

**ICL Pathway**  
*Bringing*  
**Technology**  
*to Post Office*  
**Counters &**  
**Benefit Payments**

Monthly  
Progress  
Report

**ICL**



January 1999



ICL Pathway

**Programme Monthly Report**

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**Approval Authorities:**

Name	Position	Signature	Date
J. H. Bennett	Managing Director		



# ICL Pathway Monthly Report

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# Managing Director's Summary

## Managing Director's Summary

**PROGRAMME PROGRESS**

- The End to End final pass activities started on schedule on the 8<sup>th</sup> February with full support from the sponsors. This includes both single benefit and multi-benefit functionality since our product does not distinguish between the two.
- Model Office Test preparation has proceeded to plan with a target date to start Model Office on schedule in week beginning 15<sup>th</sup> February. This MOT will use the same code set as End-to-End but will only check out single benefit for child benefit claimants. This follows the decision by DSS to split their Model Office activities.
- We have issued a new version of the Known Problem Register (KPR) and the entries now have reduced somewhat to less than 100 due to work in clearing the issues over the last few weeks. Within our security testing activity there still remains a large number of security PinICL's, and until these are successfully cleared, there will be an impact on the time we can start the acceptance tests for security.
- On acceptance we now have a way forward and all the Acceptance Test Specifications with the exception of the one covering Benefit Encashment Service (BES). On this one we have a boundary issue between POCL and BA covering their shared liabilities in the case of a major disaster with the system. The position we maintain is consistent and clear, but this had lead to a legal impasse between the sponsors. We are escalating the correspondence on this to force the issue on to the table.
- We are continuing to run acceptance trials and are getting a success rate now at over 90%. This does require re-runs and regression tests to complete the trials prior to raising a closure report and this work is now being tackled.
- On acceptance we have also started the review cycle of acceptance and five of these were completed during the last four weeks.
- All plans work towards a National Roll-out date for NR2 in August 1999. Nevertheless there has, during the last two weeks, been a major confrontation with the Benefits Agency who have abruptly and unilaterally moved their multi-benefit Model Office plans by six months. Following strong representation from ourselves and POCL some of it quite legal in nature, DSS have become defensive and attempt to retreat on the issue. Nevertheless the issue remains untidy, could lead to press leaks and needs rapid and complete resolution. This will need to be watched extremely carefully.
- Work is progressing to establish and test the software baseline that will be used in Live Trial via Systems Test and BIT regression runs.

- Design of the sponsor business functionality of NR2+ is now well advanced. However difficulties exist in getting the designs baselined due to outstanding CAR's and CCN's.

## **NEGOTIATIONS WITH THE AUTHORITIES**

- More discussions have now started with HM Treasury who remain committed to find an acceptable way forward for all parties. This will lead shortly to a further round of meetings with the responsible ministers. Our formal proposal, submitted on the 18<sup>th</sup> December 1998, still remains on the table as our last total position.
- Further details of these negotiations have been provided to the Investment Strategy Committee (ISC) and to the ICL plc main board.

Systems Report



## Systems Report

**MONTHLY SUMMARY**

- The two pre-proving test streams scheduled for 6<sup>th</sup> and 18<sup>th</sup> January 1999 completed successfully and the Sponsors agreed to enter the formal model office and end to end tests in February as planned.
- The design and development teams continue to focus on incident analysis, fault clearance and regression testing. Work has also begun on preparation for the Live Trial due in May 1999.
- The second usability trial is now scheduled to commence 22<sup>nd</sup> February 1999 in Twickenham Regional Post Office. Two counter systems have been built and tested and are planned to be installed 19<sup>th</sup> February. This exercise will provide feedback from experienced POCL staff as opposed to the Sub-postmasters who participated in the previous trial.
- The Benefits Agency unilaterally ceased work on the multi-benefit testing activities. Although there has been correspondence between the two parties at a senior level, the rig remains idle.
- Work on new release 2+ continues but the schedule is coming under increased pressure as a result of the demands required to support NR2 model office, live trial and contractual acceptance.

**PROGRESS**

- The two 6 day pre-proving testing streams completed without major incident and the Sponsors agreed to enter the formal E2E and MOT streams scheduled for 8<sup>th</sup> and 15<sup>th</sup> February respectively.
- The design, development and testing teams continue to concentrate on regression testing and fault clearance. The departure of one or two key individuals has created additional pressure for the remaining staff but they have coped well. The main focus has been BIT regression, Reference Data proving, Migration proving and stabilisation of the Live Trial baseline.
- Several potential changes to the design are being evaluated has a result of operational difficulties e.g. parallel running of MiMan, installing MiEcco on the training counter. Fallback options are also being considered in event that the changes cannot be implemented in time or it is too risky to go ahead with them at this stage.
- The business application enhancements for NR2+ are progressing well but a number of additional infrastructure facilities are still being evaluated. For example, a replacement reconciliation support system, an estate management system to plan and co-ordinate the opening and closure of post office outlets.

- The Key Management System remains the critical path activity NR2+ but the design and development work of this very complex area is still on schedule. Despite a number of failed attempts to reduce the functionality, we continue to explore every avenue to mitigate the risk of missing the delivery dates.

## CURRENT CRITICAL PROBLEMS

- Software fixes not considered critical for MOT and technical infrastructure changes not exercised in MOT are implemented in the Live Trial Build/Baseline. This version is currently being regression tested in parallel with E2E and MOT. There is a risk however, that the customers will insist that this version is also subject to a MOT resulting in consequential slippage to the roll-out schedule.
- Due the number of problems encountered with the Audit functionality in the BIT Final Pass cycle, it was removed and rescheduled for the BIT regression test. Acceptance will be achieved via BIT and MOT. If we encounter serious issues we may now have insufficient time to resolve them.

