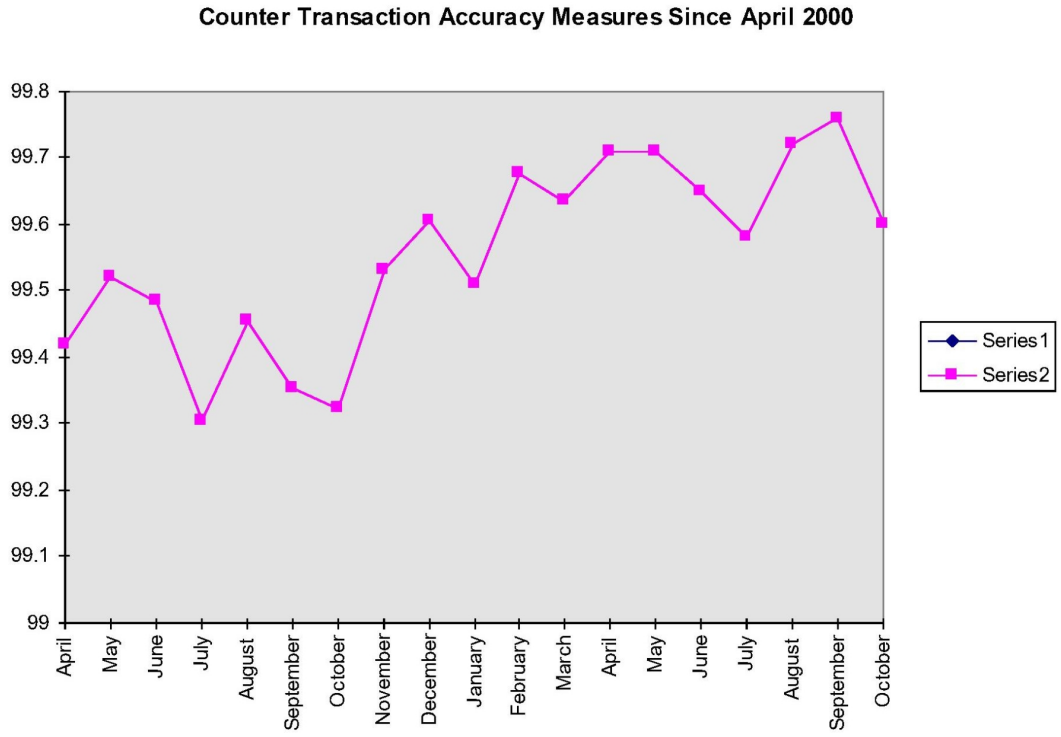
## ASSESSMENT OF IMPACT ON QUALITY OF SERVICE AT OUTLETS

PO Consulting assessment stated:

> Extensive monitoring and analysis of the impact on queuing performance was undertaken during the roll out of Horizon. The analysis suggest that Horizon had a significant adverse impact on queuing times in all outlet times in the first 3-6 months after installation. The on-going impact is more difficult to assess, but the analysis suggests that main offices/ (BO, MSPO & FPO) have not been adversely affected by Horizon. It indicates that BOs may even have benefited from Horizon in terms of queuing performance. There is some evidence to suggest on-going SPSO queuing performance may have been adversely affected by Horizon, extent of the impact is very difficult to quantify. There is also some evidence to suggest that the average time to serve a customer has increased significantly in the last 3-4 years, some of this increase is likely to be linked to Horizon.

## ASSESSMENT OF IMPACT ON QUALITY OF PERFORMANCE AT OUTLETS

The level of transaction errors made at the counter is measured by the Transaction Accuracy Measurement. The scores for period covering national roll out are scheduled in the table below. Comparable figure prior to April 2000 are not available.



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**ANNEX E**

## ICL PATHWAY PERFORMANCE TO CONTRACT SPECIFICATION

### Business Impact

The business impact model is a tool which will enable the ICL Pathway Service Level Agreements (SLA's) to be assessed from a business wide perspective by PON. The business impact scores will show how any SLA failures are affecting the Network and where the most pain is felt.

The model is derived from matrices which contain scores based on the percentage failure of the SLA against the number of offices affected. The model will allow comparison between the SLA results on an even scale rather than identifying which SLA's have failed by the biggest margin.

The matrices are divided into four key areas of the business which are impacted by ICL Pathway's performance (customer, support, client and outlet) and from these an overall score is produced for each SLA.

The scores are as follows:

- 100% shows that the SLA was achieved to the agreed minimum acceptance threshold.
- Scores above 100% shows that the SLA target has been exceeded by ICL Pathway therefore having a positive impact on the business
- Scores below 100% show the extent to which the SLA has failed based on the impact on the business. The historical data will enable decisions to be taken based on sustained failure rather than reacting to 'blips'.
- A score of 0% show that the failure of the SLA is totally unacceptable to PON and should be the focus for immediate action to improve the SLA results.
- N/A means that ICL Pathway are not currently reporting on these SLA's.

***Although the matrices scores have been agreed across the business it should be noted that this is currently a learning model. As such the scores may be subject to change if the impact is considered to have a greater or lesser impact than the results suggest.***

The tables below shows the business impact for the past 20 months.