## ISSUES

- Software problems which cannot be rectified in the time available continue to be submitted to the sponsors for business impact evaluation. There is a risk that the sponsors will insist that certain errors are rectified before National Roll-Out, although this has not been the case to date.
- We have still to prove the new message store replication mechanism when PC's are replaced in outlets. The current approach takes too long and is unworkable.
- Although development has started on KMS, we are still seeking ways of reducing the scope of the functionality to reduce the risk of slipping the delivery dates.
- The security requirements for the protection of the Siemens (formally L&G) code are still not approved. Architectural changes are still being proposed at this late stage and these must be resolved quickly if we are to maintain our delivery dates.
- We have now identified a number of infrastructure performance upgrades which are necessary to support all 20,000 outlets. They include the introduction of VPN into the network and an upgrade of the Riposte Message Server. Plans are currently being drawn up to describe how and when these changes can be implemented.
- Now that the total Pathway system is built and will shortly be in full operation, it has become apparent that there is a need for a Riposte regression facility, i.e. a special environment which enables new versions of Riposte to be properly regression tested.

- The PSTN solution remains technically unproven until completion of the Tivoli developments, even though we do not expect to modify the business functionality.
- ICL Pathway believe that it should now assume responsibility for the BES application developed for the counter by Escher, this will enable the product to be completed for NR2+. The commercial negotiations are in progress.
- Plan for the introduction of NUMA-Q are well advanced. However, care must be taken to ensure that the NR2 roll-out is not impacted.
- The Systems Directorate organisation needs to evolve to handle the additional workload anticipated in the immediate future, particularly the applications emerging from the Citizen Direct/Golden Cloud initiative.

## **COSTS**

- The systems directorate is currently refining the 1999/2000 forecasts and a series of regular financial reviews have been scheduled throughout the year. These are designed to enable management to monitor the detailed expenditure on a monthly basis.

Report  
Commercial & Financial



## Commercial &amp; Financial Report

**MONTHLY SUMMARY**

- The contract restructuring remains to be agreed, either on the terms of the draft MOU of 18<sup>th</sup> December or some other basis.
- Pending such agreement, the outflow of funds continues at an increasing rate on the presumption of a satisfactory outcome. In the absence of new funding arrangements, Group is having to fund Pathway activities from the corporate overdraft facility.
- Management has bought into the need to find new ways to reduce costs. The immediate problem is that, in the short term, the pressures to achieve Acceptance and the required rate of roll out continue to drive demands up not down. The challenge right now is to hold to the current net spend forecast (after revenue recoveries) and at the same time hold to Programme milestones: Cost Down measures will be required to achieve this.
- The validation of the Business Model has been completed and Grant Thornton are finalising the report.
- A meeting of the Joint Programmes and Commercial forum was held during the past month. There appears to be a new and positive focus on the part of Horizon on closing down outstanding CCN and operational issues, with some helpful organisational changes to bring this about.
- The A2A activity has moved forward, with a much tighter definition of work required agreed and allocated across ICL Pathway staff. The target is to submit the majority of the CCNs by month end, numbering 80 in all.
- Negotiations have continued with a number of suppliers.
- The intention is to complete the streamlining of the forecast process before the start of the new financial year.

**PROGRESS**

- Start of E2E testing and Model Office Test
- Continued smooth running of the R1c service
- A useful meeting of the Joint Programmes and Commercial forum

**BUSINESS CASE**

- Nothing to report.

**COMMERCIAL - CUSTOMER FACING**

- A meeting of the Joint Programmes and Commercial forum was held during the past month. There appears to be a new and positive focus on the part of Horizon on closing down outstanding CCN and operational issues.

- Keith Baines now reports directly to Dave Miller, and Liz Blackburn to Keith. The linkage between Commercial and Programmes has improved as a result. Keith and Bruce McNiven appear to be working together to solve problems in the training, implementation and migration areas. That gives us a good opportunity to resolve down a number of issues that have been around for some time.
- The contract baseline of Baseline Version 8 plus CCN117 is, as we understand it, effectively agreed as a starting point for restructuring the contract.
- The A2A work has identified the need to raise 80 CCNs to enable us to firm up the contract baseline. The majority involve changes to Solutions rather than Requirements. Requirements are typically written at a high level and call for A2As. The resolution of A2As is typically captured in documents which need to be incorporated into the contract as Contract Controlled Documents. Solutions need to be amended to point to the appropriate CCD. We need to complete this CCN drafting work by month end to protect our contractual position.

### **COMMERCIAL - SUPPLIER FACING**

- Supplier negotiations continue with WTL and others to improve our contractual safeguards, terms or operational processes, or to deal with the many change requests which continue to affect suppliers.
- An increase in supplier contract activity is anticipated once the outcome of the HMG review process becomes clear.

### **FINANCIAL CONTROLS**

- The first Budget/forecast review of the year was held with Systems, Implementation, and Customer Services. The result was a strong indication of continued upward pressure on both headcount and costs in general. A management judgement has been made that not all the costs identified by the line directors as being necessary in 1999/00 will in fact be required. Achieving the combined result of contained costs on the one hand and work output on the other will be a major challenge for management. The risk is that timescales will slip unless the additional resources are brought to bear quickly.
- A new monthly forecasting timetable, with two management review points, has been put into place. Early indications are that this will significantly help focus management attention on the key cost issues. Work continues on improving other aspects of the forecasting processes.

- One Change Request was raised in the month to bring about Cost Down in an operational area (optimising the mix of registered post versus recorded delivery). However, this will show little real benefit until 2000 (when card roll out begins in earnest) and will require some additional work in 1999. The change is needed to achieve the cost profile already assumed in the Business Case.
- Refinement of the strategy for the third data centre for standby purposes has reduced future operational costs slightly, but again there is no reduction in the short term.
- Review of KMS with the objective of reducing development costs and risk are likely to confirm the current approach: KMS is the largest single component of NR2+ work, and is required for APS as much as for BPS.
- Review of new business development delivery as between the UK and International has identified an opportunity for synergy which should improve effectiveness and reduce costs, but not by much.
- The best opportunity for Cost Down in 1999 is robustness in our defence of contract baselines and in charging for changes to those baselines under change control. This is only now becoming a realistic possibility as the baseline documents are brought into the contract under A2A CCN. A2A CCNs represent our best chance of securing net cost reductions in 1999.

## CURRENT CRITICAL PROBLEMS

- Still dealing with the volume of A2As.
- Still not having a firm decision on the Main contract.

## ISSUES

- The continuing cash drain without any agreement with HMG: in January, this was £18m.
- The poor state of the Business Case.
- The continued upward pressure on costs and continued BA attempts to delay multibenefits in particular and the programme in general, both of which can only make the Business Case worse.
- No identified Cost Down opportunities for 1999.
- Funding requirements.

## COSTS

- As stated above, the cost picture is not good.
- The Controller's report follows.

## JANUARY ACTUALS 1999

## KEY NUMBERS (£000'S)

		January 1999		13 months to Jan 99 Actual
		Actual	Variance vs. Forecast	
Trading/Project Costs	Revenue	48	18	1,067
	Project Costs before Capitalisations	9,272	1,439	113,025
	Declared PBT Losses	100	123	1,396
Cash/Balance Sheet	Business Operating Cash Flow	(18,486)	1,780	(127,305)
	Project WIP	204,382	1,316	
	Net Fixed Assets	44,842	1,391	
	Total Borrowings	217,261	1,780	

		January 1999		13 months to Jan 99 Actual
		Actual	Variance vs. Forecast	
Headcount:	Permanent	200	3	
	Non-Permanent (ITs and Temporaries)	10	2	
	(Memo): Freelancers procured through ICL IT Contractor Services	184	(1)	

## Comments:

There were favourable variances in virtually all key areas.

Project costs were £1.4m lower than forecast, with a mixture of timing differences and over accruals in previous months. International Sales costs were well down on forecast, due to delayed recruitment.

Headcount was very close to forecast, although the use of freelancers in the systems area continues at above forecast levels.

Borrowings were favourable to forecast because due mainly to longer than forecast credit terms taken from suppliers.

## JANUARY ACTUALS 1999

## PROJECT COST ANALYSIS (£000'S)

		January 1999		13 months to Jan 99 Actual
		Actual	Variance vs. Forecast	
Revenue		48	18	
Direct Cost of Sales		1,758	135	
Gross Margin (Deficit)		(1,710)	153	
Opex:-				
Labour - Own Staff		670	46	9,212
Travel & Subsistence		46	15	672
Freelancers		1,529	478	20,774
ICL Subcontracts		1,165	366	17,248
Other Subcontracts		571	109	9,224
Depreciation		1,373	21	14,846
Marketing		32	42	579
Professional		403	151	2,642
Other opex		418	74	4,570
Gross Project Opex		6,207	1,302	79,767
Interest costs		1,355	(16)	13,149
Costs before Capitalisations		9,272	1,439	113,025
Declared PBT Losses		100	123	1,396
Capitalised into WIP during year		9,172	1,316	111,629

## Comments:

Revenue was slightly ahead of forecast due to invoicing of change control costs to POCL.

Direct cost of sales were below forecast, due mainly to lower than forecast costs from Outsourcing. In opex, the largest individual variance was on freelancer costs, where previous accruals covering the Christmas and New Year period proved to be higher than necessary. ICL Subcontract costs also came in below forecast, with Solution Centre support of T&I and Product Support costs from Outsourcing being the main areas of favourable variance.

Lower Escher costs were responsible for the gain on other Subcontracts, but this is expected to reverse next month as development milestones are achieved. Similarly, the favourable variance on professional fees is merely one of timing, with certain costs associated with additional financing not having been incurred as yet.

Declared losses were less than half the level forecast, with recruitment in that area being shelved for the moment, pending bid news on several overseas projects.

**JANUARY ACTUALS 1999****HEADCOUNT****PERMANENT HEADCOUNT**

Systems  
Implementation  
Customer Service  
International Sales  
All other departments  
**Totals - Permanent Staff**

January 1999		
	Actual	Variance vs. Forecast
Systems	41	2
Implementation	50	(5)
Customer Service	55	1
International Sales	4	-
All other departments	50	5
<b>Totals - Permanent Staff</b>	<b>200</b>	<b>3</b>

**Comments:**

Overall headcount levels were close to forecast, with some overruns in implementation caused by early recruitment in the rollout support areas.

**NON-PERMANENT HEADCOUNT**

Industrial Trainees  
Temporary Staff  
**Industrial Trainees and Temporary Staff**

January 1999		
	Actual	Variance vs. Forecast
Industrial Trainees	10	-
Temporary Staff	10	2

**Freelancers sourced through ICL IT Contractor Services**

Systems  
Implementation  
Customer Service  
International Sales  
All other departments  
**Totals - Higher Skills Freelancers**  
**Totals - Non-Permanent Staff**

Grand Total - UK PFI Project	381	(5)
Grand Total - International Sales	13	9
<b>GRAND TOTALS</b>	<b>394</b>	<b>4</b>

Continuing high usage of freelancers in systems departments was offset by lack of new recruitment into International Sales.