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**Business Impact Scores Table**

| Service Level Agreement | Mar-00 | Apr-00 | May-00 | Jun-00 | Jul-00 | Aug-00 |
|---|---|---|---|---|---|---|
| RDMS reference data file delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| APS reference data file delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| APS data delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| TPS data delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| OBCS stop list delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| OBCS data file delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| Business incidents | 0 | 0 | 0 | 0 | 0 | 0 |
| Priority A - 4 hours (local) | 25 | 12.5 | 6.25 | 43.75 | 81.25 | 68.75 |
| Calls answered within 40 seconds | 31.25 | 0 | 12.5 | 68.75 | 68.75 | 81.25 |
| Priority A - 6 hours (local) | 43.75 | 6.25 | 0 | 43.75 | 43.75 | 43.75 |
| Calls abandoned | 62.5 | 6.25 | 18.75 | 75 | 100 | 100 |
| Priority B - 10 hours (local) | 62.5 | 50 | 56.25 | 81.25 | 87.5 | 87.5 |
| Priority B - 12 hours (remote) | 62.5 | 87.5 | 43.75 | 100 | 150 | 200 |
| Priority B - 8 hours (local) | 75 | 43.75 | 75 | 87.5 | 150 | 150 |
| Level 1 calls - 5 minutes | 75 | 62.5 | 62.5 | 50 | 150 | 150 |
| Calls engaged | 75 | 75 | 37.5 | 150 | 150 | 150 |
| Priority B - 24 hours (remote) | 87.5 | 62.5 | 6.25 | 87.5 | 81.25 | 87.5 |
| Level 2 calls - 45 minutes | 87.5 | 75 | 75 | 75 | 75 | 87.5 |
| Site installation - quality compliance | 87.5 | 87.5 | 87.5 | N/A | #N/A | #N/A |
| Calls answered within 20 seconds | 100 | 50 | 50 | 50 | 31.25 | 31.25 |
| Level 2 calls - 30 minutes | 100 | 87.5 | 87.5 | 100 | 150 | 150 |
| APS reference data file delivery - day C | 100 | 87.5 | 100 | 100 | 100 | 100 |
| Training course timeliness live delivery | 100 | 100 | 87.5 | 87.5 | 87.5 | 100 |
| Level 1 calls - 10 minutes | 100 | 100 | 100 | 100 | 100 | 100 |
| Cash account - 2nd line call back | 100 | 100 | 100 | 100 | 100 | 100 |
| Training venue quality | 100 | 100 | 100 | 100 | 100 | 100 |
| Training course quality | 100 | 100 | 100 | 100 | 100 | 100 |
| Training courses NOT canceled | 100 | 100 | 100 | 100 | 100 | 100 |
| Training course competency levels | 100 | 100 | 100 | 100 | 100 | 100 |
| TPS data delivery - day B | 100 | 100 | 100 | 100 | 100 | 84.38 |
| OBCS stop list delivery - day C | 100 | 100 | 100 | 100 | 100 | 100 |
| OBCS data file delivery - day C | 100 | 100 | 100 | 100 | 100 | 100 |
| Site modification - quality compliance | 100 | 100 | 150 | N/A | #N/A | #N/A |
| Priority A - 12 hours (remote) | 100 | 100 | #N/A | 100 | 100 | 100 |
| RDMS reference data file delivery - day B | 150 | 100 | 100 | 150 | 100 | 100 |
| APS data delivery - day B | 150 | 100 | 100 | 100 | 100 | 84.38 |
| APS data delivery - day C | 150 | 100 | 100 | 150 | 100 | 150 |
| RDMS reference data file delivery - day C | 150 | 100 | 150 | 150 | 150 | 150 |
| APS reference data file delivery - day B | 150 | 100 | 150 | 150 | 100 | 150 |
| OBCS data file delivery - day B | 150 | 100 | 150 | 150 | 100 | 150 |
| TPS data delivery - day C | 150 | 150 | 150 | 150 | 150 | 150 |
| OBCS stop list delivery - day B | 150 | 150 | 150 | 150 | 150 | 100 |
| Cash account - 2nd line availability | 200 | 200 | 200 | 200 | 200 | 200 |
| Site installation - repair timeliness | 200 | 200 | 200 | 200 | 200 | 200 |
| Priority A - 8 hours (remote) | 200 | 200 | #N/A | 200 | 200 | 200 |
| Cash account scripts | #N/A | #N/A | #N/A | N/A | #N/A | #N/A |
| Priority A - 6 hours (intermediate) | #N/A | #N/A | #N/A | 200 | #N/A | #N/A |
| Priority A - 9 hours (intermediate) | #N/A | #N/A | #N/A | 87.5 | 87.5 | 87.5 |
| Priority B - 10 hours (intermediate) | #N/A | #N/A | #N/A | 200 | 200 | 200 |
| Priority B - 15 hours (intermediate) | #N/A | #N/A | #N/A | 87.5 | 87.5 | 87.5 |
| Site modification - repair timeliness | #N/A | #N/A | #N/A | 84.4 | #N/A | #N/A |