## ICL Pathway      Commercial &amp; Financial Monthly Report

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## JANUARY ACTUALS 1999

## CASH FLOW (£000'S)

## Inflows/(Outflows)

Net Project Costs - capitalised into WIP  
 Project costs taken straight to P & L  
 Depreciation  
 Movement in other Working Capital Items  
 Fixed Asset Additions  
**Business Operating Cash Outflow**

Opening Net Borrowings  
 Closing Net Borrowings

January 1999	
Actual	Variance vs. Forecast
(9,172)	1,316
(100)	123
1,373	(21)
(5,270)	(1,050)
(5,319)	1,412
(18,488)	1,780

13 months to Jan 99	
Actual	
(111,629)	
(1,396)	14,846
14,846	(5,731)
(5,731)	(23,395)
(23,395)	
(127,305)	

198,773	
217,261	1,780

89,955	
217,261	

## BALANCE SHEETS (£000'S)

January 1999 - (Total Pathway)		
	Actual	Forecast
Net Fixed Assets	44,842	46,233
Project Work in Progress	204,382	205,698
Other Working Capital	(13,948)	(14,997)
<b>Totals</b>	<b>235,276</b>	<b>236,934</b>
Share Capital	20,000	20,000
Retained Earnings	(1,985)	(2,107)
Group Pooled Borrowings	44,141	33,041
External Loans	173,120	186,000
<b>Total Borrowings</b>	<b>217,261</b>	<b>219,041</b>
<b>Totals</b>	<b>235,276</b>	<b>236,934</b>

## Comments:

The lower project costs helped to drive the favourable variances in borrowings at the end of the month.

This was assisted by lower than forecast fixed asset additions, partly offset by the resultant adverse working capital position.

Net borrowings were £1.8m better than forecast, with the borrowings mix again impacted by the lack of any new drawdown of funds from the £200m Asset Co facility.

Net Fixed Assets  
 Project Work in Progress  
 Other Working Capital

**Totals**

Share Capital  
 Retained Earnings

Group Pooled Borrowings  
 External Loans

**Total Borrowings**

**Totals**



# Customer Requirements Report

## Customer Requirements Report

**MONTHLY SUMMARY**

- There are now 21 approved Acceptance Specifications. The principal issue is the fact that POCL will neither approve the BES specification on legal advice nor formally state their reason for not doing so. A further, stronger letter has been sent to force the issue into the open. Progress is being made on Acceptance Trials closure reports as testing concludes and a start has been on the Reviews part of Acceptance.

**DETAILED PLAN ACTIVITIES****NEW RELEASE 2**

- The Known Problem Register (KPR) (declared problems which should not prevent Acceptance provided there are few medium severity entries) has reduced a little to 92 active problems. A new version of the KPR, 2.04, was issued corresponding to the MOT level of software.
- Authorities' comments on the PAS and CMS Service Level schedules were reviewed with Peter Robinson (in response to CCN 259a). The on-line dialogues section of the PAS Service Level schedule, relating to composite transactions and temporary token functions, was reworked to assist CS.
- The BES, PCDF and PCHL PPDs are currently under formal review. The principal outstanding issue relates to timing of cash handover and its relationship with BES finish and EPOSS settle functions.
- The Security Forum concentrated on PinICLs and is about to change its focus to the Live Trial PinICL work in progress.

**RELEASE NEW 2+**

- Tony H has produced a 100-page document setting out all BPS requirements for NR2+ driven by Customer Requirements.
- A paper on Requirements for Card and Temporary token impounding was completed to provide guidance to Design for NR2+ work. Clarifications for several new NR2+ items were sent to AT&C and Design.
- The DSS Processes (CAPS) review meetings continued in a constructive fashion. The POCL Joint End to End Design Working Party weekly meetings continued: the action here is to constrain the work to activities useful to Pathway.

**CARS**

- The outstanding CARs (Contracting Authorities' Responsibilities) for LFS were formally notified to POCL who were already late with their delivery.

**A2AS**

- We participated substantially in the reviews of A2As (agreements in principle to be converted into agreements in practice).

**CCNS / CRS / CPS**

- CCN 117: This is reportedly approved by DSS, possibly by POCL also.
- CCNs were completed and issued for CRB005 (single signature) and removal of clerk id and a minor rework on CCN317a / CP1428 (card reissue after impound via online dialogue completed and circulated).
- A CCN is in preparation to cover amendments to Foreign Encashment counting rules. This will meet Authorities required treatment of multiple encashment situations and also enable Pathway to come into full conformance.
- We have suspended work on CR.29 (final accounts) and rejected CR 32, (changes to cash account) until POCL articulates the changes properly.

**ACCEPTANCE SPECIFICATIONS**

- The Reference Data specification achieved approval.
- The BES specification is the problem area with POCL unwilling to approve it on legal advice. A further, more strongly worded, letter has been sent to force the issue out into the open where suitable actions can be developed.
- POCL Infrastructure - A way forward has been found on the two issues remaining. POCL will settle for the documents originally listed in the Solution being available in the Live Trial period and the preparation of these documents is now in hand. They are also ready to agree to formalising a capability to acknowledge transfers across TMS, which will clear the TMS/OPS boundary issue.
- Service Boundaries - the 24<sup>th</sup> specification. The main review document, *Boundary Performance Methodology* was issued for Horizon comment. The actual boundary performance measurement capability does not have to be available until the end of the Operational Trial period. A CP has been raised to for boundary performance information at NR2+ (and also to meet the needs of CSS for improved metrics).

**ACCEPTANCE TRIALS**

- BES - The Final Pass for BES was 80 % successful, 10% unsuccessful and 10% not proven. The Acceptance Trial closure report was started and will be completed when the MOT BIT rerun concludes; a significant improvement in the success rate is expected.

- PAS/CMS, DSS Interface - T&I produced a very good test report following BIT and the rerun phase of Final Pass is expected to take the success rate over 90% by around mid February. A further pass on the Live Trial baseline should complete mid March and enable this hurdle to be cleared.
- OBCS - The closure report was updated to reflect final PINICL closure.
- APS - No response to Closure report.
- Security - There is still some way to go to complete the Technical & Security testing. The Security PinICLs improved with 13 Medium and 64 Low outstanding. There are 46 tests deferred into Live Trial for the Rollout Database awaiting the secure platform. MiECCO accounts for a further 26 deferred tests and there are 150 tests to repeat. The third party tests are progressing well but too late for the closure report.
- Service Levels (Performance) - A complete review of the testing activities and timetable for completion of the tranches of work needed for Acceptance was held. This area is now progressing better.
- Systems Management testing should complete in good order with its final report on 8/2/99. Technical Integrity and Networking will achieve a similar date although will have some tests outstanding.
- The rerun stage of the EPOSS final pass, on which the closure report can be based, is about to start.

### ACCEPTANCE REVIEWS

- Five Acceptance Review plans were completed and the Customer Education Acceptance Review itself is planned for mid February.
- For BES the vital document is the BES PPD, which is likely to be the pacing item.
- The considerable documentation needed for the Security reviews is in good shape, albeit a few still in early draft.

### NEW BUSINESS SUPPORT

- APS - The requirements for Simple Payment Module were agreed and included within R2+. The final documents from Siemens are not yet delivered and our charges not committed. The APS Client Connection Service Description was completed, priced and issued. Design has requested a statement of all the APS R2+ requirements - in preparation. Dave C is helping CS agree the scope of the Token verification Service, and Design in agreeing the scope of the R2+ APS Reports.
- TIP - The Disaster Recovery Interface Service proposal was produced, priced and issued in response to CR R33.

### **OTHER TEAM ACTIVITIES**

- Dave H chaired the Workflow Management Coalition Technical Committee January meeting.
- Dave H presented a paper for Pathway on the use of workflow as an integration tool at the IBC banking conference on the Integration of IT and Business Strategies in the Front, Middle & Back Office.

### **CURRENT CRITICAL PROBLEMS**

- The issue in approving the BES Acceptance Specification will become a major problem within two months if not dealt with.

### **ISSUES**

- The PinICLs still to clear in both Bracknell and Feltham are constraining the progress that can be made on the Acceptance Trials closure reports.

Report  
Service  
Customer



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Customer Service Report

## MONTHLY SUMMARY

- Counter service was good despite a power failure at STE09 that interrupted service at the Horizon Systems Helpdesk. OSD handled the situation well and the customer felt little impact.
- No new updates were made to the live system with all our efforts going into preparation for MOT and Live Trial with particular emphasis on getting processes and procedures finalised and agreed.

## RELEASE 1C VITAL STATISTICS

- Installed base: 204 Post Offices, 334 counters

Number of Cards issued	47,506
Number of Active Cards in use	37,115
Total number of BES Counter Transactions	920,348
BES Counter Transactions in month	79,328
Total value of Benefit Payments received	£29.2m
Value of Benefit Payments received in month	£2.4m
Total value of Benefit Encashments made	£28.0m
Value of Benefit Encashments in month	£2.5m
Total number of OBCS Transactions	6.8m
Total number of books impounded	18,288

## PROGRESS

### OPERATIONS

- The development of operational procedures continues to make good progress.
- I am concerned that the Horizon security team is questioning the worldwide support strategy operated by Cisco, Sequent and Oracle. It would be much more expensive to arrange local 24-hour support for the data-centre infrastructure. Martin Riddell is liaising with Barry Procter to resolve the problem.
- Reference Data is now in much better shape in readiness for NR2. The processes seem to be running quite smoothly with daily update files being received and applied.

- Version 0.6 of the Business Continuity Framework has been published for comment. We have conceded that some testing of this should take place during Live Trial but we are resisting Horizon's demand to witness a full disaster fail-over demonstration.

## BUSINESS SUPPORT

- The overall incident rate has fallen back from 0.04% in December to 0.03% in January with 27 incidents being logged against 79k payments.
- There were 14 incomplete transactions of which 6 were caused by a new fault which is being investigated. There were no SLA non-conformances and the BES stream continues to be fully reconciled.
- The format of CboS/TIP reporting has been agreed and the BSU will be testing the full reconciliation processes during E2E cycle 3 beginning on 15<sup>th</sup> February.
- To enhance the overall support process on reconciliation incidents, secondments are being exchanged with the Horizon Systems Helpdesk.

## BA & POCL SERVICES

- January was a good month for service overall except for a short break in HSH service due to a general power failure in the Stevenage area.
- The BA order book bar-code defects are still not resolved and POCL have been slow to communicate with the outlets. A new process to mitigate the problem has been agreed but Postmasters are clearly annoyed and frustrated.

## CUSTOMER SATISFACTION

- The excellent performance of OSD field engineers has been presented at the SW Engineers' team meeting and a similar presentation will be made in February to NE Engineers.
- Customer satisfaction remains high although the return rate of Service Visit Reply Cards has fallen to 75%. This is understandable as customer expectations of good service are continuously reinforced. Before National Rollout we must be careful to establish more realistic and sustainable expectations of service performance.