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| | Sept 00 | Oct 00 | Nov 00 | Dec 00 |
|---|---|---|---|---|
| RDMS reference data file delivery - day D | 0 | 0 | 0 | 0 |
| APS data delivery - day D | 0 | 0 | 0 | 0 |
| TPS data delivery - day D | 0 | 0 | 0 | 0 |
| OBCS stop list delivery - day D | 0 | 0 | 0 | 0 |
| OBCS data file delivery - day D | 0 | 0 | 0 | 0 |
| Business incidents | 0 | 0 | 0 | 0 |
| Priority A - 12 hours (remote) | 200 | 100 | 31.25 | 25 |
| Priority A - 8 hours (remote) | 200 | 200 | 43.75 | 62.5 |
| OBCS stop list delivery - day C | 150 | 100 | 100 | 68.75 |
| Calls answered within 40 seconds | 68.75 | 68.75 | 62.5 | 81.25 |
| Priority A - 6 hours (local) | 68.75 | 100 | 100 | 81.25 |
| Priority B - 10 hours (local) | 81.25 | 87.5 | 81.25 | 87.5 |
| Priority B - 24 hours (remote) | 87.5 | 87.5 | 81.25 | 87.5 |
| Training venue quality | 100 | 87.5 | 81.25 | 87.5 |
| Level 2 calls - 45 minutes | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority A - 9 hours (intermediate) | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority B - 15 hours (intermediate) | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority A - 4 hours (local) | 56.25 | 200 | 100 | 87.5 |
| APS reference data file delivery - day D | 0 | 0 | 0 | 100 |
| TPS data delivery - day B | 100 | 100 | 84.375 | 100 |
| Training course timeliness live delivery | 87.5 | 100 | 87.5 | 100 |
| Level 1 calls - 10 minutes | 100 | 100 | 100 | 100 |
| Cash account - 2nd line call back | 100 | 100 | 100 | 100 |
| Training course quality | 100 | 100 | 100 | 100 |
| Training courses NOT canceled | 100 | 100 | 100 | 100 |
| Training course competency levels | 100 | 100 | 100 | 100 |
| OBCS data file delivery - day C | 150 | 100 | 100 | 100 |
| RDMS reference data file delivery - day B | 150 | 150 | 100 | 100 |
| OBCS stop list delivery - day B | 150 | 150 | 100 | 100 |
| RDMS reference data file delivery - day C | 150 | 150 | 150 | 100 |
| APS data delivery - day B | 150 | 150 | 150 | 100 |
| TPS data delivery - day C | 150 | 150 | 150 | 100 |
| Cash account - 2nd line availability | 200 | 200 | 200 | 100 |
| Priority B - 8 hours (local) | 87.5 | 100 | 100 | 150 |
| Priority B - 12 hours (remote) | 200 | 100 | 100 | 150 |
| APS reference data file delivery - day C | 150 | 100 | 100 | 150 |
| Calls answered within 20 seconds | 18.75 | 150 | 150 | 150 |
| Level 1 calls - 5 minutes | 100 | 150 | 150 | 150 |
| Level 2 calls - 30 minutes | 150 | 150 | 150 | 150 |
| APS data delivery - day C | 150 | 150 | 150 | 150 |
| OBCS data file delivery - day B | 150 | 150 | 150 | 150 |
| APS reference data file delivery - day B | 150 | 150 | 100 | 200 |
| Priority A - 6 hours (intermediate) | #N/A | 200 | 200 | 200 |
| Priority B - 10 hours (intermediate) | 200 | 200 | 200 | 200 |
| Site installation - repair timeliness | #N/A | 200 | 200 | 200 |
| Calls abandoned | 100 | #N/A | #N/A | #N/A |
| Calls engaged | 150 | #N/A | #N/A | #N/A |
| Cash account scripts | #N/A | #N/A | #N/A | #N/A |
| Site modification - quality compliance | #N/A | #N/A | #N/A | #N/A |
| Site modification - repair timeliness | #N/A | #N/A | #N/A | #N/A |
| Site installation - quality compliance | #N/A | #N/A | #N/A | #N/A |