## SYSTEM SUPPORT

- Actions to address underlying concerns with SMC performance have been identified and staff secondments are being arranged to aid skills transfer.

## CURRENT CRITICAL PROBLEMS

- None

**ICL Pathway**

**Customer Service Monthly Report**

Ref: PA/REP/034  
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Date: 22/02/98

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## **ISSUES**

- None



# Quality & Risk Report

## Quality & Risk Report

### **MONTHLY SUMMARY**

- FRM - Sign off of CCN243 is still being pursued. Gaps in the reporting of failed EVP have been identified; fix planned for Live Trial. Discussions re provision of (added revenue) FRM services to POCL and DNS have started.
- Risk Management - The significant activity in Implementation continues. The Risk Register has been updated, highlighted major issues with scheduling impact on card rollout, configuration time, migration time, HFSO startegy and implementation, Reference Data mapping, static data. Issues with the end to end process are also being identified.
- System Security - NR2 processes are being implemented. Penetration testing is being agreed for Live Trial timescales. Bootle security concerns (raised by Horizon) are being strongly defended.
- Quality - Policies & Standards; documentation reviews are underway for completeness. Counter component issues (flat panel display and printer) have been investigated.
- Audit - Acceptance Test reviews; a schedule of document reviews and site visits has been produced for agreement in February. The 1999 audit plan has been published and kicked off. There is still a critical issue with the provision of the Audit solution for BIT testing and MOT.
- Year 2000 Conformance - Gaps in testing have been identified and discussed with Systems. Contingency plans are largely incremental on operational ones and reviews have been conducted to identify Y2k gaps.

### **PROGRESS**

#### **FRAUD RISK MANAGEMENT**

##### **GENERAL**

- POCL Security - Discussions were held about the provision of fraud services; they are to provide us with TOR for a paid study.
- Dept National Savings - A presentation was given to their fraud senior managers; they are interested in obtaining fraud related data as part of the complete service.
- Requirements for Counter Penetration testing and the Fraud Intelligence Database are being defined.

##### **RELEASE 1C**

- One repudiation has been reported by BA; all relevant details have been forwarded.

### **NEW RELEASE 2**

- FRM Design document has been reviewed; minor changes have been incorporated.
- The FRM terminals are beset with build problems, and testing of reports could not be started.
- NR2 EVP reporting. Failed EVP transactions are not passed from the counter to the warehouse. This affects PCHL, PCDF and Change of NPO transactions. A solution is being sought for Live Trial.

### **NEW RELEASE 2+**

- EVP - The CCN 243 saga continues. 2 more issues were raised by Horizon and resolved, still leaving POCL to accept card reader failure. The reporting requirements for NR2+ have been defined.

### **RISK MANAGEMENT**

- NRO Risk Register, January. Major risks that have been identified include:
  - Scheduling issues and impact on card rollout (RFI level lower than required for card rollout within BA district)
  - Excessive configuration time, migration time (largely ECCO offices)
  - HFSO; strategy agreement, resourcing and turnover plans, agreement of guides
  - Reference Data mapping inaccurate
  - Static data inaccurate in Implementation
- Gathering data from POCL, and to a lesser extent Pathway is still proving to be difficult.
- Attempts at modelling the end to end NRO processes have revealed that there is no process map. There is a very high risk of gaps in the processes; workarounds not being incorporated.

### **SYSTEM SECURITY**

#### **RELEASE 1C**

- Physical security concerns raised as a result of the series of site visits during Q4 of 1998 are being progressed. The major issue remains Bootle and we have formally responded to the recommendations in the Horizon site report. Our position remains that the likelihood of a denial of service attack is very low and the existing site controls are adequate for the risk.

**NEW RELEASE 2**

- The HLTP for technical penetration testing has been distributed and the provision of appropriate rigs and resources are being discussed.
- A requirements document has been produced for Oracle, Sequent, Cisco and EMC to provide "follow the sun" technical support from outside the UK and thereby give Foreign Nationals visibility of HMG 'RESTRICTED' data. This will be presented to Horizon and CESG for approval.
- POCL are identifying improved processes to support the verification of callers for One Shot Passwords at the Horizon System Helpdesk. When agreed, these processes will be reflected in the HSH and Access Control & User Authentication PPD's.
- A letter of approval for access to NSI records by ICL Pathway and other ICL staff has been received from BA Security Group.
- The SecurID administration workstation is in use during current MOT 'blitz' testing and SecurID tokens are being physically allocated by QRM.

**QUALITY**

- Disaster Recovery Planning continues. Most inputs are now with SMH and plans are being reviewed.
- Equipment quality issues have been investigated. There are concerns regarding the new PC reliability and the quality of the McPerson FPD and their ability to maintain on-time deliveries.
- Policies & Standards Acceptance test. Reviews of the availability, completeness and suitability of documentation are underway.

**AUDIT**

- The Audit plan for 1999 has been published; a resume of Audit in 1998 has been circulated.
- Customer Services audit report has been completed and distributed; major concerns are around the operation of SSC.
- NR2 Process Improvement Programme. The corrective action plan has been reviewed and all actions except one have been closed, not totally satisfactorily. They will be revisited during the R2+ audits.
- Verification Centre Audit - Corrective actions have been agreed with TVC and Implementation.
- Audit Trail Specifications - OBCS one has been distributed, APS was completed early February and BPS work has started.
- NR2+ audit requirements have been defined.
- The content of the 'non-IT' element of Records has been agreed internally.

- Audit Acceptance Review Schedule has been produced and discussed with BA and POCL.

## **YEAR 2000 CONFORMANCE**

- BIT Y2k testing; final pass continues well with only a few faults raised.
- A number of test coverage gaps have been uncovered.
- ICL Year 2000 Business Continuity. The needs for this are largely incremental on normal operational disaster recovery plans. These have been reviewed and gaps identified.
- 3<sup>rd</sup> party issues continue to be monitored and changes impacted. There are issues with NT4, SQL-Server v6.5, and TrueTime. The introduction of previously unidentified products to system builds is a concern.

## **CURRENT CRITICAL PROBLEMS**

- Acceptance of audit during testing will not complete until the end of BIT Regression 2, due to run in parallel with MOT. If it fails again, it will directly impact the decision to Go Live. The delivery of the componentry is causing concern.
- Implementation; no end to end process map exists; the processes are not complete and workarounds being developed and not incorporated.

## **ISSUES**

- New PC reliability.
- Y2K test coverage gaps.
- Roll out vulnerability to Y2K problems.
- Ensuring Y2K readiness of external support organisations.
- Business critical systems continue to be run on platforms not recognised in the TED or TEI and not subject to proper verification and configuration control.



# **Business Development Report**

Business Development Report

## **MONTHLY SUMMARY**

### **BUSINESS DEVELOPMENT**

#### **NETWORK BANK**

- A new release of the architecture document is ready for internal release. No discussion yet taking place with POCL. No appointment has been made to the Director, Network Bank position. A way forward paper has been submitted to the New Business Board and commitment given for applying more resource to move Network Bank forward. This is important if we are to intercept POCL at the earliest opportunity.

#### **EFTPOS**

- POCL now appear ready to re-engage and a meeting is arranged for end February to move forward.

#### **POCL INTERNET**

- Supported by Electronic Business Systems, a bid has been submitted for POCL's Internet site. We have been shortlisted and a follow up presentation has been given.

#### **PARTNERSHIP**

- I have now had discussions with two groups regarding how we best move partnership forward. The next move following on-going discussions will be a meeting with some of the ICL Pathway directors.

#### **POCL MISSION & VISION**

- POCL's new mission and vision has been announced internally through a series of events over the past two weeks. This announces the long term approach to focussing on four areas of business: Wholesale cash market, Network bank, Mails and Distribution and Government gateway. Jonathan Evans has agreed to present to our management team on 15<sup>th</sup> Feb.

**CUSTOMER EDUCATION & COMMUNICATIONS:****COMMUNICATIONS**

- A useful meeting has taken place with Rob Durrant, POCL Director of Communications to plan the way forward post Treasury review. This meeting agreed three main points of communication: the announcement itself, a later announcement on the new Partnership and a further opportunity at start of National Roll-out.

**CUSTOMER EDUCATION**

- CAPS have now asked us to look at a re-plan of the customer education campaign based on a new benefit rollout strategy. We need to look at this in the round and not react to yet another CAPS 'move to the right'.

**INTERNATIONAL**

- International activities have now moved under the Business Development directorate. This should enable more 'sales' focus on this activity and more importantly a joined up approach to systems development and an overall more efficient use of resource.
- Continued negotiation goes on with Portugal where a decision is expected in Q1. Siemens are the only competitor.
- Unisys have won Hungary. Given that ICL Pathway recommended a 'no bid' against the requirements, budget and timescales, this is not a bad result. We shall now monitor the progress of Unisys.

**PROGRESS**

- LFS (Logistics Feeder Service) now progressing through design. We await some contracting authorities responsibilities but good progress is being made.
- POCL have re-engaged to discuss the scales product in EPOSS prior to the Royal Mail account team visiting Feltham to discuss re-engineering.
- International have now defined a core product set for counter automation. The immediate challenge is to ensure that this core product set matches the future direction of the UK and that any product development is useable across both the UK and the international domains. A number of very useful meetings have taken place to ensure this joined up approach.
- Marketing suite: A new demonstrator has now been delivered which integrates NR2, EFTPOS, household budgeting and housing benefit. Escher are here week of 15<sup>th</sup> Feb. to agree a plan to instal all Escher demonstration software in our demo centre. Seventeen events have taken place this month in the marketing suite.

- We have now de-risked the customer education programme such that there is no major spend prior to achievement of critical milestones, e.g. RAB.
- Good progress on Acceptance where a formal review is scheduled for the Operational Trial phase.
- Press: Little direct ICL Pathway interest. Andersens have been taking the flak this month with the NIRS project continuing to go awry.
- Meetings have now taken place with ICL Government to ensure a joined up approach to marketing communications.

## **CRITICAL PROBLEMS**

- Simply put, the re-start of open and honest discussions with POCL across all areas would be a major move forward.
- The inability to firmly plan the customer education campaign is a real headache. It means continued nugatory work against an ever changing baseline.

Report  
Sales  
International



International Sales Report

**MONTHLY SUMMARY**

- No submission this month



# Organisation & Personnel Report

## Organisation &amp; Personnel Report

## MONTHLY SUMMARY

- Jane Carter joined ICL Pathway, bringing the Personnel department back up to strength. Following an induction programme she quickly became involved in the activities of the department. Recruitment activity increased and there was some increase in the number of potential candidates looking to change jobs following the decline in candidate availability before Christmas. Other key activities in January were connected with Performance + and Professional Communities.