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| | Jan 01 | Feb 01 | Mar 01 | Apr 01 | May 01 | June 01 |
|---|---|---|---|---|---|---|
| APS data delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| APS reference data file delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| Business incidents | 0 | 0 | 0 | 0 | 0 | 0 |
| OBCS data file delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| OBCS stop list delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| RDMC reference data file delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| TPS data delivery - day D | 0 | 0 | 0 | 0 | 0 | 0 |
| APS reference data file delivery - day B | 150 | 150 | 81.25 | 100 | 81.25 | 31.25 |
| Calls answered within 40 seconds | 100 | 81.25 | 87.5 | 150 | 81.25 | 81.25 |
| TPS data delivery - day B | 100 | 65.62 | 100 | 100 | 100 | 81.25 |
| Level 2 calls - 45 minutes | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority A - 9 hours (intermediate) | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority B - 10 hours (local) | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority B - 15 hours (intermediate) | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority B - 24 hours (remote) | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority A - 6 hours (local) | 100 | 81.25 | 100 | 100 | 81.25 | 100 |
| Training venue quality | 87.5 | 87.5 | 87.5 | 100 | 81.25 | 100 |
| APS reference data file delivery - day C | 100 | 100 | 100 | 100 | 100 | 100 |
| Cash account - 2nd line call back | 100 | 100 | 100 | 100 | 100 | 100 |
| Level 1 calls - 10 minutes | 100 | 100 | 100 | 100 | 100 | 100 |
| OBCS data file delivery - day C | 100 | 100 | 100 | 100 | 100 | 100 |
| OBCS stop list delivery - day C | 100 | 100 | 100 | 100 | 100 | 100 |
| Priority A - 12 hours (remote) | 100 | 100 | 100 | 100 | 100 | 100 |
| Training course competency levels | 100 | 100 | 87.5 | 100 | 100 | 100 |
| Training course quality | 100 | 100 | 100 | 100 | 100 | 100 |
| Training course timeliness live delivery | 100 | 100 | 100 | 100 | 100 | 100 |
| Training courses NOT canceled | 100 | 100 | 100 | 100 | 100 | 100 |
| Priority A - 4 hours (local) | 150 | 150 | 150 | 150 | 150 | 100 |
| RDMC reference data file delivery - day B | 100 | 100 | 0 | 0 | 12.5 | 150 |
| OBCS stop list delivery - day B | 150 | 150 | 100 | 100 | 75 | 150 |
| APS data delivery - day B | 100 | 68.75 | 100 | 150 | 150 | 150 |
| APS data delivery - day C | 150 | 150 | 150 | 150 | 150 | 150 |
| Calls answered within 20 seconds | 150 | 150 | 150 | 150 | 150 | 150 |
| Level 1 calls - 5 minutes | 150 | 150 | 150 | 150 | 150 | 150 |
| Level 2 calls - 30 minutes | 150 | 150 | 150 | 150 | 150 | 150 |
| OBCS data file delivery - day B | 150 | 150 | 150 | 150 | 150 | 150 |
| Priority B - 8 hours (local) | 150 | 150 | 150 | 150 | 150 | 150 |
| RDMC reference data file delivery - day C | 150 | 150 | 100 | 150 | 150 | 150 |
| TPS data delivery - day C | 150 | 150 | 150 | 150 | 150 | 150 |
| Cash account - 2nd line availability | 200 | 200 | 200 | 200 | 200 | 200 |
| Priority A - 6 hours (intermediate) | 200 | 200 | 200 | 200 | 200 | 200 |
| Priority A - 8 hours (remote) | 200 | 200 | 200 | 200 | 200 | 200 |
| Priority B - 10 hours (intermediate) | 200 | 200 | 200 | 200 | 200 | 200 |
| Priority B - 12 hours (remote) | 150 | 200 | 200 | 200 | 200 | 200 |
| Site installation - repair timeliness | 200 | 200 | 200 | 200 | 200 | 200 |

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| | July 01 | Aug 01 | Sept 01 | Oct 01 |
|---|---|---|---|---|
| APS data delivery - day B | 150 | 150 | 150 | 150 |
| APS data delivery - day C | 150 | 150 | 150 | 150 |
| APS data delivery - day D | 0 | 0 | 0 | 0 |
| APS reference data file delivery - day B | 200 | 200 | #N/A | N/A |
| APS reference data file delivery - day C | 150 | 150 | #N/A | N/A |
| APS reference data file delivery - day D | 100 | 100 | #N/A | N/A |
| Business incidents | 0 | 0 | 0 | 0 |
| Calls answered within 20 seconds | 150 | 150 | 150 | 150 |
| Calls answered within 40 seconds | 87.5 | 87.5 | 50 | 87.5 |
| Cash account - 2nd line availability | 200 | 200 | 200 | 200 |
| Cash account - 2nd line call back | 100 | 100 | 100 | 100 |
| Level 1 calls - 10 minutes | 100 | 100 | 100 | 100 |
| Level 1 calls - 5 minutes | 150 | 200 | 200 | 150 |
| Level 2 calls - 30 minutes | 150 | 150 | 150 | 150 |
| Level 2 calls - 45 minutes | 100 | 87.5 | 75 | 87.5 |
| OBCS data file delivery - day B | 150 | 150 | 150 | 150 |
| OBCS data file delivery - day C | 100 | 100 | 100 | 100 |
| OBCS data file delivery - day D | 0 | 0 | 0 | 0 |
| OBCS stop list delivery - day B | 150 | 150 | 150 | 150 |
| OBCS stop list delivery - day C | 100 | 100 | 100 | 100 |
| OBCS stop list delivery - day D | 0 | 0 | 0 | 0 |
| Priority A - 12 hours (remote) | 0 | 100 | 100 | 100 |
| Priority A - 4 hours (local) | 100 | 150 | 87.5 | 81.25 |
| Priority A - 6 hours (intermediate) | 150 | 200 | 200 | 200 |
| Priority A - 6 hours (local) | 87.5 | 87.5 | 81.25 | 50 |
| Priority A - 8 hours (remote) | 12.5 | 200 | 200 | 87.5 |
| Priority A - 9 hours (intermediate) | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority B - 10 hours (intermediate) | 200 | 200 | 200 | 200 |
| Priority B - 10 hours (local) | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority B - 12 hours (remote) | 200 | 200 | 200 | 200 |
| Priority B - 15 hours (intermediate) | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority B - 24 hours (remote) | 87.5 | 87.5 | 87.5 | 87.5 |
| Priority B - 8 hours (local) | 150 | 150 | 150 | 150 |
| RDMC reference data file delivery - day B | 100 | 100 | 100 | 100 |
| RDMC reference data file delivery - day C | 150 | 150 | 150 | 150 |
| RDMC reference data file delivery - day D | 0 | 0 | 0 | 0 |
| Site installation - repair timeliness | 200 | #N/A | #N/A | N/A |
| TPS data delivery - day B | 100 | 100 | 100 | 150 |
| TPS data delivery - day C | 150 | 150 | 150 | 150 |
| TPS data delivery - day D | 0 | 0 | 0 | 0 |
| Training course competency levels | 100 | 100 | 100 | 100 |
| Training course quality | 100 | 100 | 100 | 100 |
| Training course timeliness live delivery | 100 | 100 | 100 | 100 |
| Training courses NOT canceled | 100 | 100 | 100 | 100 |
| Training venue quality | 100 | 100 | 100 | 100 |

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## SUMMARY OF THE MAJOR RISKS FOR THE HORIZON PROJECT ANNEX F

| PROGRAMME BOARD DATE | DESCRIPTION OF RISK | POTENTIAL IMPACT | COUNTER MEASURES IDENTIFIED | OWNER | L | C | S | E | RISK RATING | COMMENTS |
|---|---|---|---|---|---|---|---|---|---|---|
| NRO<br>26/02/01<br>14/01/01<br>08/12/00<br>16/11/00<br>18/10/00<br>30/09/00<br>21/08/00<br>17/07/00<br>30/06/00<br>23/05/00<br>27/04/00 | Scheduling of occupancy levels of training events impacts on number of courses needed, outlet readiness and user perceptions | • Significant number of extra courses needed - has created a potential deficit (£1m exposure)<br>• Untrained staff in live environment | • Ongoing discussion with Pathway to agree the ongoing cost basis for training courses and to maintain adequate training performance. | Douglas Craik | 3 | 3 | 3 | 3 | 27 | • Impact of recent improvement activities to be monitored<br>• Analysis of ICLP model prior to review of remedies |
| NRO<br>16/11/00<br>18/10/00<br>30/09/00<br>21/08/00<br>17/07/00<br>30/06/00<br>23/05/00 | CSR+ release implementation impairs the NRO beat rate | • HOHD & NBSC help desks unable to cope with call levels<br>• Release problems cause interruption to full NRO beat rate<br>• Roll out programme slippage - loss of impetus and potential impact on contractual milestones<br>• CSR+ migration and training move into pre-Christmas period | • Joint and cross-project planning taking place to handle transition and training/changeover problems. | Don Grey | 4 | 3 | 3 | 3 | 36 | • Compliance and contingency arrangements being developed |
| CSR+ / Everest<br>30/09/00 | Data alignment of processes to support integration of PIP, OBC and automated distribution and transaction processing processes may not meet commercial requirements | • Lead times to introduce data changes to SAP ADS plus the need to integrate reference data processes to ensure alignment of selling and selling activity may cause discontinuity | • As part of Everest release management, plan to ensure both development and business as usual domains progress issues in advance of Hemel go live with SAP ADS (July 2001) | Ruth Holleran | 4 | 3 | 4 | 3 | 40 | |

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| PROGRAMME BOARD DATE | DESCRIPTION OF RISK | POTENTIAL IMPACT | COUNTER MEASURES IDENTIFIED | OWNER | L | C | S | E | RISK RATING | COMMENTS |
|---|---|---|---|---|---|---|---|---|---|---|
| CSR+ / Everest 30/09/00 | HAPS capacity could be impaired if client migration and / or ICL Pathway fix to support five day transmission agreements with clients are delayed | • Business continuity around AP client transmission may be disrupted | • HAPS capacity planning study has proved volumes can be supported through existing system until March 2001. ICL Pathway should have addressed the problem before then | Ruth Holleran | 4 | 4 | 4 | 3 | 44 | |
| NRO 30/09/00 21/08/00 | Industrial action emanating from introduction of BO efficiency improvements | • Inability to sustain NRO beat rate Roll out schedule would need to be revised and overall roll out programme may be delayed<br>• Contractual penalties invoked<br>• Potential knock on effects to CSR+ migration | • High risk areas (e.g. London) done by time new entrant pay introduced<br>• Scenario planning done<br>• Programme implications being managed at micro level | Don Grey | 4 | 3 | 2 | 2 | 28 | Developments being closely monitored with other PON functions |
| CSR+ 17/07/00 | Lack of client readiness in delivery of SPM and Quantum<br><br>NB Confirmed Quantum will not be ready for pilot see issues | • Delayed roll out of services | • Meetings arranged with British Gas and Siemens<br>• Additional testing and pilot activities being considered<br>• SPM now agreed to be ready for pilot<br>• Plan being chased for Quantum | A Simpkins/ B Cragg | 3 | 1 | 3 | 2 | 18 | Still need to obtain clear guidance from clients |
| NRO 17/07/00 30/06/00 23/05/00 | Horizon training courses do not meet requirements of outlets | • Additional pressure on outlets, NBSC and Transaction Processing | • Continual joint review of training performance in place<br>• Contingency arrangements being scoped | Steve Grayston | 4 | 3 | 2 | 2 | 28 | |