## PROGRESS

- Recruitment of permanent employees was as follows:

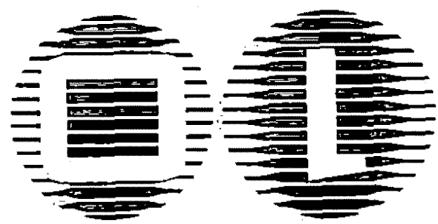
Permanent appointments in January	9
Currently under offer	5
Appointments YTD	9
Current requirements	60
- The level of registered permanent vacancies increased from 31 at the end of December to 60 at the end of January. Of these 49 are currently authorised and the remaining 11 are in the process of authorisation. This increase was mainly concentrated in Implementation, Test and Integration, International (subject to closing specific contracts), Customer Service and Systems Design. Recruitment action has been initiated for all vacancies, with offers subject to authorisation as appropriate.
- The recruitment plan for Q1 and Q2 was agreed with Hays Recruitment. It is made up of a mixture of recruitment advertising, targeted mailshots, open evenings and recruitment fairs.
- The first VISIT recruitment fair of the year was held in January at the Café Royal and there was a good presence by managers from ICL Pathway. Members of the Personnel Department, International, Test and Integration, Development and Customer Service attended and a number of potential recruits were invited for interview.
- The numbers of Industrial Trainees required for the coming year was agreed with managers and recruitment for the 1999/2000 intake will commence in February.
- Meetings now take place every two weeks with the A&TC resourcing unit to help ensure that ICL Pathway increases the numbers of people employed from this source. A continuing problem in some areas is CV's not being turned around quickly enough by recruiting managers, with the result that potential recruits are placed elsewhere in the company.

- Managers were briefed on the necessary actions involved in the implementation of Professional Communities. Each manager was provided with the appropriate role profile for their employees along with supporting explanatory material which is also available to employees. Discussions with employees will take place in February and March, where possible as part of the appraisal processes.
- Appraisals and objective reviews are now underway and to help ensure this is 100% completed each member of the Management Team is provided with a status report on a weekly basis which shows which of their employees has currently got a logged appraisal, objectives and personal learning plan.
- A format and timetable for Organisation and Management Reviews was agreed and issued. Reviews will take place with each department throughout February and March.
- Arrangements were made to ensure that all temporary resource not provided through ITCS is sourced through Adeco Alfred Marks. This is in line with the new company wide arrangements and will lead to substantial cost savings. ICL Pathway is compliant with the new arrangements.

## **CURRENT CRITICAL PROBLEMS**

- None

Report  
Client  
Post Office



**ICL Pathway      The Post Office - Client Director's  
Monthly Report**Ref: PA/REP/034  
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The Post Office - Client Director's Report

**MONTHLY SUMMARY**

- The responses to CITU's draft consultation papers on the White Paper for Modern Govt have been submitted.
- Other new and large PO procurements are emerging at a pace which is severely stretching our ability to respond.

**MODERN GOVERNMENT**

- Following the presentations in December to David Cooke, Director of CITU, followed up in Jan with Mark Gladwyn and Jeremy Crump, deputy directors – apparently well received, confirmed subsequently by G Hall.
- Responses submitted to CITU consultation papers on the proposed White Paper.
- The CCTA "TCAT" Telecommunications Catalogue national procurement has been advertised, Central Europe Div have picked this up. It may prove to be a significant channel for sales of Internet products and services across local government. We need to track this as a possible collaborator/competitor to a national Modern Govt service, delivered by Pathway.

**1998 BUSINESS**

- The 1998 final revenue figures show £21.6m total ICL revenue in 1998 compared to £648k revenue in 1997: breakdown as follows

<u>Division</u>	<u>1998 Revenue</u>	<u>1997 Revenue</u>
HPS	46k	
MC	20,097k	
Pathway	816k	
Services	99k	25k
System Services	665k	623k
<b>TOTAL</b>	<b>21,676k</b>	<b>648k</b>

## CURRENT CONTRACTS

### TECHNICAL RESOURCES SUPPLY CONTRACT

- Having booked orders for over £500k in 1998, this contract has been extended from initial bodyshop supply of technical skills to small-to-medium work packages, of which there are an estimated 400 outstanding. Although slow to start in Post Office owing to administrative problems, this should deliver around £4m in 1999.

### ONE STOP SHOP

- The ICL MC contract for supply of desktop PCs and infrastructure has been extended to include Fujitsu PCs as well as Compaq and orders have been taken in January for £500k of FJ machines. The new FJ "Biblo" sub-notebook has been received very favourably by PO in technical evaluation.

## NEW BIDS

### IWIM

- The formal debrief from PO outlined the key reason for ICL's failure to win the contract as being non-compliance to the technical requirement. A&TC staff including the TDA were at the debrief.

### SERVICE MANAGEMENT

- The response to RFI and presentation were well received and ICL is shortlisted. ITT expected February.

### SPICE

- The PO initiative "Supporting Post Office in a Commercial Environment" has finally emerged as a broad ranging invitation covering Customer Contact, Client Relationship Marketing and data warehousing. This is identified as a strategic ICL target market but there is as yet no single owning Business Unit. The plan is to achieve longlist and use the ITT to catalyse the ICL offerings. This plan may not work.

### POCL INTERNET

- Achieved shortlist and presented 4<sup>th</sup> Feb – now awaiting guidance from POCL on their next steps.

### KIOSKS

- Activity in PO suggests a procurement is imminent, possibly for up to 6,000 units.

**ICL Pathway      The Post Office - Client Director's  
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**CHANGE MANAGEMENT**

- The work lead by Steve Cowburn in Royal Mail in establishing the PACE methodology for change management is being positioned as a licensed service offer to Royal Mail Consulting, fronted by ICL. If this flies it will involve ICL consultants in every major Change project across RM (and possibly PO).