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| PROGRAMME BOARD DATE | DESCRIPTION OF RISK | POTENTIAL IMPACT | COUNTER MEASURES IDENTIFIED | OWNER | L | C | S | E | RISK RATING | COMMENTS |
|---|---|---|---|---|---|---|---|---|---|---|
| CSR+ 23/05/00 27/04/00 | Risk to programme plan of Tandem outsourcing. Plans not yet impact assessed. | • Delay to OPTIP and CSR+ testing<br>• Delayed business benefits<br>• Increased costs | • CCN impact assessed and signed off | Ruth Holleran | 4 | 2 | 1 | 1 | 16 | |
| NRO 27/04/0 | Deferred offices creates business capability issue at tail end of roll-out. | • OBC process and workload not sustainable | • close dialogue with PWY to limit deferrals during NRO<br>• Joint activity to plan and manage tail end | Don Grey | | | | | | No score entered |
| NRO 27/04/00 | Resource to support 2nd & subsequent balances does not meet requirements. | • Additional pressure on NBSC, outlets and TP | • resource plans in place to recruit auditors, trainers etc.<br>• scheduling in place to allocate people on wkly basis according to NSBC/RNM needs analysis | Don Grey | | | | | | No score entered |
| CSR+ 27/04/00 | Lack of sustained client commitment to AP Client Migration plans | • Client products excluded from E2E testing and /or go live of CSR+<br>• Delayed business benefits<br>• Additional costs and resources required to test once PET and UCT complete | • Ongoing monitoring of plan delivery<br>• Client representative to become a member of the AWG at appropriate session | Andrew Simpkins | | | | | | No score entered |
| CSR+ 27/04/00 | CSR to CSR+ planning required to assess additional support request for CSR to CSR+ office migration and may not be available | • CSR+ release delays contractual roll-out timescales | • Planning underway to identify resources | Andrew Simpkins | | | | | | No score entered |
| NRO 7/04/00 | Lack of continuity scenario planning within project processes | • Not identified | • Key pinch points being identified, scoped and planned | Don Grey | | | | | | No score entered |

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**SUMMARY OF KEY LEARNING POINTS** **ANNEX G**

**1. Information & Databases**

1.1 The robustness of the inherited databases for the Project was clearly unacceptable. Projects involving the Network of post offices need to identify key information requirements early on and either ensure existing databases are validated and up to date or create a new database.

**2. Supplier Acceptance & System Acceptance**

2.1 The key learning point for any future programme either internally based or with an external supplier is to ensure the key requirements are:

- clean and unambiguous, with detailed performance metrics, remedies and penalties
- have a defined business owner and a baton transfer arrangement in the case of changes
- are customer/user centric i.e., there is not a presumption of operability or value based on an intermediate level of knowledge
- shared and understood across the whole customer/supplier domain
- have a clear associated change management process which has line of sight through the business owner down to the necessary level of detail in the implementation plan
- have a clearly defined link with other change programmes within the business e.g., organisational structures and associated impact assessments

2.2 The decision to continue with the project by moving to acceptance testing in a live office environment worked well, it meant we could put pressure on them to put in place agreed remedial actions to get the system to work. It should be understood that contract negotiation remain open until remedial action is in place to rectify faults identified by acceptance testing.

2.3 The business must constantly talk to the system supplier even if it is contracted by a third party, in this case Benefits Agency. This way you can understand what is the real state of the programme and what problems it is encountering so as you can prepare your own risk profile. We had the impression from the Benefits Agency that we were ready to roll and yet it took another 18 months to get it to testing in the live environment. By talking to ICLP in 1998 we found that 80% of the time and money had been spent on the *Benefit Card* and very little on EF-POS and our products.

2.4 Projects need to establish a process to monitor subcontractor performance even when the subcontractor is not directly contracted for example subcontractors of the main contractor. The establishment of an effective central mechanism to monitor subcontractor performance and manage ICL Pathway infra structure progress enabled subcontractor slippage, such as poor quality or not turning up, to be quickly rectified. It also dealt with ICLP failures such as training when they failed to book the right people on courses.

2.5 Senior Project staff must ensure that the supplier's staff have the same level of empowerment to make key decisions as the various levels of the project team.

**3. Risk & Issue Management**

3.1 The business must have the best technical people and support available, and then use them to interrogate the supplier and get to know as much about the system as is possible. That way you can understand what is and is not happening, what is working etc. thus enabling you to understand the real risks and whether the solution will work and their potential impacts on other areas.

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3.2 The business must adopt a pragmatic approach and take into account risks to succeeding stages. PON and the Benefit Agency took different views of the faults that were identified by the laboratory acceptance testing. Post Office Network formed the view that the impact of the faults was containable in 300 outlets during live trial and that by working round the faults in the live environment it was possible to make more progress and, therefore agreed to release authorisation.

3.3 Whereas the Benefit Agency took the view that the faults had to be corrected and re tested before the release could be used in the live environment. It is debatable whether the Benefit Agency were just very conservative or were looking to kill the project off anyway. In retrospect the Post Office Network view was right. It saved months and accelerated the process of further learning in a real environment. The key thing was that we had identified that as it was only going into 300 outlets; if it had not worked we would have regressed to the earlier version.

## 4. Staffing & Project Staff Support

4.1 There needs to be dedicated HR expertise attached to the project to develop clear personnel policies and processes which support the project, and which are consistent with overall business policy. All managers must adhere to these policies. The ability to pull in and retain the required resourcing numbers and capabilities is critical to success. This has to be supported by a clear exit policy and clarity on how people will be paid both during and at the end of their period of involvement.

4.2 There needs to be a strong logistics management process which takes the burden off the core implementation team. This will cover a variety of areas including the provision of cars, laptops etc., which can be extremely demanding of time and energy if not well handled. The principle should be to cluster key support around the core delivery.

4.3 Projects need to consider whether sub projects require different leadership skills. The creation of two separate projects, implementation (NRO) and CSR+ enable two individuals with different leadership styles to be adopted. With the implementation the project was controlled by an individual skilled at delivering change in the retail line and driving through progress. With CSR+ an external consultant with specific technical expertise was required to identify and resolve the technical issues. Before the split there was evidence that the focus could move between the two areas rather than the momentum being maintained on both.

4.4 Major projects should be run by a dedicated team which is protected from organisational change, and need continuity with little staff turnover at management level to develop and retain experience. It is recommended that experienced business managers be used to deliver implementation rather than consultants. Staff from the users areas and specialist support staff should be used in the development and delivery stages of the project.

4.5 Give people a clear focus and responsibility and project staff will exceed expectations. We did not necessarily select what appeared to be the best people, the selection process looked for "reasonable" postal officers. They came from a wide range of backgrounds and they performed well above expectation.

4.6 In a project with large numbers of staff small sub-teams need to be established. The Horizon team contained a large number of individuals and it was found that it needed to be split into sub teams to create pride, mutual support, and competition. These sub teams created their own self managed team spirit.

4.7 Projects which have a major impact on the retail line should be resourced from the line but the project must be managed independently of the line.

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## 5. Communications

5.1 The project should issue frequent and consistent communication which are produced by a dedicated communication resource within the project. These staff should be as expert in the implication of the project as the operational managers. They need to establish a process to ensure that the impact of the project is fully explained and understood throughout the business, not just a perception. Widespread communication of the progress of the project was a major factor in building the morale of a large dispersed team. The previous experience of 'bolt on' support where there is a necessary need to manage and translate the communication content is both time consuming and ultimately ineffective.

## 6. Leadership & Levels of Empowerment

6.1 There has to be clear leadership standards not only within the programme itself, but by all associated senior managers in supporting and conveying the underpinning values of the change.

6.2 The need for strong and consistent leadership behaviours with clear roles and responsibilities and accountabilities was paramount. On projects of this nature and size a single team concept should be adopted to ensure consistency and avoid communication gaps.

## 7. Testing & System Acceptance

7.1 Testing needs to include a volume test which gets as close to the real situation as possible. The CSR+ migration testing performed in the laboratory by ICL was inadequate it did not get any where near the real situation encountered in the outlets. There were initial problems down loading the software to offices not identified in the laboratory. The project needed to convert hundreds of outlets a night in order to progress 12000, this was not being achieved.

7.2 The test programme needs to include a scenario “what happens if various components fail” and the impact on other systems, not just testing if everything works perfectly. The end-to end-process testing was deficient in that it only tested what happened if everything worked. It did not test what happened to the processes if things went wrong.

7.3 There is a need to trial all stages of the training process from cradle to grave not just the training material. We reviewed and trialed the content of the training packages, but we did not trail the logistics of the training process; that is organising the invitation/confirmation at the training sessions. We trusted the ICLP contractor to successfully organise the training sessions, but the booking system did not work and we were asking them to enforce our rules on attendance. The impact was that when offices were not trained it prevented the office from “going live” and this in turn delayed roll out.

7.4 Changes to the large number of varied outlets nationwide is very demanding. ICL Pathway seriously under estimated the difficulty of getting offices ready, the original 13 weeks was totally impractical.

## 8. High Level Vision

8.1 There is a need to look at the wider business environment and the soft issues. Projects are not just about “hard” issues. There is a need to think “How will the project fit into the larger business environment, and what are the people issues likely to be”. You need a “soft” change person to manage this aspect. Understanding these wider issues earlier on in the project ultimately speeds the project up.

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8.2 Business senior managers did not think wide enough because we did not understand Service Management. The business had just accepted the Benefit Agency statement that they would deal with Service Management. We had not understood that the interface between the system, the staff/ agent and the customer was different to what we were used to; it was a more difficult automated environment. We had not appreciated that the scale of the problem was far greater until PA consultants provided a model and sound advice.

8.3 The business must not devolve control of any of the core processes to third parties even within your own business, because this can lead to a conflict of priorities even within your own business. At one point Customer Management were trying to poach all the Service Management work to the detriment of the project focus.

## 9. Policy & High Level Project Control

9.1 The project needs to understand the consultants that the third party is using, and what is their role. When the Benefits Agency pulled out they had already handed over the Programme Release Management to Authur Anderson who were just harassing ICLP, they were not looking for solutions. The result was that ICLP had become very defensive and held back information etc.

9.2 Consideration needs to be given as to whether very large projects need to be sub divided into sub projects. The separation of the infra structure preparation from the implementation (National Roll Out NRO) was fundamental to the successful outcome. By the autumn of 1999 we already had 12000 offices prepared for installation. However, the downside was the split into infrastructure preparation and then NRO lengthened the overall process for individual offices from 13 to 42 weeks and, therefore, the total programme took longer.

9.3 There is a need to build in check steps to review the original specification to ensure it now reflects current operational needs. Key requirements were specified early on in the project but we did not build in a step(s) to perform a further a review to check the adequacy of the requirements. This led to problems later on in the project, eg at the start of the project the specification was drawn up by reference only to branch offices counters no thought was given at the time to how the kit would fit on other outlets with the resulting problems of kit being to big during acceptance trials.

9.4 Consideration needs to be given to re-engineering products /processes, or a section of key products/processes, at the time of automation in order assist the project and perhaps generate further benefits. We just replicated the manual counter processes we made no attempt to engineer any of the products or processes in order to assist in their incorporation onto Horizon.

9.5 Projects need to establish processes to ensure that the impact of the project on other processes is fully assessed, accountability defined, and remedial action planned before the event. The quality of training for outlets contributed to the volume of errors experienced by Transaction Processing through roll out and beyond. Also, the knock on effect to Transaction Processing due to inexperience and length of learning curve for Call Centre staff had not been anticipated. Incident and Problem management team in particular was badly affected by this for a number of months, resolving up to 30 calls a day from call centre staff. Network Business Support Centre appeared slow to adopt the process for capturing information and updating the knowledge database evident by the number of repeat requests for information.

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9.6 The executive board members need to be represented on the project boards of major projects to demonstrate leadership and ownership to drive the project forward. The fact that the Project Board was made up of the executive ensured support at the appropriate level for an initiative of this scale. This was a fine example of demonstrable leadership and the fact that it was the executive again gave visibility and a sense of ownership to driving the project through.

## 10. Market Facing Units & Clients & Customers

10.1 Senior managers must assess any impact on clients systems and then develop a strategy to manage this impact; do not assume they will accept the changes. We failed to develop a strategy to manage client migration from the tandem machine. The switch over from the tandem system to Horizon delivered no benefits to clients and we expected them to have to fall in line. In some cases this did not happen and caused delays. Their priorities were out of step with ours. We could have had more sway over clients if project personnel had been involved in client contract negotiations.

10.2 Projects need to develop processes to ensure that Market Facing Unit staff are told of any systems changes and that they understand any impact on the client and contract negotiations. Equally a process to ensure that contract changes negotiated by Market Facing Units are compatible with the system specification. A problem arose with the Horizon client interface being a 7 day a week system but clients often only expected 5 days of interfaces. A good example being British Gas Quantum and Siemens which took months to resolve.

10.3 Projects need to be aware that switching to complex and complicated systems can lead to increase new product development times and increases development cost which can be a competitive disadvantage. The implementation of transaction changes has become slower and costlier, time to market is longer. This is because changes have to be tested far more to assess the risk to the rest of the system, and the process is very complex and lengthy. With the Automated Payment Terminal (APT) it took four weeks to complete a change ready for roll out, it now takes twelve weeks a factor of three equally costs have increased by a factor of three or four. This has given *PAYPOINT* who have stayed with APT technology an advantage.

10.4 Projects should not assume the client will want the system enhancement. Before we had a network off approximately 8000 APT in 6000 outlets we now have it in all office. British Gas did not want the Quantum transaction to be in more than 4-5000 outlets; presumably this was to ensure we did not obtain too dominant position and undermine the viability of the other suppliers.

10.5 Projects should not assume the client will want the system enhancement. Because of using APT technology Bill Payment was our most standardised and automated transaction and so unlike some of our other transactions the switch to Horizon did not produce any benefits. We automated what we already had, it was just like expanding ECCO+ to all outlets.

## 11. Training

11.1 Training and live support was not planned sufficiently early in the life cycle of the project and although remedial action was taken to address this I do not believe that the outlets were as supported as they needed to be at the time of a critical business event i.e. the completion of the outlet cash account.